

शांति का आधार अस्त्र - बल  
The Force Behind Peace



42<sup>वाँ</sup> वार्षिक विवरण 2011-12  
42<sup>nd</sup> Annual Report 2011-12



भारत डायनामिक्स लिमिटेड  
Bharat Dynamics Limited

कंचनबाग, हैदराबाद - 500 058  
Kanchanbagh, Hyderabad - 500 058



## भविष्य-दृष्टि

रक्षा क्षेत्र के लिए अंतर्राष्ट्रीय स्तर के गुणता उत्पाद बनाने वाला विश्वस्तरीय उद्यम बनना.

## Vision

To be a world-class enterprise producing international standard quality products for the defence industry.

## मिशन

वांतरिक्ष तथा अन्तर्जल अस्त्र-प्रणाली उद्योग क्षेत्र में अग्रणी विनिर्माता के रूप में स्वयं को स्थापित कर देश की सुरक्षा प्रणाली एवं जरूरतों को पूरा करने वाला एक विश्वस्तरीय अत्याधुनिक व उत्कृष्ट उद्यम बन कर उभरना.

## Mission

To establish itself as a leading manufacturer in the aerospace & underwater weapons industry and emerge as a world class sophisticated, state-of-the-art, global enterprise, providing solutions to the security system needs of the country.

## उद्देश्य

- (ए) संचलित प्रक्षेपास्त्रों तथा अंतर्जल संचलित शस्त्र प्रौद्योगिकी व उत्पादन के क्षेत्र में प्रतिस्पर्धी एवं स्वावलंबी बनना.
- (बी) वर्तमान उत्पादन क्षमताओं का अधिकाधिक प्रयोग करना.
- (सी) गैर-रक्षा क्षेत्रों सहित नये क्षेत्रों में प्रवेश करना.

## Objectives

- (a) To become self-reliant and competitive in Guided Missile and Underwater Guided Weapon Technology and Production.
- (b) To maximise utilisation of existing production capacities.
- (c) To diversify into new fields including non-defence related areas.





**भूतपूर्व मुख्य कार्यपालक**  
**FORMER CHIEF EXECUTIVES**



क्र. सं. Sl. No.	नाम Name	अवधि Period	
		से From	तक To
1.	एअर वाइस मार्शल एस जे दस्तूर (नि.) Air Vice Marshal SJ Dastur (Retd)	22-09-1970	10-04-1974
2.	ब्रिगेडियर जे पी एंथोनी (नि.) Brig J P Anthony (Retd)	11-04-1974	31-08-1977
3.	विंग कमांडर वी एम चितले (नि.) Wg Cdr V M Chitale (Retd)	01-09-1977	30-09-1980
4.	श्री जेड पी मार्शल Shri Z P Marshall	01-10-1980	07-11-1988
5.	एअर कमांडोर आर गोपालस्वामी, अविसेमे, विसेमे (नि.) Air Cmde R Gopalaswami, AVSM, VSM (Retd)	08-11-1988	30-06-1994
6.	कमांडोर एस राव, विसेमे (नि.) Cmde S Rao, VSM (Retd)	01-07-1994	08-01-2000
7.	श्री एस गोविन्दराजन Shri S Govindarajan	09-01-2000	31-08-2000
8.	श्री वी वी गंगाधर राव Shri V V Gangadhara Rao	01-09-2000	30-06-2002
9.	मेजर जनरल पी मोहनदास, विसेमे (नि.) Maj Gen P Mohandas, VSM (Retd)	24-07-2002	27-04-2005
10.	मेजर जनरल राजनीश गोसाईं (नि.) Maj Gen Raajnish Gossain (Retd)	28-04-2005	30-04-2008
11.	कमांडोर पी के सामंता, विसेमे (नि.) Cmde P K Samanta, VSM (Retd)	01-05-2008	30-06-2008
12.	मेजर जनरल रवि खेतरपाल, विसेमे (नि.) Maj Gen Ravi Khetarpal, VSM (Retd)	01-07-2008	31-03-2012

## लेखापरीक्षा समिति

प्रोफेसर आर के मिश्र, अध्यक्ष  
श्री के एल मेहरोत्रा, सदस्य  
श्री ए के कपूर, सदस्य  
श्री एम लक्ष्मीनारायण, सचिव

## प्रधान कार्यपालकगण

श्री एम ईश्वर, आईटीएस  
मुख्य सतर्कता अधिकारी

श्री पी माधव राव  
अधिशाली निदेशक (सैम)

श्री एल धनंजय  
अधिशाली निदेशक (डी अण्ड ई)

डॉ. एन के राजू  
अधिशाली निदेशक (का. एवं प्रशा.)

श्री ईमनि कृष्ण  
महाप्रबंधक (एस डब्ल्यू)  
(31 अगस्त 2012 तक)

श्री बी शिव राम प्रसाद  
महाप्रबंधक (विपणन एवं संव्यवहार विकास)

श्री पी आर वी प्रसाद  
महाप्रबंधक (भानूर इकाई)

श्री पी के दिवाकरन  
महाप्रबंधक (उत्पादन)-भानूर इकाई

श्री आर बालकृष्णन  
महाप्रबंधक (सीसी एवं सीपी)

श्री ई एस मोहन रेड्डी  
महाप्रबंधक (वित्त)

श्री वी उदय भास्कर  
महाप्रबंधक (इनवार)

श्री जी जयराम रेड्डी  
महाप्रबंधक (आकाश - जीएस एवं पीएमजी)

श्री पी नरसिंग राव  
महाप्रबंधक (आकाश मिसाइल)

श्री अशोक अपसिंगीकर  
महाप्रबंधक (निगम - गुणता नियंत्रण)

श्री के लक्ष्मीराजम  
महाप्रबंधक (अन्य परियोजनाएं)

## AUDIT COMMITTEE

PROF RK MISHRA, Chairman  
SHRI KL MEHROTRA, Member  
SHRI AK KAPOOR, Member  
SHRI M LAKSHMI NARAYANA, Secretary

## PRINCIPAL EXECUTIVES

SHRI M ESHWAR, ITS  
Chief Vigilance Officer

SHRI P MADHAVA RAO  
Executive Director (SAM)

SHRI L DHANANJAYA  
Executive Director (D&E)

DR NK RAJU  
Executive Director (P & A)

SHRI EMANI KRISHNA  
General Manager (SW)  
(Upto 31 Aug 2012)

SHRI B SIVA RAMA PRASAD  
General Manager (Marketing & BD)

SHRI PRV PRASAD  
General Manager (BU)

SHRI PK DIVAKARAN  
General Manager (Production)-BU

SHRI R BALAKRISHNAN  
General Manager (CC & CP)

SHRI ES MOHAN REDDY  
General Manager (Finance)

SHRI V UDAYA BHASKAR  
General Manager (INVAR)

SHRI G JAI RAM REDDY  
General Manager (Akash-GS & PMG)

SHRI P NARSINGA RAO  
General Manager (Akash-Missiles)

SHRI ASHOK APSINGIKAR  
General Manager (Corporate QC)

SHRI K LAXMI RAJAM  
General Manager (OPs)



### लेखापरीक्षक

मेसर्स डी वी रमण राव अॅण्ड कं.  
चार्टर्ड अकाउण्टण्ट्स  
हैदराबाद

### आंतरिक लेखापरीक्षक

मेसर्स एम भास्कर राव अण्ड कं., चार्टर्ड अकाउण्टण्ट्स  
मेसर्स महेश, वीरेन्दर एवं श्रीराम, चार्टर्ड अकाउण्टण्ट्स  
मेसर्स राममूर्ति (एन) अण्ड कं., चार्टर्ड अकाउण्टण्ट्स

### कर परामर्शदाता

बंसल एवं दवे, चार्टर्ड अकाउण्टण्ट्स

### विधि परामर्शदाता

श्री के श्रीनिवास मूर्ति  
श्री पी नागेश्वरश्री

### बैंकर्स

आन्ध्र बैंक  
स्टेट बैंक ऑफ इण्डिया  
कार्पोरेशन बैंक  
केनरा बैंक

### पंजीकृत कार्यालय

कंचनबाग पोस्ट  
हैदराबाद - 500 058  
आन्ध्र प्रदेश, भारत  
ईपीएबीएक्स 040-24587466 एवं 040-24587777  
फैक्स 040-24340464

### ई-मेल

[bdlitd@ap.nic.in](mailto:bdlitd@ap.nic.in)

### वेबसाइट

<http://bdl.ap.nic.in>

### AUDITORS

M/s. DV RAMANA RAO & CO.  
Chartered Accountants  
Hyderabad

### INTERNAL AUDITORS

M/s. M BHASKARA RAO & CO., Chartered Accountants  
M/s. MAHESH, VIRENDER & SRIRAM, Chartered Accountants  
M/s. RAMAMOORTHY (N) & CO., Chartered Accountants

### TAX CONSULTANTS

BANSAL & DAVE, Chartered Accountants

### LEGAL ADVISORS

SHRI K SRINIVASA MURTHY  
SHRI P NAGESWARASREE

### BANKERS

ANDHRA BANK  
STATE BANK OF INDIA  
CORPORATION BANK  
CANARA BANK

### REGISTERED OFFICE

KANCHANBAGH POST  
HYDERABAD - 500 058  
ANDHRA PRADESH, INDIA  
EPABX 040-24587466 & 040-24587777  
FAX 040-24340464

### E-MAIL

[bdlitd@ap.nic.in](mailto:bdlitd@ap.nic.in)

### WEBSITE

<http://bdl.ap.nic.in>

## दस वर्षों पर दृष्टिपात TEN YEARS AT A GLANCE

विवरण Particulars	इकाई Units	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
बिक्री Sales	₹ करोड़ ₹ Cr.	277.72	524.80	450.98	531.53	433.51	454.38	464.82	627.23	939.16	959.12
निर्माणाधीन कार्य/संव्यवहाराधीन मण्डार में परिवर्तन Changes in WIP/SIT	₹ करोड़ ₹ Cr.	52.66	(2.33)	14.81	2.75	(47.67)	51.47	58.24	4.38	(28.18)	33.82
उत्पादन मूल्य Value of Production	₹ करोड़ ₹ Cr.	330.38	522.47	465.79	534.28	385.84	505.85	523.06	631.61	910.98	992.94
सामग्री की खपत Material Consumption	₹ करोड़ ₹ Cr.	186.36	333.51	313.47	329.01	239.89	351.99	364.84	438.01	580.14	633.53
परिवर्द्धित मूल्य Value Added	₹ करोड़ ₹ Cr.	144.02	188.96	152.32	205.27	145.95	153.86	158.22	193.60	330.84	359.41
कर-पूर्व लाभ Profit Before Tax	₹ करोड़ ₹ Cr.	102.05	79.24	52.28	118.81	50.80	72.49	74.23	50.63	79.17	348.19
कराधान के बाद लाभ Profit After Tax	₹ करोड़ ₹ Cr.	64.53	50.56	30.66	76.72	32.74	47.65	47.67	33.77	51.70	234.96
ईक्विटी Equity	₹ करोड़ ₹ Cr.	115.00	115.00	115.00	115.00	115.00	115.00	115.00	115.00	115.00	115.00
प्रारक्षित एवं अधिशिष्ट निधि Reserves & Surplus	₹ करोड़ ₹ Cr.	278.17	302.78	307.22	357.79	363.62	384.37	405.13	412.08	437.05	617.38
सकल निरुद्ध (इक्विटी नि.कर. जेडकर) Gross Block(Excl.Cap.WIP)	₹ करोड़ ₹ Cr.	315.69	325.11	330.28	333.51	359.09*	376.49	403.42	461.20	488.08	604.24
सामग्री-सूची Inventory	₹ करोड़ ₹ Cr.	342.92	358.27	384.62	454.53	338.92	434.25	623.11	570.26	502.19	602.57
विविध देनदार Sundry Debtors	₹ करोड़ ₹ Cr.	5.05	14.93	24.17	13.87	19.51	21.54	8.95	33.58	45.15	88.39
कार्यगत पूँजी Working Capital	₹ करोड़ ₹ Cr.	301.29	312.20	316.21	361.94	371.79	384.96	404.86	360.44	370.66#	458.97
नियोजित पूँजी Capital Employed	₹ करोड़ ₹ Cr.	386.04	395.86	396.03	437.84	458.15*	478.59	508.81	503.66	502.34	633.28
निवल मालियत Net Worth	₹ करोड़ ₹ Cr.	384.08	398.66	407.99	457.09	470.86*	495.55	519.93	526.88	551.85	732.19
कर्मचारियों की संख्या Number of Employees	संख्या Nos.	3120	2917	2909	2814	2742	2715	2788	2894	2897	2869
कर्मचारी पर लागत Employee Costs	₹ करोड़ ₹ Cr.	81.69	80.74	81.99	84.71	94.71	149.63	151.16	178.84	234.53	240.32
पारिश्रमिक प्रति ₹ पर परिवर्द्धित मूल्य Value Added per ₹ of Wage	₹	1.76	2.34	1.86	2.42	1.54	1.03	1.05	1.08	1.41	1.50
परिवर्द्धित मूल्य प्रति कर्मचारी Value Added per Employee	₹ लाख ₹ Lakh	4.62	6.48	5.24	7.29	5.32	5.67	5.67	6.69	11.42	12.53
प्रति शेयर अर्जन (ईपीएस) Earnings per Share (EPS)	₹	561	440	267	667	285	414	415	294	450	2043

\* 2006-07 की स्थायी परिसंपत्तियों की अनुसूची का पुनर्समूहन के कारण वर्ष 2007-08 में पुनर्व्यवस्थीकरण किया गया. # संशोधित अनुसूची VI के अनुरूप परिशोधित.

\* Re-adjusted due to regrouping of Fixed Assets Schedule of 2006-07 in the year 2007-08. # Modified as per revised schedule VI.



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## BOARD OF DIRECTORS

### CHAIRMAN & MANAGING DIRECTOR



**Shri SN Mantha**  
(From 01 Apr 12)

### GOVERNMENT DIRECTORS



**Shri PK Mishra**  
Joint Secretary (Missile System)  
DDP, MoD (From 27 Apr 11)



**Shri RG Viswanathan**  
Addl.FA (R&D) & Joint Secretary, MoD  
(From 15 Jun 11)

### INDEPENDENT DIRECTORS



**Prof RK Mishra**  
Sr Prof & Director, IPE



**Shri KL Mehrotra**  
Former CMD, Manganese Ore (I) Ltd



**Shri AK Kapoor**  
Emeritus Scientist, DRDO  
(From 16 Feb 12)

### WHOLE TIME DIRECTORS



**Air Vice Mshl PK Srivastava,**  
VSM (Retd)  
Director (Production)



**Shri SV Subba Rao**  
Director (Finance)  
(From 01 Jul 11)

### PERMANENT SPECIAL INVITEES



**Vice Admiral RK Dhowan,**  
PVSM, AVSM, YSM  
Vice Chief of Naval Staff (Ex-Officio)  
(From 01 Sep 11)



**Lt Gen Narendra Singh,**  
SM, VSM  
Dy Chief of Army Staff (P&S) (Ex-Officio)  
(From 01 Oct 11)



**Air Mshl DC Kumaria,**  
PVSM, AVSM, VM, VSM, ADC  
Vice Chief of Air Staff (Ex-Officio)  
(From 01 Jun 12)



**Shri AK Chakrabarti,**  
Director, DRDL  
DRDO Nominee  
(From 17 Aug 12)

### COMPANY SECRETARY



**Shri M.Lakshmi Narayana**

### FORMER DIRECTORS/PERMANENT SPECIAL INVITEES



**Maj Gen Ravi Khetarpal,**  
VSM (Retd)  
Chairman and Managing Director  
(Up to 31 Mar 12)



**Shri P Venugopalan**  
Outstanding Scientist & Director,  
DRDL (Nominated by DRDO)  
(Up to 31 Mar 12)



**Air Mshl KK Nohwar,** PVSM, VM, ADC  
Vice Chief of Air Staff  
(Ex-Officio)  
(From 01 Aug 11 to 31 May 12)



**Vice Admiral DK Dewan,** AVSM  
Vice Chief of Naval Staff  
(Ex-Officio)  
(Up to 31 Aug 11)



**Lt Gen JP Singh,** AVSM  
Dy Chief of Army Staff (P&S)  
(Ex-Officio)  
(Up to 30 Sep 11)



## CHAIRMAN'S STATEMENT



Dear Members,

It is a pleasure for me to inform you of the achievements of your Company during the past one year and also share with you the plans about the Company's future.

### PERFORMANCE DURING THE PAST YEAR

The Company has achieved a Sales turnover of ₹959.12 Crore for 2011-12 as against ₹939.16 Crore in 2010-11 registering slight increase in turnover over the previous year. Value of Sales (VoS) for 2011-12 stood at ₹959.12 Crore and Value of Production (VoP) at ₹992.94 Crore. Gross Block of fixed assets of the Company (including special tools and equipment) stood at ₹604.24 Crore representing an increase of ₹116 Crore over 2010-11.

Directors recommended payment of a dividend of ₹47.0005 Crore at 40.87% on the paid up capital of ₹115.00 Crore.

The Company continues to focus on product development, capability building, expansion and human resource development as thrust areas.

The Company has signed Memorandum of Understanding with Government of India for the year 2012-13 and the Company expects a rate of "Excellent" for the year 2011-12.

### COST REDUCTION

Indigenisation of products like Konkurs-M ATGM, Invar ATGM and Milan-2T achieved upto 90%, 80% and 71% respectively. e-Reverse auction is implemented wherever possible which resulted in more competitive prices and reduction in material cost. The Company is in the process of enhancing production capacities through modernization and accelerating indigenization programme to improve the production.



## REGULAR INTERACTION WITH CUSTOMERS

Periodic meetings are being organized between BDL and users for monitoring the progress, supply status of the indents placed on the Company by the Forces. As the situation warrants, the meetings are held under the aegis of MoD. The Company is maintaining total transparency in all its actions while supplying the items to the armed forces.



*Air Marshal K K Nohwar, PVSM, VM, ADC, Vice Chief of Air Staff, interacting with CMD and Directors during his visit to BDL on 03 Apr 2012.*

## VENDOR DEVELOPMENT

Continuous efforts are being made for increase in vendor base for various projects thereby considerable reduction in material cost is expected. Vendor Meets are being organized on need basis. The Company is providing assistance towards development of Tools, Jigs, Fixtures, testing and related training in manufacturing technology to various vendors to develop and produce the indigenous components. e-Procurement is implemented and details of orders are being placed in the Website of the Company.

## CORPORATE SOCIAL RESPONSIBILITY

Being a responsible corporate citizen, BDL views its business as maximization of value of all stakeholders and CSR is considered to be a vital source of competitive advantage. The Company

has been proactively pursuing CSR activities at its various divisions since inception. The activities include adoption of villages for upliftment of the socially and economically backward section by providing infrastructure, health, education, drinking water facilities, etc.

Company is committed and taking all steps to comply with the Guidelines on CSR issued by the Department of Public Enterprises (DPE).

## CORPORATE GOVERNANCE

The Company has a well established, transparent and fair administrative set up to provide for professionalism and accountability.

A Report on Corporate Governance based on guidelines issued by DPE, Govt. of India to Public Sector Enterprises along with compliance certificate from Practicing Company Secretary is annexed to Directors' Report (**Annexure-III & IV**).

Quarterly and Yearly compliance reports on Corporate Governance are being forwarded to MoD in the prescribed format as per DPE Guidelines.

## ON LINE ELECTRONIC FILING WITH REGISTRAR OF COMPANIES (RoC) / MINISTRY OF CORPORATE AFFAIRS (MCA)

The Company is compliant with the MCA-21 regime. The Company has been filing online electronic filing with digital signature, all forms and returns under the Companies Act, 1956 and the Rules made thereunder. The Company 'CIN' number is U24292AP1970GOI001353.

## IMPLEMENTATION OF INTEGRITY PACT

With a view to maintain transparency in all dealings with contractors and vendors and keeping with international practices, BDL developed an Integrity Pact Programme. Lt Gen Arvind Mahajan PVSM, AVSM, VSM and Bar (Retd) and





Dr.Ashok Narayan, IAS (Retd) since their appointment on 13 Apr 2010 by CVC as Independent External Monitors (IEMs) of BDL participated in finalization of Integrity Pact Programme and regularly monitoring the implementation of the same w.e.f 01 Nov 2011.

All the tenders for the contracts for Civil Works with a threshold value of ₹10.00 Crore and above, Capital Items with a threshold value of ₹5.00 Crore and above, Service Contracts with a threshold value of ₹2.00 Crore and above and production items with a threshold value of ₹20.00 Crore and above are the subject matters of Integrity Pact of the Company.

#### IMPLEMENTATION OF RIGHT TO INFORMATION ACT, 2005

The Company is complying with the provisions of the Right to Information Act, 2005. All the information sought by the applicants under the Act have been furnished as per the provisions of the RTI Act, 2005.

#### NEW PRODUCTION FACILITIES

The Land acquisition process at Amravathi, Maharashtra and Ibrahimpatnam, Ranga Reddy

District, Andhra Pradesh is in progress for the upcoming new projects of the Company.

#### CONCLUSION

I highly appreciate the support extended by our customers, business associates and the various Ministries of the Government of India, particularly the Ministry of Defence, Department of Defence Production and the three Services. I wish to thank M/s. DV Ramana Rao & Co., the Statutory Auditors of the Company and the Principal Director of Commercial Audit and Ex-Officio Member, Audit Board for the valuable advice received and cooperation extended from them. The dedication and commitment of our employees and officers at all levels continues to be the major strength of the Company. My sincere thanks are due to my colleagues on the Board for their support and valuable advice in all areas of the Management. We shall make continuous efforts to build on these strengths to face future challenges and sustain the momentum in growth. In conclusion, I would like to state that your Company is gearing up to meet the challenges and we can look forward to a bright future.

With best wishes,

Place: Hyderabad  
Date: 29 Aug 2012

**SN MANTHA**  
Chairman and Managing Director



## NOTICE

### **BHARAT DYNAMICS LIMITED**

REGISTERED OFFICE:  
KANCHANBAGH POST,  
HYDERABAD – 500 058.

**NOTICE** is hereby given that 42<sup>nd</sup> Annual General Meeting of **BHARAT DYNAMICS LIMITED** will be held on Monday, the 24 Sep 2012 at 15:30 hours at the Registered Office of the Company at Kanchanbagh Post, Hyderabad – 500 058 to transact the following business:

#### **ORDINARY BUSINESS**

- (1) To consider and adopt Balance Sheet as at 31 Mar 2012, Statement of Profit and Loss and Cash Flow Statement for the year ended as on that date and Report of Directors and Auditors thereon.
- (2) To declare a dividend on the Equity Shares, if any.

#### **SPECIAL BUSINESS**

- (3) To consider and approve enhancement of Audit Fees payable to Statutory Auditors of the Company and in this connection, to consider and if thought fit, to pass with or without any modification, the following Resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 224(8)(aa) of Companies Act, 1956, Audit Fee payable to Statutory Auditors of the Company be and is hereby enhanced from ₹2,00,000/- to ₹3,50,000/- p.a. from the Financial Year 2011-12 and onwards.”

**By Order of the Board of Directors**

**Place: Hyderabad**  
**Date : 30 Aug 2012**

**(M.LAKSHMI NARAYANA)**  
**Company Secretary**

- Notes: (i) **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.**
- (ii) Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is enclosed in respect of item (3) for enhancement of audit fee to the Statutory Auditors.





Enclosure to NOTICE .

## **Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956**

### **Item No. (3)**

M/s. DV Ramana Rao & Co., Chartered Accountants were appointed as Statutory Auditors for the Financial Year 2011-12 by Comptroller and Auditor General of India fixing the Audit Fee at ₹2,00,000/-. Considering the increase in workload, increase in establishment costs and as per the minimum scale of fee recommended by the Institute of Chartered Accountants of India, the Statutory Auditors have requested to increase the Audit Fee to ₹5,75,000/-.

Audit Committee of the Board of Directors of the Company at its 36<sup>th</sup> Meeting held on 24 Mar 2012 and the Board of Directors of the Company at its 203<sup>rd</sup> meeting held on 04 May 2012, recommended enhancement of annual remuneration of the Statutory Auditors from ₹2,00,000/- to ₹3,50,000/- w.e.f Financial Year 2011-12. Approval of the shareholders is required as per the provisions of Section 224(8)(aa) of the Companies Act, 1956.

Directors of the Company recommend the Resolution for approval of the shareholders.

None of the Directors of the Company is interested in this Resolution.

\*\*\*\*



## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 42<sup>nd</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31 Mar 2012.

### 2 HIGHLIGHTS OF OPERATIONS

2.1 The Company has achieved a Sales turnover of ₹959.12 Crore for 2011-12 as against ₹939.16 Crore in 2010-11 registering slight increase in turnover over the previous year.

2.2 Value of Sales (VoS) for 2011-12 is ₹959.12 Crore and Value of Production (VoP) is ₹992.94 Crore.

2.3 Major achievements during 2011-12 are:-

- The Company achieved a turnover of ₹643.21 Crore in respect of ATGMs,
- The turnover in respect of Akash SAM ₹149.25 Crore,
- The Turnover in respect of C-303 and others ₹166.66 Crore.

### 3 PERFORMANCE

3.1 Performance of the Company in financial terms is summarized below:

Particulars	₹ Crore		% of Increase/ (Decrease)
	2011-12	2010-11	
Value of Sales	959.12	939.16	2%
Value of Production	992.94	910.98	9%
Profit Before Tax	348.19	79.17	340%
Profit After Tax	234.96	51.70	354%
Value Added	359.41	330.84	9%

3.2 Following data reflects the financial position of the Company:

Particulars	₹ Crore		% of Increase/ (Decrease)
	2011-12	2010-11	
Gross Block	604.24	488.08	24%
Depreciation Reserve	392.57	346.95	13%
Net Block	211.67	141.13	50%
Working Capital	458.97	370.66	24%
Capital Employed	633.28	502.34	26%
Net Worth	732.19	551.85	33%

### 4 DIVIDEND & TRANSFER TO GENERAL RESERVE

Your Directors have pleasure in recommending payment of a dividend of ₹47.0005 Crore at 40.87% on the paid up capital of ₹115.00 Crore. The Directors also recommend that a sum of ₹180.00 Crore be transferred to General Reserve.



*Dividend cheque for the FY 2010-11 being presented to Hon'ble Raksha Mantri Shri AK Antony by CMD and Director (Finance). Shri Shekhar Agarwal, Secretary (DP) and Shri PK Mishra, JS(MS) were present on the occasion.*





## 5 FINANCE

Total paid up capital stood at ₹115.00 Crore. Gross Block of fixed assets of the Company (including special tools and equipment) stood at ₹ 604.24 Crore representing an increase of ₹116.16 Crore over 2010-11.



*Shri SV Subba Rao, Director (Finance) was conferred Achievers and Leaders Award (Finance) during the IPE BFSI Awards Ceremony held on 30 Jun 2012.*

## 6 PERFORMANCE AGAINST MoUs

During the year 2010-11, the Company achieved a rating of "Very Good". The MoU performance for the year 2011-12 is likely to be "Excellent".

## 7 COST REDUCTION

7.1 e-Reverse auction is implemented wherever possible which resulted in more competitive prices and reduction in material cost.

7.2 Continuous efforts are being made for increase in vendor base for various projects thereby considerable reduction in material cost is expected.

7.3 Wherever possible recruitment is done on temporary basis to avoid commitment on manpower cost on long term basis i.e., upto superannuation.

7.4 As a part of energy audit power saving devices are introduced, which resulted in less electricity charges.

## 8 ECONOMY MEASURES

Inventory of raw-material, work-in-progress and spare parts is maintained at optimal levels. Energy consumption, fixed and variable overheads and Contingency expenditures are being constantly reviewed and pruned to bare minimum.

## 9 MODERNIZATION AND UPGRADATION

9.1 Capacities of ATGMs and other products are being ramped up. Process of establishing new units at Amravathi, Maharashtra and Ibrahimpatnam, Ranga Reddy District, Andhra Pradesh are in progress. Civil infrastructure is being created and modernization / upgradation of plant and machinery are ongoing.



*Maj Gen S C Jain, VSM, Cdr, HQ Tech Gp EME, IHQ of MoD (Army) interacting with CMD and Director (Production) on his visit to BDL on 17 May 2012.*

9.2 e-Procurement and e-Recruitment was implemented resulting in substantial benefits to the organization. The organization is planning to increase the scope of application to harness increased benefits of e-procurement and



e-recruitment. Enterprise Resource Planning (ERP) has been planned for implementation in all divisions during 2012-14.

9.3 The IT infrastructure was upgraded to meet the changing requirements. On the security front, modernization to mitigate different threats is being planned continuously.

## 10. FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings of foreign exchange for the year was ₹0.11 Crore and the outgo was ₹419.44 Crore.

## 11 EXHIBITIONS

BDL has participated in the following exhibitions during the year 2011-12:

- **India International Trade Fair** held at New Delhi from 14-27 Nov 2011.
- **Singapore Air Show – 2012** held at Changi Exhibition Centre, Singapore from 14-19 Feb 2012.
- **MSME Defexpo – 2012** exhibition held at Bengaluru from 02-04 Mar 2012.
- **Defexpo – 2012** held at New Delhi from 29 Mar – 01 Apr 2012.



*Shri AK Antony, Hon'ble Raksha Mantri being received by Directors at BDL stall during Defexpo-2012.*



*Vice Admiral RK Dhowan, PVSM, AVSM, YSM, Vice Chief of Naval Staff being received by CMD and Directors at BDL stall during Defexpo-2012*



*Shri Antoine Bovier, CEO, MBDA and Gen Michel Petre, Director, SAM, MBDA were briefed by Director (Production) on their visit to BDL Stall during Eurosatory 2012 exhibition held during 11 - 15 Jun 2012 at Paris, France.*

## 12 BOARD OF DIRECTORS

12.1 During the year under report, eight meetings of the Board of Directors were held and the Annual General Meeting of the Company for the year 2010-11 was held on 19 Sep 2011.

12.2 Shri A K Kapoor, Emeritus Scientist, DRDO appointed as Part-time Non-official Director (Independent Director) w.e.f 16 Feb 2012. Shri SN Mantha, Director (Technical) appointed as Chairman and Managing Director of the Company w.e.f. 01 Apr 2012 in place of Maj Gen Ravi Khetarpal, VSM (Retd) who retired





on attaining superannuation on 31 Mar 2012.

12.3 Process of filling up the vacancy of Director (Technical) is in progress.

### 13 HUMAN RESOURCE DEVELOPMENT



*BDL signed an MoU on 29 Feb 2012 with BITS-Pilani with the objective of fostering academic and research interaction. Dr NK Raju, ED(P&A), BDL and Prof Bijendra Nath Jain, Vice Chancellor, BITS-Pilani exchanging the MoU documents.*

13.1 The Company, through its in-house Institute of System, Technology & Management (ISTM) during the financial year 2011-12, conducted various Skill/ Knowledge/Attitude development oriented In-House and External Training Programmes for Executives and Non-Executives.

13.2 343 Executives were trained through In-house programmes on various topics i.e.



*A two day programme on 'Acquiring Mentorship Skills' was organized at BDL during 29 - 30 Jun 2012. Dr. Shailesh Thaker, Management Thinker and Internationally renowned Management Guru was invited to impart the training.*

Scientific and Research oriented, Technology Development, Managerial Skill Development, Quality, Management and e-Procurement.

13.3 463 Non-executives from Technical and Non-Technical areas were trained in General Development, Environmental issues, Missile Technology and Computers.

13.4 237 Executives were deputed for External Training programs from Finance, Quality control, Production, Maintenance and Information Technology.

13.5 154 Non-Executives were deputed for the programs out side the premises of BDL. They were trained in Quality control, Production, Maintenance, Finance, CNC and manufacturing processes.

13.6 Utmost care has been taken to depute Executives and Non-Executives to In-house as well as External training programs from SC, ST, OBC and Minority communities according to MoU with the Ministry.

13.7 As per MoU 2011-12, the following are the target and achievement figures:

(Number of employees)

Particulars	Target	Achieved
External Trg. Minorities	22	41
External Trg. Others	198	350
Internal Trg. Minorities	65	77
Internal Trg. Others	585	729
<b>Total</b>	<b>870</b>	<b>1197</b>



*Dr. NK Raju, Executive Director (P&A) was awarded "Innovative HR Practices Award" at Global HR Excellence Awards 2012, conferred by World HRD Congress on 17 Sep 2012.*



## 14 INDUSTRIAL RELATIONS AND EMPLOYEE WELFARE

14.1 Cordial and harmonious industrial relations were maintained in the Company with the cooperation from all sections of employees Viz, recognized and other registered Trade Unions and Associations such as SC, ST, OBC and Officers Association. Statutory Committees such as Works Committee and Shop level and Plant level Committees have ensured work discipline amongst shop floor areas.

14.2 Career plan for Non-Executives was revised and a Memorandum of Settlement with recognized Union was signed and implemented during the year.

14.3 Compliance on statutory welfare provisions is followed meticulously. Management continued to extend non-statutory welfare facilities such as School fee reimbursement, Canteen allowance, Uniform, Shoe, etc., during the year. The Company has been taking care of medical needs of employees and their family members as per BDL Medical Rules. Retired employees and their spouses are covered under Retired Employees Medical Insurance Scheme.

14.4 Verification elections were held on 11 Feb 2012 by the Regional Labour Commissioner (C), Hyderabad to determine majority Union to represent the employees. Bharat Dynamics Employees Union (BDEU) affiliated to CITU secured majority votes.

## 15 DIRECTORS' RESPONSIBILITY STATEMENT

As per Section 217(2AA) of Companies Act, 1956 as amended, the Directors state:

- i) that in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures therefrom.

- ii) that the selected accounting policies have been applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the Company for the year ended 31 Mar 2012.

- 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, 1956 as amended for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- iv) that the annual accounts have been prepared on a going concern basis.

## 16 FOREIGN VISITS

The Company incurred an expenditure of ₹14.02 Lakhs during the year towards foreign travel for training of personnel and on business trips.

## 17 SAFETY



41<sup>st</sup> National Safety Day celebrations were held at BDL during 04 - 11 Mar 2012.





*Fire Safety Wing of BDL Bhanur was awarded World Safety Day Shield on 28 Apr 2012 on the eve of World Safety Day 2012.*

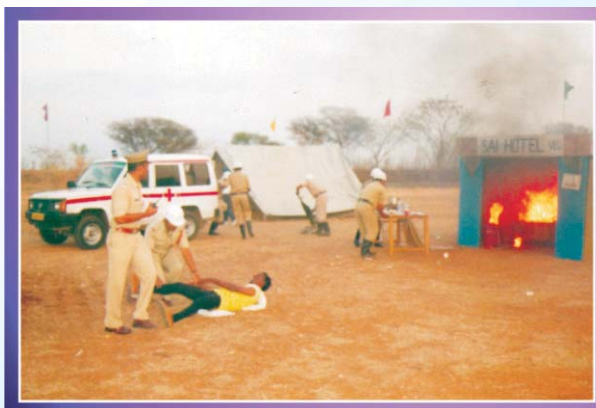
Safety, Health and Environment are well maintained at BDL. The two corporate committees i.e. Industrial Safety Committee which is statutory and Explosive Safety Committee are functioning to cater to the needs of the Company. Safety Committee Meetings are held at regular intervals for monitoring safety, health and environment as per statutory requisites. The works are carried out in compliance with The Factories Act, 1948 and strictly adhere to STEC (Storage and Transport of Explosive Committee) regulations for explosives safety. Regular medical check up is conducted for employees working in hazardous zones by qualified Medical Officers. Approvals have been obtained for Akash Process Buildings and Magazines from CFEES, New Delhi and construction is under progress. Management Approval has been obtained for location of Missile Test Bed (MTB) at Ibrahimpatanam Unit. Training programmes are organized by HRD through National Safety Council, Mumbai, Central Labour Institute, Mumbai, Regional Labour Institute, Chennai and Centre for Fire, Explosive and Environment Safety, Ministry of Defence, New Delhi to inculcate safety consciousness and to establish safe working environment in the premises. Safety Week / Month is celebrated during the month of March

with enthusiasm. Various competitions and programmes are conducted by the Safety Engineering Department and employees are awarded to boost their interest in safety. Safety Department is in continuous interaction with the Inspector of Factories (A.P.), A.P. Pollution Control Board and CFEES, New Delhi to update their guidelines for compliance. Fire "Mock Drill" is conducted to ensure fire-fighting preparedness.

## 18 SECURITY

18.1 Central Industrial Security Force (CISF) under the unified command of Commandant is deployed at Kanchanbagh and Bhanur units for Security and Fire Services requirements. Regular security reviews are conducted by the Management and CISF to beef up security of the plant and machinery. Periodical meetings are held with local police and civil authorities and the Company had a crime free time during the year.

18.2 Regular programmes on security awareness were conducted besides observing Security week/Fire Week. Employees are



*National Fire Safety Week was observed during 14 - 20 Apr 2012. A mock drill was conducted by CISF to sensitize the employees about fire safety.*



sensitized on the security threat and action to be taken in case of fire. IB guidelines are implemented to streamline the security requirements of the Company.

18.3 Computer photo passes, CCTV Cameras, Door Frame Metal Detectors are in use to meet security surveillance. Barricades, Boom Barriers and Morchas are provided at Outer Gate to strengthen the physical security measures. Biometric Access Control System and exit is introduced to ward off unauthorized entries. Efforts are on to cover more areas under CCTV surveillance.

## 19 RESERVATION OF POSTS FOR SCs/ STs AND TOTAL MANPOWER

19.1 The Company has been following Presidential Directives of the Government with regard to reservation of posts for SCs / STs.

19.2 The strength of the personnel as on 31 Mar 2012 is 2869 indicating a decrease of 28 persons compared with that of the previous year. Of the total employees, 95 are Ex-Servicemen, 516 belongs to Scheduled Castes and 176 belongs to Scheduled Tribes. The existing percentage of Scheduled Castes and Scheduled Tribes in respect of Non-executives is 18.83% and 5.02% and in respect of Executives, it is 15.79% and 9.15% respectively.

19.3 There are 273 employees as on 31 Mar 2012 appointed in Group-C on temporary basis. Out of these employees 67 belong to SC category, 19 belong to ST category and 3 are Ex-servicemen.

19.4 The representation of Scheduled Castes and Scheduled Tribes in various categories of posts in the Company as on 31 Mar 2012 is as follows:

Category	Number of Employees					
	Total Strength		Scheduled Castes		Scheduled Tribes	
	31Mar11	31Mar12	31Mar11	31Mar12	31Mar11	31Mar12
Group-A	511	570	83	95	50	56
Group-B	147	228	19	31	13	17
Group-C	1885	1724	324	299	96	83
	245*	273*	60*	67*	18*	19*
Group-D	354	347	92	91	21	21
<b>Total</b>	<b>3142</b>	<b>3142</b>	<b>578</b>	<b>583</b>	<b>198</b>	<b>196</b>

\* Appointed on temporary basis.

19.5 Recruitment of Scheduled Castes and Scheduled Tribes during the year 2011-12.

Classification of Posts	Total Vacancies Released	Total Recruitment	Reservation of Posts (out of Col.2)		Recruitment made during the Year 2011-12	
			SCs	STs	SCs	STs
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Group-A	30	30	06	01	06	01
Group-B	45	45	07	02	07	02
Group-C	--	---		---		---
	32*	32*	8*	1*	8*	1*
Group-D	1	1	01	--	01	--
<b>Total</b>	<b>108</b>	<b>108</b>	<b>22</b>	<b>4</b>	<b>22</b>	<b>4</b>

\* Appointed on temporary basis.

## 20 EMPLOYMENT OF WOMEN

As per the recommendation No.51, para (ii) (a) of the National Commission for Women (NCW) in its Annual Report for the year 1995-96, the employment situation of Women (percentage) is given below as directed by Ministry of Defence vide their letter No. 39(6)/99/D(B&C), dated 27 Aug 1999.





## I. EXECUTIVES:

Grade	Total	Women	Percentage
I	228	37	16.22%
II	114	13	11.40%
III	61	10	16.39%
IV	92	12	13.04%
V	144	7	4.86%
VI	108	0	0%
VII	35	1	2.85%
VIII	9	0	0%
IX	3	0	0%
Schedule-'C'	3	0	0%
Schedule-'B'	1	0	0%
<b>Total</b>	<b>798</b>	<b>80</b>	<b>10.02%</b>

## II. NON-EXECUTIVES:

Grade	Total	Women	Percentage
WG-1	124	15	12.09%
WG-2	244	39	15.98%
	155*	11*	
WG-3	141	29	20.56%
WG-4	189	32	16.93%
	118**	21**	
WG-5	48	8	16.66%
WG-6	142	8	5.63%
WG-7	28	1	3.57%
WG-8	65	3	4.61%
WG-9	215	12	5.58%
WG-10	158	23	14.55%
WG-11	717	46	6.41%
<b>Total</b>	<b>2344</b>	<b>248</b>	<b>10.58%</b>

\* 155 employees appointed on temporary basis (including 11 women employees)

\*\* 118 employees appointed on temporary basis (including 21 women employees)



*Women in Public Sector (WIPS) Southern Region's first meet was conducted at BDL on 20 Jul 2012.*

## 21 PHYSICALLY CHALLENGED (PC) EMPLOYEES

There are 16 Executives and 72 Non-executives who are physically challenged. Further, 16 physically challenged persons were appointed on temporary basis. The percentage of total Physically Challenged Employees works out to 3.31% (Including temporary employees).

## 22 PARTICULARS OF EMPLOYEES

The list of particulars of employees to be furnished as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 is attached to this report (**Annexure-I**):

## 23 ENVIRONMENT AND POLLUTION CONTROL

The Company contributes in all aspects of the environment by maintaining a clean and green environment. Effluent water treatment, waste management, water conservation, tree plantation, planting of flower bearing trees, and land scaping utilizing treated effluent water, was carried out.



## 24 TECHNOLOGICAL CONSERVATION & RENEWABLE ENERGY DEVELOPMENTS

The Company continues to emphasize on energy conservation. Some of the measures adopted for energy conservation include:

- i) Energy Audit conducted in Kanchanbagh Complex by professional agency like IPE (Indian Institute of Plant Engineers).
- ii) Audit recommendation being implemented during 2011-12 & 2012-13.
- iii) Automatic power factor control panels were introduced in different sub-station to improve power factor up to 0.96.
- iv) Solar street lights are planned for introducing in Kanchanbagh unit during 2011-12.
- v) Installed solar water heaters instead of Electric Geysers in Canteen at Bhanur Unit.
- vi) Vizag Unit will implement Solar water heaters and Solar cooking system for the Canteen likely to come up by Dec 2012.
- vii) Solar water heating and Solar cooking will be implemented in new units/divisions likely to come up for 3<sup>rd</sup> Generation Missile production and SRSAM production.
- viii) Installed screw type Air Compressors in place of Conventional reciprocating water cooled Air Compressors, thereby saving energy and water.

## 25 QUALITY

25.1 The Company has given priority to achieving high degree of Quality in all products

delivered. BDL's product range includes missiles which are single shot in nature. In pursuit of this objective BDL has instituted International Quality Systems to ISO 9001 standard in all important manufacturing divisions.

25.2 Six divisions of BDL such as MNR, BHANUR, CP-IGMP, D&E, ITD and ED have been certified to current version of ISO 9001 standard. ISO certification of AKASH Division is planned, which is another important division producing Surface to Air missiles. Considerable amount of progress has been made in this direction and ISO certification is expected in next year.

25.3 The surveillance audits of all above divisions have been conducted by certifying bodies regularly to ensure compliance to ISO 9001 quality requirements for continuation of ISO certification. The Company's thrust in quality areas have resulted in reduced rejections and reworks, improved quality of products and services and also enhanced customer satisfaction.

25.4 ISO 14001 (ENVIRONMENTAL MANAGEMENT SYSTEM) : In this context, BDL has decided to obtain ISO 14001 (EMS) certification for both the units i.e., Kanchanbagh and Bhanur. Presently, actions on preparatory activities are taken up and ISO 14001 certification is likely to be obtained in near future.

## 26 EXPORTS

BDL has not executed any Export order during the year 2011-12.

## 27 FUTURE PLANS

The order book position is healthy with confirmed orders to the tune of ₹19,000 Crore approximately.



## 28 INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company had put in place all required internal controls and systems to meet the canons of financial propriety. External audit firms have been appointed to ensure their adequacy and report thereon. A detailed analysis of the reports of Internal Audit Firms as well as reports of Internal Audit Department of BDL are being placed before the Audit Committee for review and advice. The adequacy of internal control procedures are reviewed and reported by the Statutory Auditors in their Audit Report. BDL being a Government Company is subject to Government Audit also.

## 29 OFFICIAL LANGUAGE (OL) IMPLEMENTATION

29.1 The Provisions of the OL Act 1963 (as amended 1967) & Rules thereunder are being implemented. Quarterly OLIC meetings are held regularly under the Chairmanship of CMD and Directors. Quarterly Progress Reports on use of OL are being sent timely to concerned authorities.

29.2 CMD and other officials participates in TOLIC (PSUs) Meetings regularly. BDL has been awarded TOLIC SHIELD (First place)



*BDL was awarded TOLIC Rajbhasha Shield for Best implementation of Official Language for the year 2010-11 for 10<sup>th</sup> consecutive year.*

consecutively for 10<sup>th</sup> time for the year 2010-11 under major PSUs Category for best implementation of OL.

29.3 Bharat Dynamics Limited has been made TOLIC Head Quarters by DOL, MHA Govt. of India, MHA from May 2011 onwards and CMD, BDL as its Chairman. The Senior Manager (P&A-OL) has been nominated as its Member Secretary.

29.4 All Govt. of India directives issued by Secretary (OL) are strictly complied with. Regular awareness programmes are conducted to sensitize the personnel and address any practical difficulties being experienced by them.

## 30 IMPLEMENTATION OF PRESIDENTIAL DIRECTIVES

The Company received a Presidential Directive No.H-62030/1/0227-D(BDL), dated 27 Apr 09 according sanction for implementation of revised pay scales to the Board level and below Board level executives as per DPE Guidelines issued thereon. Accordingly, the Company has implemented the pay revision in compliance with the Presidential Directive.

## 31 CORPORATE SOCIAL RESPONSIBILITY

31.1 In line with the DPE Guidelines, the Company has Board approved CSR Policy. The Company constituted Board level Committee headed by an Independent Director to monitor the projects under Corporate Social Responsibility (CSR) Plan of the Company. The Company has taken up various activities under CSR.

31.2 Three Vocational Training Programs were conducted on Education, Health related activities and on Vendor Development.





31.3 The Company in association with MSME-DI (Micro Small and Medium Enterprises-Development Institute), Hyderabad, a Govt of India organization conducted two Vocational Training programs viz., Education on “Computer



Vocational Training Programmes on Vendor Development was organized in association with MSME - Development Institute, Govt. of India during 08 - 10 Dec 2011 at Hyderabad.

Hardware” and Vendor Development on “Solar Power Technologies” from 08 to 30 Dec 2011 and also distributed certificates to the successful participants.

31.4 The Company again in association with



Vocational Training on Health Related Activities (First Aid) was organized during 19 - 21 Dec 2011 in association with St. John Ambulance Association at Hyderabad.

St. John Ambulance Association, an international organisation conducted Vocational Training on Health related activities on “First Aid”. The Vocational Training was conducted from 19 to 21 Dec 2011 and certificates were distributed to the successful candidates.

31.5 The Company signed MoU with Tata Institute of Social Sciences (TISS), NCSR Hub on 14 Nov 2011. TISS completed Baseline Survey and the possible areas of interventions were submitted on 13 Feb 2012, draft Baseline Report was submitted on 21 Feb 2012 and the final report was submitted on 21 Mar 2012. Basing on the interventions projected by TISS through Baseline Survey, the projects were selected and informed to TISS for consent on 01 Mar 2012 and on the same day acceptance was received from TISS.

31.6 Following are the details of projects and the NGOs identified. In respect of Roads, the NGO is yet to be identified.

Sl.No.	Project	NGO
1	Sanitation- Low cost Toilets	AFPRO - Listed with TISS.
2	Health Care- Mobile Medicare Unit	Help Age India- Listed with TISS.
3	Water- Potable Drinking Water	Naandi Foundation- Listed with TISS.
4	Mid-Day Meal	The Akshayapatra Foundation (TAPF) - Listed with TISS.
5	Roads	Local Contractor (within DPE Guidelines).



## 32 VIGILANCE

32.1 Vigilance Awareness Week was observed with great enthusiasm and commitment in all units of BDL from 31 Oct 2011 to 05 Nov 2011. CMD BDL administered the “Pledge” from the Corporate Office and it was broadcasted live at both the units of BDL. Shri H.K.Dora, IPS (Retd) former Vigilance Commissioner; Shri P. Sharat Kumar, Chartered Accountant and a prominent speaker; Shri Gopala Krishna, IAS (Retd) and Shri Y.R.K. Reddy, Founder and Head, Academy of Corporate Governance were invited to give lectures on various issues of Vigilance.



*Vigilance Awareness Week was observed from 31 Oct - 05 Nov 2011. Shri HJ Dora, IPS (Retd) inaugurated the programme. CMD, Director (Production) and CVO were present on the occasion.*

32.2 The Company improved systems in respect of recruitment, transfers (specifically with respect to inter-unit and mutual), file tracking system, Medical VRS, procurements, etc., considering the suggestions of Vigilance.

32.3 Standard practices to be followed in respect of e-procurement are established and awareness programmes are conducted to vendors on the tendering process. It is also ensured that a Help Desk is maintained by the

Service Provider to help the participating bidders in the e-procurement process.

32.4 Suggested to adopt suitable basis for engaging the retired officers on contract basis and also to have a policy on this aspect.

32.5 As directed by MoD, a report relating to the issue of recruitment of Land Displaced Persons (LDPs) in BDL Bhanur Unit was forwarded to MoD and CVC. The Report contains suitable system improvement and preventive measures to be adopted in recruitment LDPs in the projects coming up in Vizag, Ibrahimpatnam and Amaravathi etc.

32.6 Based on CVC guidelines, it is suggested to introduce electronic file tracking system in the Company to have effective file movement.

32.7 Management is advised to have a suitable MIS Software providing linkage between Integrated Materials Management (IMM) database and Finance Database so that there will be an effective system of payments of bills to the suppliers. The same is implemented by the Management.

32.8 In a Medical VRS case of an employee, Vigilance observations were forwarded to CMD suggesting for serious action on a Senior Executive and improvement in the systems suitably. In this case, the employee failed even in the Honourable High Court, consequently the employee opted for resignation, which resulted in substantial savings to the Company. This action sent a strong message to other employees in the Company who were planning to avail VRS on medical grounds.

## 33 AUDIT COMMITTEE

An Audit Committee had been constituted for better Corporate Governance. Five meetings





have been held during the year to review the internal control systems and their adequacy, including coverage of audit functions. Details of composition, terms of reference etc., are covered in Report on Corporate Governance attached to this report (**Annexure-III**).

#### 34 CEO / CFO CERTIFICATION

As per the requirements of DPE Guidelines, the CEO / CFO certificate has been obtained and placed before the Audit Committee and the Board.

#### 35 CORPORATE GOVERNANCE

35.1 Corporate Governance is about the application of best management practices, compliance of laws and adherence to ethical standards to achieve the Company's objective of enhancing shareholders' value and discharge of social responsibility.

35.2 The Company has a well established, transparent and fair administrative set up to provide for professionalism and accountability.

35.3 As per the guidelines on Corporate Governance for CPSEs issued by DPE vide its OM No. 18 (8)/2005-GM, dated 14 May 2010, the Management Discussion and Analysis Report (**Annexure-II**), Report on Corporate Governance (**Annexure-III**) along with Certificate on compliance of conditions on Corporate Governance from a Practicing Company Secretary (**Annexure-IV**) as required under the said guidelines are attached to this report.

35.4 Quarterly and Yearly compliance reports on Corporate Governance are being forwarded to MoD in the prescribed format.

#### 36 AUDITORS

M/s.DV Ramana Rao & Co., Chartered Accountants, Hyderabad were re-appointed as Auditors of the Company for the Financial Year 2011-12 by the Comptroller & Auditor General of India.

#### 37 COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

Comments of Comptroller and Auditor General of India (C&AG) under Section 619 (4) of the Companies Act, 1956 on the accounts of the Company for the period ending 31 Mar 2012 are placed next to the Statutory Auditors' Report.

#### 38 ACKNOWLEDGEMENTS

38.1 The Directors wish to place on record their appreciation of the efforts put in by the employees of the Company during the year and also Ministry of Defence, Department of Defence Production, other Central Government Departments, AP State Government, DRDO Laboratories, other PSUs and Licensors for the help extended from time to time.

38.2 The Directors wish to thank M/s.DV Ramana Rao & Co., the Statutory Auditors of the Company and the Principal Director of Commercial Audit and Ex-Officio Member, Audit Board, Bengaluru for the valuable advice received and co-operation extended from them.

38.3 The Directors wish to thank Maj Gen Ravi Khetarpal, VSM (Retd), Chairman and Managing Director who retired on attaining superannuation, for his valuable services rendered during his service with the Company.

**For and on behalf of the Board of Directors**

**SN MANTHA**

Chairman and Managing Director

Place: Hyderabad  
Date : 29 Aug 2012



## Annexure-I

### PARTICULARS OF EMPLOYEES AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31 MAR 2012

Sl. No.	Name of the Employee	Designation / Nature of Duty	Age (Years)	Previous employment / position held	Qualification	Date of Joining	Experience (Years)	Gross Remuneration (₹)
(A)	Statement showing the particulars of employees who were in receipt of remuneration of not less than ₹60,00,000 per annum during the financial year 2011-12:							
	NIL							
(B)	Statement showing the particulars of employees who were in receipt of remuneration of not less than ₹5,00,000 per month during the part of the financial year 2011-12:							
1.	Shri N. Vinod Kumar	Director (Finance)	60	DGM (Finance), M/s. Praga Tools Ltd.	B.Com., FCA	16 Dec 1996	35	34,90,846





## Annexure-II

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### 1. INDUSTRY STRUCTURE AND DEVELOPMENTS

1.1 The Company is a Public Sector Undertaking under the Administrative Control of Department of Defence Production, Ministry of Defence, Govt. of India, Incorporated in the year 1970. The main object of the Company is to manufacture sophisticated Defence equipment required by the Armed Forces.

1.2 It also develops new products with in-house R&D apart from manufacturing defence equipment with Transfer of Technology from world renowned collaborators and DRDO.

1.3 The Company is the Prime Production Agency for 2<sup>nd</sup> and 3<sup>rd</sup> Generation Anti Tank Guided Missile. It is also the Prime Production Agency for all classes of Surface-to-Air Missiles required by the Indian Armed Forces. The Company is a Lead Integrator for some of the SAM systems. The Company is entering into refurbishment of vintage missiles held by the Armed Forces. The products developed by in-house R&D are finding wide acceptance and are being inducted by all wings of the Armed Forces.

1.4 The Company's order book stands at ₹19,000 Crore approximately as on 31 Mar 2012. This is expected to increase further, soon after the receipt of the contracts for which negotiations have been concluded. The company will be taking a major leap by joining a major joint development programme of Short Range Surface-to-Air Missiles required by IAF and IN.

#### 2. STRENGTHS AND WEAKNESSES

##### 2.1 Strengths

2.1.1 Skilled and Trained Man Power with Missile Systems knowledge.

2.1.2 Experience of over 40 years in manufacture and integration of Missiles.

2.1.3 Possesses land bank and ready to create new production lines with necessary infrastructure.

2.1.4 Access to DRDO and other labs.

##### 2.2 Weaknesses

2.2.1 Narrow vendor base.

2.2.2 Long lead time of DRDO Projects.

2.2.3 Restrictions on Export Sales.

#### 3. OPPORTUNITIES AND THREATS

##### 3.1 Opportunities

3.1.1 Thrust in modernization plans of the Armed Forces.

3.1.2 Govt's goal to increase the share of indigenous portion in Defence acquisitions.

##### 3.2 Threats

3.2.1 Some of the weapon systems acquisitions are being categorized as "BUY" in view of the Nations' capacity constraints.

3.2.2 Non placement of Indents after user trials.



#### 4. PRODUCT-WISE PERFORMANCE

4.1 The turnover of major products is as follows:

(₹ Crore)

i)	Konkurs-M ATGM	87.77
ii)	Invar ATGM	287.06
iii)	Milan-2T ATGM	268.38
iv)	Akash SAM	149.25
v)	C-303 Anti Torpedo Decoy	54.00

#### 5 OUTLOOK

Modernization with state-of-the-art equipment is currently the mantra of the Indian Armed Forces. This has given rise to tremendous increase in the business potential for BDL. This is also throwing up challenge to shift to manufacture and supply of more advanced and complex weapon systems and adherence to quality and delivery commitments.

#### 6 RISKS AND CONCERNS

- i) Long Lead Time of DRDO Projects.
- ii) Dependence on single source developed by the designer.
- iii) Short closure of orders
- iv) Restrictions on Export sales.

#### 7 INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has put in place all required internal controls and systems to meet the canons of financial propriety. External audit firms

have been appointed to ensure their adequacy and report thereon. A detailed analysis of the reports of internal audit firms as well as reports of internal audit department of BDL are placed before the Audit Committee for review and advice.

#### 8 DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

8.1 Performance of the Company in financial terms is summarized below :

Particulars	₹ Crore		% of Increase/ (Decrease)
	2011-12	2010-11	
Value of Sales	959.12	939.16	2%
Value of Production	992.94	910.98	9%
Profit Before Tax	348.19	79.17	340%
Profit After Tax	234.96	51.70	354%
Value Added	359.41	330.84	9%
Value Added Per Employee (₹ Lakh)	12.53	11.42	10%

8.2 Following data reflects the financial position of the Company:

Particulars	₹ Crore		% of Increase/ (Decrease)
	2011-12	2010-11	
Gross Block	604.24	488.08	24%
Depreciation	392.57	346.95	13%
Net Block	211.67	141.13	50%
Working Capital	458.97	370.66	24%
Capital Employed	633.28	502.34	26%
Net Worth	732.19	551.85	33%





## 9 MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

9.1.1 Total manpower strength of BDL as on 31 Mar 2012 is as under:

Particulars	Non-Executives	Executives	Total
Male	1855	718	2573
Female	216	80	296
<b>Total</b>	<b>2071</b>	<b>798</b>	<b>2869</b>
Previous Year	2239	658	2897

9.1.2 Concept of Performance Related Pay (PRP) is being implemented. Career plan for Non-Executives was revised and a Memorandum of Settlement with recognized Union was signed and implemented during the year.

## 9.2 Industrial Relations

9.2.1 Cordial and harmonious industrial relations were maintained in the Company with the cooperation from all sections of employees Viz, recognized and other registered Trade Unions and Associations such as SC, ST, OBC and Officers Association. Statutory Committees such as Works Committee and Shop level and Plant level Committees have ensured work discipline amongst shop floor areas.

9.2.2 Compliance on statutory welfare provisions is followed meticulously. Management continued to extend non-statutory welfare facilities such as School Fee reimbursement, Canteen Allowance, Uniform, Shoe etc. during the year. The Company has been taking care of medical needs of employees and their family members as per BDL Medical Rules. Retired employees and their spouses are

covered under Retired Employees Medical Insurance Scheme.

## 10 ENVIRONMENTAL PROTECTION AND CONSERVATION, TECHNOLOGICAL CONSERVATION, RENEWABLE ENERGY DEVELOPMENTS, FOREIGN EXCHANGE CONSERVATION

### 10.1 Environmental Protection and Conservation :

10.1.1 Your Company has been maintaining a clean and green environment at all its manufacturing units. Clean surroundings, green environment, stringent pollution control measures, zero effluent discharge, systematic management and disposal of hazardous and other forms of wastes and several other endeavors have become part of the well established environmental management system.

### 10.2 Technological Conservation, Renewable Energy Developments, Foreign Exchange Conservation :

10.2.1 The Company continues to emphasize on energy conservation. Some of the measures adopted for energy conservation include:

- Energy audit conducted in Kanchanbagh Complex by professional agency like IPE (Indian Institute of Plant Engineers).
- Audit recommendations are being implemented during 2011-12 and 2012-13.
- Automatic power factor control panels were introduced in different sub-stations to improve power factor up to 0.96.



- iv) Solar street lights are being introduced in Kanchanbagh unit during 2012-13.
- v) Installed solar water heaters instead of Electric Geysers in Canteen at Bhanur Unit.
- vi) Vizag Unit will implement Solar water heaters and Solar cooking system for the Canteen likely to come up by Dec 2012.
- vii) Solar water heating and Solar cooking will be implemented in new units / divisions likely to come up for 3<sup>rd</sup> Generation Missile production and SRSAM production.
- viii) Installed screw type Air Compressors in place of Conventional reciprocating water cooled Air Compressors, there by saving energy and water.

## 11 FOREIGN EXCHANGE CONSERVATION

The Company is striving constantly to conserve foreign exchange by reducing import of components and sub-systems from OEMs by increasing indigenous contents in the assembly of final products.

## 12 CORPORATE SOCIAL RESPONSIBILITY

12.1 The Company has been proactively pursuing Corporate Social Responsibility (CSR) activities at its various divisions since inception. The activities include adoption of villages for upliftment of the socially and economically backward section by providing Infrastructure, Health, Education, Drinking Water facilities etc.

12.2 In line with the DPE Guidelines, The Company has Board approved CSR Policy. The Company constituted Board level Committee headed by an Independent Director to monitor the projects under Corporate Social Responsibility (CSR) Plan of the Company. The Company has taken up various activities under CSR and are covered in the Directors Report in detail.

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## Annexure-III

### REPORT ON CORPORATE GOVERNANCE

#### 1 COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

1.1 The philosophy of the Company in respect of Corporate Governance is to ensure transparency in all its operations, make appropriate disclosures, comply with the laws, maintain ethical standards and take care of the interest of all the stakeholders.

1.2 In keeping with its professional approach, the Company is implementing the precepts of Corporate Governance in letter and spirit.

1.3 The Company's activities are monitored by several external agencies like Statutory Auditors, Comptroller and Auditor General of India, Central Vigilance Commission, Ministry of Defence (Department of Defence Production), etc.

#### 2. BOARD OF DIRECTORS

##### 2.1 Composition and Category of Directors:-

2.1.1 The strength of the Board of BDL shall not be less than 2 and not more than 15 under the provisions of Articles of Association of the Company as amended from time to time. The directors shall not be required to hold any qualification shares.

2.1.2 The composition of the Board of Directors of the Company had been restructured by the Government of India with nine members viz. four Whole time Directors, including Chairman and Managing Director, two Part-time Government Directors and three Part-time Non-official Directors (Independent Directors). Further, as per directives of MoD, there are four Permanent Special Invitees to the Board viz., Vice Chief of Air Staff, Vice Chief of Naval Staff, Dy. Chief of Army Staff and Nominee of DRDO.

2.1.3 Details of the members of the Board as on 31 Mar 2012 are as follows:

##### (a) Functional / Whole time Directors:

- i) Maj Gen Ravi Khetarpal, VSM (Retd)  
Chairman and Managing Director
- ii) Shri S N Mantha  
Director (Technical)
- iii) AVM PK Srivastava, VSM (Retd)  
Director (Production)
- iv) SV Subba Rao  
Director (Finance)

##### (b) Part-time Government Directors:

- i) Shri P K Mishra  
Joint Secretary (Missile System)  
Department of Defence Production  
Ministry of Defence.
- ii) Shri R G Viswanathan  
Addl FA (R&D), DRDO  
Joint Secretary  
Ministry of Defence.

##### (c) Part-time Non-Official Directors:

- i) Prof RK Mishra  
Senior Professor and Director  
Institute of Public Enterprise.
- ii) Shri KL Mehrotra  
Former CMD, Manganese Ore (I) Ltd.
- iii) Shri AK Kapoor,  
Emeritus Scientist  
DRDO, Ministry of Defence.

2.1.4 Details of permanent Special Invitees to Board Meetings as on 31 Mar 2012 are as follows:

- i) Air Marshal KK Nohwar,  
PVSM, VM, ADC  
Vice Chief of Air Staff
- ii) Lt Gen Narendra Singh, SM, VSM  
Dy Chief of Army Staff (P&S)
- iii) ViceAdmiral R K Dhowan,  
PVSM, AVSM, YSM  
Vice Chief of Naval Staff





- iv) Shri P. Venugopalan, Outstanding Scientist, Director, DRDL & Member Secretary, GMB.

2.2 Meetings of the Board and Attendance thereof; Number of other Boards or Board Committees in which Director is a Member or Chairperson:

2.2.1 During the year 2011-12, eight (8) Board Meetings were held on 20 May 2011, 29 Jul 2011, 03 Aug 2011, 19 Sep 2011, 20 Oct 2011, 25 Nov

2011, 22 Feb 2012 and 24 Mar 2012. The Board meets at least once in every three months and at least four such meetings shall be held every year. Required information is made available to the Board for its information/ decision.

2.2.2 Details of attendance of the Directors at the Board Meetings, Annual General Meeting and the number of other directorship / committee membership held by them during 2011-12 etc., are furnished below:

Directors	Board Meetings		Attendance at last AGM held on 19 Sep 2011	No. of other directorships held	Number of committee memberships across all companies	
	No.of Board Meetings held during respective tenure of Director	No.of meetings attended			As Chairman	As Member
<b>Functional Directors</b>						
Maj Gen Ravi Khetarpal, VSM (Retd) CMD	8	8	Yes	-	2	-
Shri N.Vinod Kumar, D(F) (Upto 30 June 2011)	1	1	-	-	-	-
Shri S N Mantha, D(T)	8	7	Yes	-	-	2
Air Vice Marshal PK Srivastava,VSM(Retd), D(P)	8	7	Yes	-	-	2
Shri SV Subbarao, D(F) (w.e.f. 01 Jul 2011)	7	7	Yes	-	-	4
<b>Part-time Government Directors</b>						
Smt Rashmi Verma, IAS,JS (MS) (Upto 26 Apr 2011)	0	0	-	-	-	-
Shri P K Mishra, JS (MS) (w.e.f. 27 Apr 2011)	8	7	Yes	-	-	2
Shri Jatinderbir Singh, IAS JS & AM (LS) (Upto 14 Jun 2011)	1	1	-	-	-	-
Shri R G Viswanathan, Addl. FA (R&D)& JS (w.e.f 15 Jun 2011)	7	7	Yes	1	-	-
<b>Part time Non-Official Directors</b>						
Prof R K Mishra	8	7	Yes	1	3	3
Shri K L Mehrotra	8	8	Yes	3	4	6
Shri A K Kapoor (w.e.f. 16 Feb 2012)	2	2	-	-	-	1



2.2.3 Leave of absence was granted to Directors in case of their inability to attend the meeting due to unavoidable reasons.

2.2.4 No Director is a member in more than ten Committees or Chairman of more than five Committees across all companies in which he is a Director as per the guidelines of DPE in this regard.

### 2.3 APPOINTMENT OF NEW DIRECTORS

2.3.1 The Articles of Association of the Company provides for appointment of all Directors by the President of India. During the year 2011-12, two Presidential Orders were received conveying the appointment of Shri SV Subba Rao, GM (Finance) as Director (Finance) in place of Shri N Vinod Kumar and Shri AK Kapoor, Emeritus Scientist, DRDO as Part-time Non-official Director (Independent Director) on the Board. The required information about these Directors appointed on the Board is given below:

(i) Shri SV Subba Rao

Shri SV Subba Rao, on his appointment as Director (Finance) on the Board of Bharat Dynamics Limited has assumed charge on 01 Jul 2011. He holds first class degree in Physics (B.Sc) and is a Member of the Institute of Chartered Accountants of India. He has about 33 years of experience and has been serving BDL since 1983 in various positions covering all areas of Finance.

Prior to this, as General Manager (Finance) heading Finance Department, his contribution included: assisting Board in formulating Investment policy, Accounting Policies and other matters keeping in view the statutory requirements. His contribution also included

participating in Audit Committee meetings and monitoring the Action Taken Reports and progress; Monitoring of MoU of the Company signed with Ministry, Finalization of Periodical / Annual Accounts.

He has designed Centralized Cash Management System and maintained from time to time. He possesses vast experience in different areas of Finance and Accounts relating to Divisions, associated in designing divisionalization of activities in Finance and Accounts, formulation of Accounts Manual, Performance and Capital Budgets, Cost Control Measures, Working Capital Management of the Company and monitoring the same.

He actively participated in Price Negotiations with the Customers / Ministry of Defence / Suppliers as Finance Member. As Chairman of Wage Negotiation Committee, he finalized Wage settlement and related matters and entered into MoS with Workers Union. He has added value for building Organization in Finance, meeting training and motivational needs of the personnel.

As an officer in Finance, he was instrumental in migration of the accounts from Manual System to DOS Platform in 1988 and subsequently upgrading the accounting functions from DOS platform to Oracle in 1998. Also laid a platform for effective implementation of ERP.

Being an active officer, he was supportive in associating with M/s.PJ Chemicals Limited, a Joint Venture with State Level Financial Institutions, M/s Narasimha Rao & Associates, Chartered Accountants in conduct of Inspection/ Audits of Branches of Public Sector Banks, State PSUs etc.



(ii) Shri AK Kapoor

Shri Anand Kumar Kapoor is an Engineering Graduate in Aeronautical Engineering from Punjab Engineering College, Chandigarh. He did his Master of Technology (Aeronautics), specialization in Aerospace Propulsion from IIT Madras, Chennai.

Shri AK Kapoor joined DRDO in May 1971 as Senior Scientific Officer and reached to the position of Scientist 'G' during Jul 1995 in DRDL. During his service with DRDL till Jun 2004, worked as head of Solid Rocket Propulsion Division, as Deputy Project Director, as Project Director of Trishul, etc. During Jun 2002 posted as Director (Scientist 'G') of Centre for Fire, Explosive and Environment Safety (CFEES), Delhi and at the time of retirement on superannuation during Jan 2008 he was Scientist 'H' (Outstanding Scientist, HAG Scale). He extended services as Emeritus Scientist, DRDO (Delhi) from Feb 2008 to Jan 2010.

The officer has got the DRDO Scientist of the Year Award in 1998 (Individual), Certificate and cash of ₹1 Lakh and DRDO Technology Spin-off Award in 2006 (Team Award), Certificate and cash of ₹2 Lakh.

### 3 COMMITTEES OF THE BOARD

3.1 BDL has six (6) Committees of the Board functioning as on 31 Mar 2012:

- i) Audit Committee
- ii) Remuneration Committee
- iii) Procurement Committee
- iv) HR Committee
- v) Committee on Sustainable Development

vi) Committee for Monitoring CSR Plan of the Company

3.2 Minutes of the meetings of the Committees are being placed before the Board Meetings held immediately after the Committee meetings for noting by the Board. Decisions are being taken by the committees by majority / unanimity.

### 4 AUDIT COMMITTEE

#### 4.1 Brief Description of Terms of Reference:

4.1.1 The Role, Powers, areas of review of information etc., of the Audit Committee were revised as per the Guidelines on Corporate Governance for CPSEs issued by DPE vide OM No. 18(8)/2005-GM, dated 14 May 2010. The terms of reference to the Audit Committee, interalia, include the following:-

- i) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ii) Recommending to the Board, the fixation of audit fees.
- iii) Approval of payment to Statutory Auditors for any other services rendered by the statutory auditors.
- iv) Reviewing the annual financial statements before submission to the Board for approval.
- v) Reviewing performance of Internal Auditors, and adequacy of the Internal Control Systems.
- vi) Discussion with Internal Auditors and/or Auditors any significant findings and follow up thereon.





vii) Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

viii) To review the follow up action on the Audit Observations of the C&AG Audit.

4.1.2 Three Chartered Accountant firms have been appointed to conduct Internal Audit of specific areas of operation of the Company. These are in addition to the in-house Internal Audit Department. Audit Reports given by Internal Auditors were reviewed by Audit Committee.

4.2 Composition, Name of Members and Chairman:

4.2.1 The Board at its Meeting held on 22 Feb 2012 re-constituted the Audit Committee of the Company. Audit Committee consisted of following Directors as on 31 Mar 2012:-

i)	Prof R K Mishra	Chairman
ii)	Shri K L Mehrotra	Member
iii)	Shri A K Kapoor	Member

4.2.2 For Audit Committee Meetings, whole-time Directors are invited as Permanent Invitees and representatives of Statutory Auditor and external Chartered Accountant firms doing Internal Audit work may attend by invitation. Company Secretary acts as Secretary of the Audit Committee.

4.3 Meetings and Attendance of Audit Committee during the year:

4.3.1 During the year 2011-12, five (5) meetings of the Audit Committee were held on 28 Jun 2011, 28 Jul 2011, 19 Sep 2011, 25 Nov 2011 and 24 Mar 2012. The details of attendance of members in such Meetings are as follows:

Sl. No.	Name of the Director	No. of Meetings held during the tenure of the respective member	No. of Meetings Attended
1.	Shri PK Mishra, JS (MS) (w.e.f. 20 May 2011 to 21 Feb 2012)	4	2
2.	Prof R K Mishra (w.e.f. 20 May 2011)	5	5
3.	Shri K L Mehrotra (w.e.f. 20 May 2011)	5	5
4.	Shri AK Kapoor (w.e.f. 22 Feb 2012)	1	1

## 5. REMUNERATION COMMITTEE

5.1 The Remuneration Committee was constituted by the Board in its meeting held on 30 Jan 2009 with Independent Director being the Chairman, in line with the Guidelines issued by DPE vide OM No. 2(70)/08/DPE(WC), dated 26 Nov 2008. The terms of reference of the Committee, include, deciding the annual bonus/ variable pay pool and policy for its distribution to the Executives, recommending yearly Performance Related Pay and recommending suitable Performance Management System, etc.

5.2 Remuneration Committee reconstituted from time to time in line with Guidelines on Corporate Governance issued by DPE in this regard and following is the Composition of the Committee as at 31 Mar 2012:

i)	Shri KL Mehrotra, Independent Director	Chairperson
ii)	Prof RK Mishra, Independent Director	Member
iii)	Shri PK Mishra, JS (MS)	Member

5.2.1 Dr.NK Raju, Executive Director (P&A) is the Secretary of the Remuneration Committee.



5.3 During the year 2011-12, three (3) meetings of the Remuneration Committee were held on 14 Jun 2011, 25 Nov 2011 and 22 Feb 2012. The details of attendance of members in such Meetings are as follows:

Sl. No.	Name of the Director	No. of Meetings held during the tenure of the respective member	No. of Meetings Attended
1.	Shri K L Mehrotra	3	3
2.	Prof R K Mishra	3	2
3.	Shri P K Mishra	3	3

5.4 Remuneration Policy / Details of remuneration to all Directors :

5.4.1 Being a Central Government Public Sector Enterprise, the appointment, tenure and remuneration of Directors are decided by the Government of India. The Government letter appointing the Chairman and Managing Director and other Functional Directors indicate the detailed terms and conditions of their

appointment including the period of appointment, basic pay, scale of pay, dearness allowance, city compensatory allowance, etc., and it also indicates that in respect of other terms and conditions not covered in the letter, the relevant rules of the Company shall apply.

5.4.2 The Chairman and Managing Director and other Functional Directors are appointed by the Government initially for a period of 5 years from the date of appointment or upto the date of superannuation of the individual or until further orders of the Government, whichever is the earliest. Depending on the age and performance and on meeting other stipulated conditions the initial period is extendable for a further period upto 5 years or upto the date of superannuation, whichever is earlier. The part-time Government Directors are generally from the Administrative Ministry and their term is co-terminus with the term of respective position held by them in Government at the time of appointment on the Company's Board. The Part-time Non-official Directors (Independent Directors) are appointed for a period of 3 years.

5.4.3 Details of remuneration of Whole-time Directors during the year 2011-12 are given below:

Name of Director	Salary including arrears*(a)	Benefits *(b)	Company contribution of PF, pension & Gratuity	Incentive *(c)	Leased Accommodation	Total (₹)
Maj Gen Ravi Khetarpal, VSM(Retd) Chairman and Managing Director	17,30,522	10,71,877	2,06,568	5,45,888	5,40,000	40,94,855
Shri N. Vinod Kumar, Director (Finance) (Upto 30 Jun 2011)	3,53,700	13,46,770	9,74,313	7,41,063	75,000	34,90,846
Shri SN Mantha, Director (Technical)	12,66,866	3,79,355	1,52,022	4,74,105	4,26,708	26,99,056
AVM PK Srivastava, VSM (Retd) Director (Production)	13,73,908	4,07,692	1,63,975	19,285	4,50,000	24,14,860
Shri SV Subba Rao, Director (Finance) (w.e.f 01 Jul 2011)	9,55,425	2,63,250	1,06,683	2,10,560	2,25,000	17,60,918

\*(a) Salary includes Basic, DA, HRA, PP and Special Incentive for the year 2011-12.

\*(b) Benefits includes VL Encashment, Transfer Grant, Wash, Outpatient Medical Assistance, Newspaper, Professional Development Allowance, Special Allowance for the year 2011-12.

\*(c) Incentive includes Performance Related Pay (PRP) upto FY 2009-10 paid in 2011-12.



5.4.4 Part-time Government Directors (Non-executive Directors) are not paid any remuneration. They are also not paid sitting fee for attending Board/Committee meetings.

5.4.5 Part-time Non-official Directors (Independent Directors) are paid Sitting Fee of ₹5,000 per meeting, which has been enhanced to ₹10,000 per meeting of the Board/Committee of the Board attended w.e.f 29 Jul 2011. Details of Sitting Fee paid to the Independent Directors during year 2011-12 are given below:

(Sitting fee in ₹)

Sl.No.	Name	Total
1.	Shri KL Mehrotra	1,70,000
2.	Prof RK Mishra	1,55,000
3.	Shri A K Kapoor	30,000

## 6. PROCUREMENT COMMITTEE

6.1 The Committee was constituted by the Board on 29 Jul 2011 to review and sanction new Projects (including R&D Projects) beyond the powers of CMD and upto a maximum limit of ₹25.00 Crore in each case and shall also approve procurement proposals which are beyond the powers of CMD.

6.2 Following is the composition of the Committee as at 31 Mar 2012:

1.	Maj Gen Ravi Khetarpal, VSM (Retd), CMD	Chairman
2.	Shri KL Mehrotra, Part-time Non-official Director	Member
3.	Prof RK Mishra, Part-time Non-official Director	Member
4.	SN Mantha, Director (Technical)	Member
5.	AVM PK Srivastava, VSM (Retd) Director (Production)	Member
6.	Shri SV Subba Rao, Director (Finance)	Member

6.3 Company Secretary acts as Secretary to the Committee and Head Corporate Commercial Department will be invited to assist the Committee.

6.4 During the year under report, two (2) meeting were held on 20 Oct 2011 and 24 Feb 2012. The details of attendance of members in such Meetings are as follows :

Sl. No.	Name of the Director	No. of Meetings held during the tenure of the respective member	No. of Meetings Attended
1.	Maj Gen Ravi Khetarpal, VSM (Retd)	2	2
2.	Shri KL Mehrotra	2	2
3.	Prof R K Mishra	2	2
4.	Shri SN Mantha	2	1
5.	AVM PK Srivastava VSM (Retd)	2	2
6.	Shri SV Subba Rao	2	2

## 7. HR COMMITTEE

7.1 The Committee was constituted by the Board on 29 Jul 2011 to review and approve all proposals relating to HR matters.

7.2 Following is the composition of the Committee as at 31 Mar 2012:






7.3 Company Secretary acts Secretary to the Committee and Head Personnel and Administration Department will be invited to assist the Committee.

## 8. COMMITTEE ON SUSTAINABLE DEVELOPMENT

8.1 The Committee was constituted by the Board on 25 Nov 2011 as per the DPE Guidelines on Sustainable Development for CPSEs, headed by an Independent Director as its Chairman, to approve Sustainable Development Plan and oversee the Sustainable Development performance of the Company.

8.2 Following is the composition of the Committee as at 31 Mar 2012:

1.	Shri KL Mehrotra, Part-time Non-official Director	Chairman
2.	Shri SV Subba Rao, Director (Finance)	Member
3.	Executive Director (Technical Stream)	Member
4.	Dr.NK Raju, Executive Director (P&A)	Secretary

8.3 During the year under report, a meeting of the Committee was held on 22 Feb 2012 and all the members were present at the meeting.

## 9. COMMITTEE FOR MONITORING CSR PLAN OF THE COMPANY

9.1 The Committee was constituted by the Board on 25 Nov 2011 as per the DPE Guidelines, headed by an Independent Director to monitor the projects under Corporate Social Responsibility (CSR) Plan of the Company.

9.2 Following is the composition of the Committee as at 31 Mar 2012:

1.	Prof RK Mishra, Part-time Non-official Director	Chairman
2.	Shri SV Subba Rao, Director (Finance)	Member
3.	Dr.NK Raju, Executive Director (P&A)	Secretary

9.3 During the year under report, a meeting of the Committee was held on 20 Feb 2012 and all the members were present.

## 10 GENERAL BODY MEETINGS

10.1 All the Annual General Meetings of the Company were held at the Registered Office of the Company. The details of such meetings for the last three years period is as under:

AGM No.	Financial Year	Date of the Meeting	Time of the Meeting	Venue of the Meeting
39	2008-09	04 Sep 2009	1230 Hrs	Registered Office, Kanchanbagh, Hyderabad
40	2009-10	03 Sep 2010	1430 Hrs	
41	2010-11	19 Sep 2011	1700 Hrs	

10.2 List of Special Resolutions: A Special Resolution is passed in 39<sup>th</sup> AGM held on 04 Sep 2009 (2008-09) for amending clause 103(b) and adding 102(a) in the Articles of Association of the Company for exercising enhanced autonomy and delegation of powers by DPE to Miniratna Category -1 PSEs i.e., BDL.

## 11. DISCLOSURES

11.1 During the year 2011-12 the Company has not entered into any transaction with the Directors that may have potential conflict with the interest of the Company at large. The members of the Board, apart from receiving Remuneration (wherever applicable), do not have any material pecuniary relationship or transaction with the Company which, in the judgment of the Board, may affect independence of judgment of the Directors.



11.2 No Penalties and Strictures were imposed on the Company by any statutory authority on any matter related to any Guidelines issued by Government during the last three years.

11.3 Whistle Blower Mechanism: The Guidelines of Corporate Governance for CPSEs 2010 issued by DPE have been complied with. The Whistle Blower Policy of the Company, inter alia, contains a provision enabling any person to approach the Chairman of the Audit Committee. However, during the year under report, no personnel have been denied access to the members of the Audit Committee or its Chairman.

11.4 The Company is complying with all the Guidelines on Corporate Governance for CPSEs 2010 issued by DPE except guidelines on Risk Management and segment-wise reporting. The Company is in the process of formulating overall Risk Management Policy to identify various risks and advise on the risk mitigation measures associated with different areas of its operation. The Company is also in the process of promulgating Fraud Prevention Policy. A Risk Management Committee of the Company is already constituted. All applicable Accounting Standards are followed except AS-17 relating to Segment Reporting keeping in view the nature of business and the sensitive nature of disclosure. However, such non disclosure does not have any financial effect on the Accounts of the Company. Necessary disclosure is being made in 'Notes forming part of Accounts'. Present Strength of the Board is 8 members against the sanctioned strength of 9. Out of 8 members, 2 are Part-time Non-official Directors as against sanctioned strength of 3. One more Part-time Non-official Director's appointment is awaited.

11.5 Details of Presidential Directives received and their implementation: The Company received

a Presidential Directive No.H-62030/1/0227-D(BDL), dated 27 Apr 09 according sanction for implementation of revised pay scales to the Board level and below Board level executives as per DPE guidelines issued thereon. Accordingly, the Company has implemented the pay revision in compliance with the Presidential Directive.

11.6 There were no item of expenditure debited in books of account, which are not for the purpose of the business.

11.7 The Company has not incurred any expenditure which is personal in nature for the Board of Directors and top management.

11.8 Details of Administrative and Office Expenses as a percentage of total expenses vis-a-vis financial expenses are furnished below:

( ₹ Crore)

Sl. No.	Particulars	2011-12	2010-11
1	Total Expenditure (other than Materials)	473.94	393.38
2	Administrative & Office Expenses	7.46	5.63
3	Percentage of (2) on (1)	1.57%	1.43%

## 12. MEANS OF COMMUNICATION

The Company's communication system with its Shareholders, Directors and other stakeholders is through all means of communication channels including correspondence and the official Website (<http://bdl.ap.nic.in>) of the Company. The Company website provides information about BDL, like Company's Profile, Milestones, Mission & Vision, Objectives, Achievements, etc., BDL Management, Annual Report information, products, details of Tenders, RTI Act 2005



information, Careers, etc. The performance of the Company is communicated to the Administrative Ministry every month.

13. The Company is striving to ensure unqualified financial statements.

14. Need-based Training Programmes are formulated from time to time.

**15. CODE OF CONDUCT FOR  
DIRECTORS AND SENIOR  
EXECUTIVES**

15.1 The Code of Conduct and Business Ethics as suggested by DPE in its Guidelines on Corporate Governance for CPSEs 2010 has been adopted by the Company in respect of its Directors and Senior Level Executives.

15.2 The Code has also been posted on the Company's Website. Directors and the Senior Executives have given declarations affirming the

compliance with the Code of Conduct during the year 2011-12.

15.3 A declaration to this effect by the Chairman and Managing Director is given below.

**16. DECLARATION BY CHAIRMAN AND  
MANAGING DIRECTOR**

As provided under the Guidelines on Corporate Governance for CPSEs as contained in the DPE OM No. 18(8)/2005-GM, dated 14 May 2010, issued by Department of Public Enterprises (DPE), it is hereby declared that all Board Members and Senior Management Personnel affirmed compliance with "The Code of Business Conduct and Ethics for Board Members and Senior Management of Bharat Dynamics Limited" for the year ended 31 Mar 2012.

for Bharat Dynamics Limited

Place : Hyderabad  
Date : 29 Aug 2012

**SN MANTHA**  
Chairman and Managing Director





## Annexure-IV

**Y. Ramesh** M.Com., LLB, CAIIB, ACS.

Company Secretary in Practice  
Mobile : 9849045347



### Certificate on compliance of conditions on CORPORATE GOVERNANCE

To

The Members of Bharat Dynamics Limited

I have examined the compliance of conditions of Corporate Governance by Bharat Dynamics Limited, for the year ended on March 31, 2012 as per the Guidelines on Corporate Governance for Central Public Sector Enterprises – 2010.

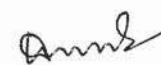
The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said Guidelines. It is neither an audit nor an expression of opinion on the financial statements of the Company.

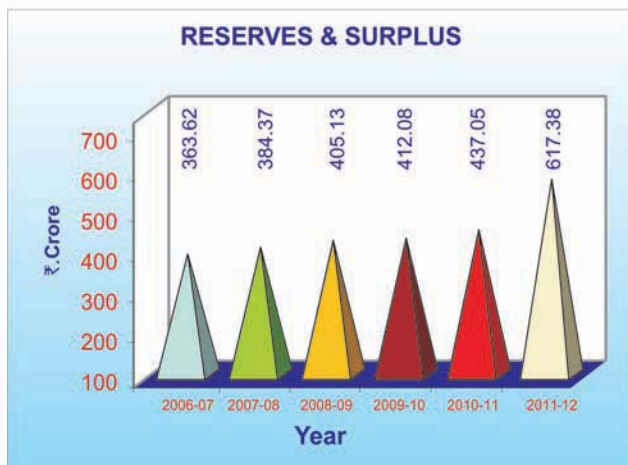
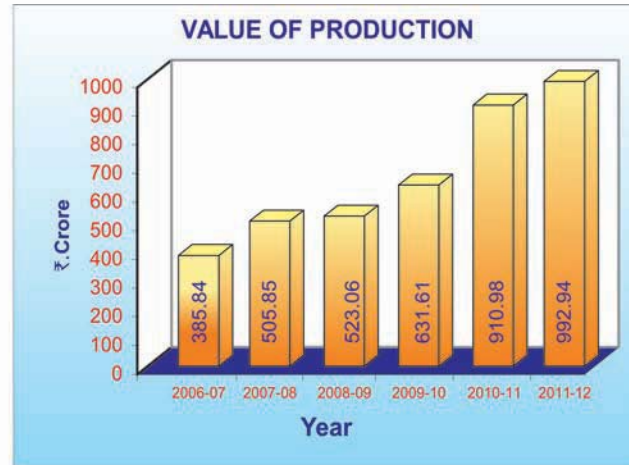
In my opinion and according to the information and explanations given to me, I certify that the Company has adopted a Code of Business Conduct and Ethics for Board Members and Senior Management Personnel as per the “Guidelines on Corporate Governance for Central Public Sector Enterprises - 2010”, issued by Dept. of Public Enterprises, as per which it is the responsibility of the Directors and Senior Management Personnel to familiarize themselves with the Code and comply with its standards and also affirmed compliance with the Code of Conduct for the financial year ended March 31, 2012.

I further certify that the Company has complied with the Guidelines on Corporate Governance issued by Department of Public Enterprises under “Guidelines on Corporate Governance for Central Public Sector Enterprises - 2010”, except the guidelines on Risk Management for which the Company is in the process of adopting suitable Policies.

Place: Hyderabad.  
Date: 6<sup>th</sup> August, 2012.



  
(Y.RAMESH)  
Company Secretary in Practice  
CP No.: 7929







## ACCOUNTING POLICIES

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements are prepared under the accrual basis and at historical cost unless otherwise stated and in accordance with the Generally Accepted Accounting Principles (GAAP) in India and the provisions of the Companies Act, 1956.

### 2. FIXED ASSETS

2.1 Land is capitalized at cost to the Company. Development of land such as levelling, clearing and grading is capitalized along with the cost of Building in proportion to the land utilized for construction of Buildings and rest of the development expenditure is capitalized along with cost of land. Development expenditure incurred for the purpose of landscaping or for any other purpose not connected with construction of any building is treated as the cost of land.

2.2 Fixed Assets acquired with financial assistance/subsidy from outside agencies either wholly or partly are taken in the books at net cost to the Company. Assets transferred free of cost by Government are taken at nominal value.

2.3 Plant, Machinery & Equipment, Fixtures & Office Furniture and Equipment costing individually ₹5,000/- and below are depreciated fully in the year of purchase. Minor civil works including additions, alterations, etc., costing individually ₹50,000/- and below, not resulting in additional floor space and internal partitions costing individually ₹50,000/- and below are charged to Revenue. Where the cost of such partitions exceeds ₹50,000/-, they are depreciated within a period of 5 years or the lease period of the premises, whichever is less.

2.4 Material items retired from active use are retained in the books at the lower of their net book value and net realizable value till they are disposed off. They are eliminated from the books on disposal. Proceeds from sale of assets in excess of original cost are credited to Capital Reserve.

2.5 Expenditure on re-conditioning, re-siting and re-layout of Machinery and Equipment is not capitalised.

2.6 Cost of the initial pack of spares obtained along with the procurement of Plant, Machinery and Equipment is capitalised and depreciated in the same manner as Plant & Machinery.

### 3. INTANGIBLE ASSETS

3.1 The expenditure incurred on General Research and Development is charged to revenue in the year of incurrence. Development Expenditure financed by the Company and expenses incurred thereon on specific projects where the technical feasibility of the products has been demonstrated and the Company intends to produce and market the products are capitalised for amortisation over production in future years. In the event of the Company financed project(s) being foreclosed/ abandoned, the expenditure incurred up to the stage of foreclosure/ abandonment is charged off to revenue in the year of foreclosure/ abandonment.

3.2 Expenditure on training personnel/foreign technicians' fees and expenses and other pre-production expenses, etc., specific to projects/products in the nature of Development Expenditure is amortised over production on technical estimate and to the extent not amortised, is carried forward.





3.3 Software internally developed/ acquired from an outside source for internal use, costing individually ₹1.00 Lakh and above and which is not an integral part of the related hardware, is recognized as an intangible asset in the Books of Account and is amortised over a period of three years, on straight line method. Amortisation commences when the asset is available for use.

#### 4. TOOLS AND EQUIPMENT

Expenditure on special purpose tools, jigs and fixtures including specific to projects/ products is initially capitalised for amortisation over production on technical assessment and to the extent not amortised is carried forward as an Asset. In-house Manufactured tools are capitalized at cost or realizable value whichever is less. Expenditure on maintenance, re-work, re-conditioning, periodical inspection, referencing of tooling, replenishing of cutting tools and work of similar nature is charged to revenue.

#### 5. IMPAIRMENT OF ASSETS

The carrying amount of assets on the date of Balance Sheet is assessed and if the estimated recoverable amount is found less than the carrying amount, the impairment loss is recognized and provided.

#### 6. INVESTMENTS

6.1 Current investments are carried in the financial statements at the lower of cost and fair value determined on an individual investment basis.

6.2 Long-term investments are carried in the financial statements at cost. However, provision is made for diminution of permanent nature in the value of investment.

#### 7. DEFERRED DEBTS

Unpaid installment payments together with interest thereon under deferred payment terms

for the cost of imported material and tooling content/DRE of the equipment/products sold are accounted as Deferred Debts from the customer and are recovered as and when the installments and interest thereon are paid.

#### 8. INVENTORIES

8.1 Inventories are valued at lower of cost or net realizable value. The cost of Raw Materials, Components, Construction Materials, Loose Tools and Stores and Spare Parts are assigned by using Weighted Average Cost formula.

8.2 Goods under Inspection and in Transit are valued at cost.

8.3 Miscellaneous Stores is valued at estimated realizable value.

8.4 Work-in-Progress is shown at cost or realisable value or the evaluated value whichever is less. The evaluated value of the labour content of the work-in-Progress, in respect of projects relating to the manufacture is determined by taking physical count of the work at the end of the year at production overhead rate. Such evaluation is not done in the case of initial phase of assembly and manufacture of parts, development work and other miscellaneous projects. The material content of Work-in-Progress is shown at cost or realisable cost, whichever is less.

8.5 Stock-in-trade is valued at cost or realisable value, whichever is less.

8.6 Customs Duty where applicable is loaded to cost of goods when cleared and passed through customs.

8.7 Stationery, uniforms, welfare consumables, medical and canteen stores are charged off to revenue at the time of receipt.



8.8 Semi-perishable, welfare and miscellaneous equipment are valued at cost and items costing individually ₹10,000/- and below are charged to revenue at the time of issue and those costing above ₹10,000/- are charged to revenue in two equal annual installments including the year of issue.

8.9 Raw-materials, Components, Construction Materials, Loose Tools and Stores and Spare Parts declared surplus/ unserviceable/ redundant are charged to revenue.

8.10 Materials issued from main stores and lying unused at the end of the year are not brought back to stores.

8.11 Loose tools & equipment and standard tools are charged to revenue at the time of issue.

8.12 Provision for redundancy is made in respect of closing inventory of Raw- materials and Components, Stores and Spare parts, Construction Materials and Loose Tools non-moving for more than 5 years. Besides, where necessary, adequate provision is made for redundancy of such inventory in respect of completed/ specific projects and other surplus/ redundant materials pending transfer to salvage stores.

## 9. SUNDRY DEBTORS

Disputed/time-barred debts from the Government departments are not treated as Doubtful Debts.

## 10. CLAIMS ON SUPPLIERS/ UNDERWRITERS / CARRIERS/ OTHERS

Claims on Suppliers/Underwriters/ Carriers/others towards loss/damages are

accounted when claims are preferred. Disputed/ time barred claims from the Government Departments are not treated as doubtful claims.

## 11. CONVERSION OF FOREIGN CURRENCY

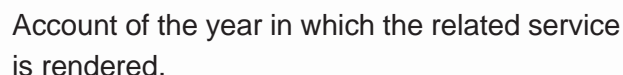
Liability for deferred payments including interest thereon, on supplies/ services from the USSR (erstwhile) is set up at the rate of exchange notified by the Reserve Bank of India, for deferred payments including interest thereon under the protocol arrangements between the Government of India and Government of Russia. In the case of other currencies, liability is set up at the ruling rate of exchange as on the date of Balance Sheet. The differences due to fluctuations in the rate of exchange are charged to revenue. In case of capital items, adjustments are made to the cost of the asset.

## 12. PROVISION FOR CURRENT AND DEFERRED TAX

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the Balance Sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is a virtual certainty that the asset will be realized in future.

## 13. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is recognized when the company has a present obligation as a result of past event, and it is probable that an outflow of



Account of the year in which the related service is rendered.

#### Defined Contribution Plans:

16.2 The Company's contribution paid/payable to company approved Retired Employee Medical Scheme (REMI), Employee Benevolent Fund Scheme (EBF), Employee State Insurance Scheme (ESI), contribution towards Provident Fund under the PF Act and Pension Scheme are charged to revenue.

#### Defined Benefit Plans:

16.3 The Company's Gratuity, Leave Salary Schemes are Defined Benefit Plans. The present value of the obligation towards Gratuity is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each estimated future cash flows. Actuarial gains and losses are recognized in Profit & Loss account.

16.4 The present value of obligation towards Leave Salary is provided on Actuarial basis. Actuarial gains and losses are recognized in Profit and Loss account.

16.5 Compensation paid to Employees under Voluntary Retirement Scheme (VRS) is charged to Profit and Loss Account in the year of retirement.

#### 17. INTEREST

Interest accrued on loans/borrowings for different projects till the commencement of commercial production is amortised over production on technical estimate and to the extent not amortised is carried forward.

resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect current best estimates. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the Financial Statements.

#### 14. WARRANTY

Warranty on goods sold, wherever applicable, commences on setting up of sales and accordingly provision for such warranty is made. The period and terms conditions of warranty shall be as per the relevant contract.

#### 15. SALES

15.1 In the case of products requiring proof tests, sale is accounted for, on the basis of quantity accepted after Proof Tests.

15.2 In the case of all other products, sale is accounted for, on the basis of acceptance/ actual despatch.

15.3 Where Sale Prices are not established, sales are set up on provisional basis at prices likely to be realized.

15.4 Sale value excludes Sales Tax/VAT but includes Excise Duty and Service Tax.

#### 16. EMPLOYEE BENEFITS

##### Short term Employee Benefits:

16.1 Short-term employee benefits such as salaries, wages and short-term compensated absences are recognised as an expense at the undiscounted amount in the Profit and Loss





## 18. DEPRECIATION

Depreciation on Fixed Assets is charged on 'Straight Line' method. The rate of depreciation is derived by spreading the cost of the asset over its expected life, except in the case of township buildings, where the rate adopted is as per the guidelines issued by the Department of Public Enterprises. Depreciation is calculated on and from 01 Apr 1991 on all additions made from the date the asset is put to use/brought on

charge. Rates of depreciation prescribed in Schedule XIV of the Companies Act, 1956, are not adopted. The rates adopted are not less than those prescribed in the said Schedule.

## 19. UNDER/OVER ABSORPTION OF COSTS

Adjustment is not made for under/over absorption of labour and overhead costs on jobs, if the extent of under/over recovery in a year does not exceed 0.5% of such costs.

Note 1 to 28 and Accounting Policies attached form part of accounts.

As per our report of even date.  
For **D.V.RAMANA RAO & CO.,**  
Chartered Accountants  
Registration No.002918S

**For and on behalf of the Board**

**MV SARMA**  
(M. NO. 205313)  
Partner

**SV SUBBA RAO**  
Director (Finance)

**SN MANTHA**  
Chairman and Managing Director

Place : Hyderabad  
Date : 29 Aug 2012

Place : Hyderabad  
Date : 29 Aug 2012

**M LAKSHMI NARAYANA**  
Company Secretary



42<sup>nd</sup> Annual Report 2011-12



# ANNUAL ACCOUNTS 2011 - 12



## BALANCE SHEET AS AT 31 MAR 2012

(₹ Lakh)

PARTICULARS	NOTE No.	AS AT 31 MAR 2012	AS AT 31 MAR 2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
(a) Share Capital	1	11500.00	11500.00
(b) Reserves and Surplus	2	61738.30	43704.94
		<b>73238.30</b>	55204.94
<b>Non-Current Liabilities</b>			
(a) Long term Liabilities	3	4889.88	5085.47
(b) Long term provisions	4	4966.51	3852.28
		<b>9856.39</b>	8937.75
<b>Current Liabilities</b>			
(a) Trade Payables	5	16285.73	17179.43
(b) Other Current Liabilities	6	522295.59	417374.54
(c) Short Term Provisions	7	20041.03	12323.05
		<b>558622.35</b>	446877.02
<b>TOTAL</b>		<b>641717.04</b>	511019.71
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
(a) Fixed Assets			
(i) Tangible Assets	8	19495.16	9969.21
(ii) Intangible Assets	8	1672.10	4143.85
(iii) Capital Work-in-progress	9	3924.98	2210.14
(iv) Intangible Assets under development	9	622.16	-
(b) Non-Current Investments	10	53.60	53.60
(c) Deferred Tax Assets (Net)	11	5444.73	2848.09
(d) Long term Loans and Advances	12	1230.42	2907.13
(e) Other Non-Current Assets	13	4754.79	4944.98
		<b>37197.94</b>	27077.00
<b>Current Assets</b>			
(a) Inventories	14	60257.12	50219.12
(b) Trade Receivables	15	8839.19	4514.59
(c) Cash and cash equivalents	16	429507.98	402083.36
(d) Short Term Loans and Advances	17	95013.06	22664.32
(e) Other Current Assets	18	10901.75	4461.32
		<b>604519.10</b>	483942.71
<b>TOTAL</b>		<b>641717.04</b>	511019.71

Accounting Policies and Notes attached form part of Financial Statements.

As per our report of even date.  
For **D.V.RAMANA RAO & CO.,**  
Chartered Accountants  
Registration No.002918S

**For and on behalf of the Board**

**MV SARMA**  
(M. NO. 205313)  
Partner

**SV SUBBA RAO**  
Director (Finance)

**SN MANTHA**  
Chairman and Managing Director

Place : Hyderabad  
Date : 29 Aug 2012

Place : Hyderabad  
Date : 29 Aug 2012

**M LAKSHMI NARAYANA**  
Company Secretary



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MAR 2012

(₹ Lakh)

PARTICULARS	NOTE No.	CURRENT YEAR	PREVIOUS YEAR
<b>Income:</b>			
Revenue from Operations:			
Sale of Products	19	92485.57	92419.40
Sale of Services	19	3426.60	1496.44
		<b>95912.17</b>	93915.84
Less: Excise Duty		74.69	84.00
Service Tax		267.34	128.20
Net Sales		<b>95570.14</b>	93703.64
Other Income	20	46271.77	14170.44
<b>Total Revenue</b>		<b>141841.91</b>	107874.08
<b>Expenses:</b>			
Cost of materials consumed	21	63353.03	58014.18
Direct Expenses		65.17	24.21
Changes in inventories of Finished Goods, Work-in-progress, Stock-in-Trade	22	(3381.98)	2817.55
Employee Benefits Expense	23	24032.12	23453.28
Finance Costs		19.92	6.77
Depreciation and Amortisation Expense	9	5024.65	3634.60
Other Expenses	24	10686.16	7779.48
Provisions	25	8441.65	4922.42
Total Expenses (Gross)		<b>108240.72</b>	100652.49
Less: Expenses relating to Capital Accounts	26	1218.03	694.96
Total Expenses (Net)		<b>107022.69</b>	99957.53
<b>Profit Before Tax</b>		<b>34819.22</b>	7916.55
Tax Expense			
Current Tax- Earlier years		32.02	26.39
Current year		13887.96	3845.52
Deferred Tax		(2596.64)	(1125.67)
		<b>11323.34</b>	2746.24
<b>Profit (Loss) for the period</b>		<b>23495.88</b>	5170.31
Earnings Per Equity Share of Face Value ₹1000/- each :			
Basic and Diluted (in ₹)	27	2043.12	449.59

Accounting Policies and Notes attached form part of Financial Statements.

As per our report of even date.

For **D.V.RAMANA RAO & CO.,**

Chartered Accountants

Registration No.002918S

**For and on behalf of the Board****MV SARMA**

(M. No. 205313)

Partner

Place : Hyderabad

Date : 29 Aug 2012

**SV SUBBA RAO**

Director (Finance)

Place : Hyderabad

Date : 29 Aug 2012

**SN MANTHA**

Chairman and Managing Director

**M LAKSHMI NARAYANA**

Company Secretary



## NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT 31 MAR 2012

(₹ Lakh)

NOTE No.	PARTICULARS	AS AT 31 MAR 2012	AS AT 31 MAR 2011
<b>1</b>	<b>SHARE CAPITAL</b>		
	<b>Authorised</b>		
	12,50,000 Equity Shares of ₹1,000/- each	<u>12500.00</u>	<u>12500.00</u>
	<b>Issued, Subscribed and Paid up</b>		
	11,50,000 Equity Shares of	<u>11500.00</u>	<u>11500.00</u>
	₹1,000/- each fully paid	<u>11500.00</u>	<u>11500.00</u>
	<b>Details of Shareholders holding more than 5 % shares</b>	<b>100% shares are held by Government of India</b>	100% shares are held by Government of India
<b>2</b>	<b>RESERVES AND SURPLUS</b>		
	<b>Capital Reserve</b>		
	As per last Balance Sheet	19.53	19.53
	Add: Additions during the year	0.03	-
	Closing Balance as on the date of Balance Sheet	19.56	19.53
	<b>General Reserve</b>		
	As per last Balance Sheet	43641.66	41141.66
	Add: Transfer from Statement of Profit and Loss	18000.00	2500.00
	Closing Balance as on the date of Balance Sheet	61641.66	43641.66
	<b>Surplus</b>		
	As per last Balance Sheet	43.75	46.56
	Add: Transfer from Statement of Profit and Loss	23495.88	5170.31
		23539.63	5216.87
	Less: Appropriations		
	Proposed Dividend	4700.05	2300.00
	Tax on Proposed Dividend	762.47	373.12
	Transfer to Capital Reserve	0.03	-
	Transfer to General Reserve	18000.00	2500.00
	Closing Balance as on the date of Balance Sheet	77.08	43.75
		<b>61738.30</b>	<b>43704.94</b>
2.1	Capital Reserve includes value of Assets transferred free of cost by customers during the year taken at nominal value (in ₹)	1	115
<b>3</b>	<b>LONG-TERM LIABILITIES</b>		
	Trade Payables - Deferred Credit towards 45 years component	<u>4889.88</u>	<u>5085.47</u>
		<u>4889.88</u>	<u>5085.47</u>
<b>4</b>	<b>LONG-TERM PROVISIONS</b>		
	Provision for Employees' Benefits		
	Post Superannuation Medical Benefits	414.76	296.02
	Accrued Leave	4551.75	3556.26
		<u>4966.51</u>	<u>3852.28</u>



42<sup>nd</sup> Annual Report 2011-12



## NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT 31 MAR 2012

(₹ Lakh)

NOTE No.	PARTICULARS	AS AT 31 MAR 2012	AS AT 31 MAR 2011
<b>5</b>	<b>TRADE PAYABLES</b>		
	Micro, Small and Medium Enterprises	210.14	388.49
	Current maturity of Deferred Liabilities	262.78	-
	Other Trade Payables	15812.81	16790.94
		<b>16285.73</b>	<b>17179.43</b>
5.1	Information under Micro, Small & Medium Enterprises Development Act:		
i)	Principal Amount and interest due thereon remaining unpaid to suppliers at the end of the year.	210.14	388.49
ii)	Amount of Interest paid during the year along with the amount of payment made to the suppliers beyond the appointed date during the accounting year.	-	-
iii)	Amount of Interest due and payable for the period of delay in making payment. (Payments which have been made beyond the appointed date without adding the interest specified in the Act.)	2.35	3.52
<b>6</b>	<b>OTHER CURRENT LIABILITIES</b>		
	Advances from Government of India	441754.27	397948.25
	Other Advances	65511.14	5368.58
	Deposits	699.02	429.61
	Other Liabilities	14331.16	13628.10
		<b>522295.59</b>	<b>417374.54</b>
<b>7</b>	<b>SHORT TERM PROVISIONS</b>		
	Provision for Employee Benefits		
	Provision for Accrued Leave	302.89	290.26
	Other Provisions		
	Warranty	1616.15	1669.22
	Liquidated Damages	12519.43	7690.45
	Proposed Dividend	4700.05	2300.00
	Tax on proposed dividend	762.47	373.12
	Corporate Social Responsibility	140.04	-
		<b>20041.03</b>	<b>12323.05</b>



## NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT 31 MAR 2012

### 8. FIXED ASSETS

(₹ Lakh)

Particulars	Gross Block			Depreciation/Amortisation			Net Block	
	Cost as at the beginning of the year	Additions/ adjustments during the year	Deductions/ adjustments during the year	Total Cost as at the end of the year	Accumulated Depreciation/ Amortisation as at the beginning of the year	Depreciation/ Amortisation for the year \$ during the year	As at 31 Mar 2012	As at 31 Mar 2011
<b>Tangible Assets</b>								
Land @ - Free Hold	662.80	2504.28		3167.08			3167.08	662.80
- Lease Hold		3776.60		3776.60			3776.60	
Buildings *	7657.82	1005.67		8663.49	3974.49	240.62	4215.11	3683.33
Fencing and Compound Walls	579.12	12.85		591.97	308.74	22.80	331.54	270.38
Roads and Drains	741.05	7.06		748.11	425.12	29.08	454.20	315.93
Water Supply Installations	575.48	27.76		603.24	555.26	5.22	560.48	20.22
Plant, Machinery and Equipment #	19813.50	3023.34	463.03	22373.81	16171.33	935.26	16644.81	3642.17
Furniture and Equipment	1229.63	161.85	2.50	1388.98	937.40	73.69	1009.91	292.23
Transport Vehicles	394.23	76.06		470.29	240.25	35.34	275.59	153.98
Special Tools & Equipment	10197.50	616.00		10813.50	9269.33	340.94	9610.27	928.17
<b>Total</b>	<b>41851.13</b>	<b>11211.47</b>	<b>465.53</b>	<b>52597.07</b>	<b>31881.92</b>	<b>1682.95</b>	<b>462.96</b>	<b>33101.91</b>
Previous Year	39408.29	2474.71	31.88	41851.12	29804.41	2109.39	31.88	31881.92
<b>Intangible Assets</b>								
Development Expenditure	6878.11	763.81		7641.92	2762.34	3291.51	6053.85	4115.77
Computer Software	79.06	106.14		185.20	50.98	50.19	101.17	28.08
<b>Total</b>	<b>6957.17</b>	<b>869.95</b>		<b>7827.12</b>	<b>2813.32</b>	<b>3341.70</b>	<b>-</b>	<b>6155.02</b>
Previous Year	6006.17	951.01		6957.18	1288.11	1525.21	2813.32	4718.05
<b>Grand Total</b>	<b>48808.30</b>	<b>12081.42</b>	<b>465.53</b>	<b>60424.19</b>	<b>34695.24</b>	<b>5024.65</b>	<b>462.96</b>	<b>39256.93</b>
Previous Year	45414.46	3425.72	31.88	48808.30	31092.52	3634.60	31.88	34695.24
@ (i) Includes 5 Acres and 01 Gunta of land given on lease to a Government of India Organisation and is in their possession.								
(ii) Pending receipt of instruments of transfer in respect of 356 Acres and 24 Guntas of land (previous year 356 Acres and 24 Guntas), including 151 Acres 33 Guntas received free of cost from State Government, land has been capitalised for an amount of ₹ 443.41 Lakh (previous year ₹ 443.41 Lakh) as the amount has already been paid/ provided by the Company.								
(iii) ₹2673.94 Lakh is paid for 438 Acres and 14 Guntas of land at Ibrahimpatnam. Possession is taken for 404 Acres and 12.50 Guntas of land and the proportionate value of ₹ 2466.31 Lakh is capitalised.								
(iv) ₹ 3776.60 Lakh towards 533 Acres of Leasehold land at Amravathi from MIDC is capitalised after taking possession of land pending execution of lease agreement. No Amortisation is made pending execution of Lease Agreement.								
* Includes ₹ 111.01 Lakh (Previous Year ₹ 111.01 Lakh) being the value of buildings constructed on land not belonging to the Company.								
# Includes material items of Gross Value ₹ 70.18 Lakh (Previous Year ₹ 185.23 Lakh) retired from active use.								
Assets transferred free of cost by Government taken at nominal value Current Year ₹ 1 (Previous Year ₹ 115)								

## NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT 31 MAR 2012

(₹ Lakh)

NOTE No.	PARTICULARS	AS AT 31 MAR 2012	AS AT 31 MAR 2011
8.1	Rates of depreciation specified in Schedule XIV of the Companies Act, 1956 have not been followed as the rates followed by the Company are higher. However the effect on profit due to this is not ascertainable. The percentage of depreciation adopted other than Schedule XIV rates are as under: (a) Buildings: 3.50/8.00/2.00/4.00/13.00 (b) Plant & Machinery: 13.00/15.00/17.00 (c) Furniture, Fixtures and other equipment: 6.50/13.00/15.00		
<b>9.</b>	<b>CAPITAL WIP AND INTANGIBLE ASSETS UNDER DEVELOPMENT</b>		
	Capital WIP	3924.98	2210.14
	Intangible Assets under development	622.16	-
		<b>4547.14</b>	<b>2210.14</b>
9.1	Capital Work-in-Progress includes ₹40.09 Lakh (previous year ₹40.09 Lakh) of buildings kept in abeyance. Subsequent to the report of the Dy. Collector and Tahasildar, the Company has obtained Survey report from Asst. Director, Survey Settlement and Land Records, R.R District. In order to proceed further, the company is in the process of obtaining clearances from environmental authorities. Necessary adjustments would be carried out in the books on receipt of clearance from environmental and other authorities.		
<b>10</b>	<b>NON-CURRENT INVESTMENTS AT COST (NON-TRADE/UN-QUOTED)</b> 9,21,920 (Including 3,85,920 Bonus Shares) fully paid-up Equity Shares of ₹10/- each of A.P. Gas Power Corporation Limited		
		53.60	53.60
		<b>53.60</b>	<b>53.60</b>
<b>11</b>	<b>DEFERRED TAX ASSETS (NET)</b> Break-up of Deferred Tax Assets and Deferred Tax Liabilities (As per Accounting Standard 22) is as given below:		
	<b>Deferred Tax Assets</b>		
a)	Provisions	5267.83	3592.40
b)	Sec.43B Disallowances	1274.01	841.30
c)	Depreciation & related items	62.85	-
d)	VRS amortisation	-	0.46
		<b>6604.69</b>	<b>4434.16</b>
	<b>Deferred Tax Liabilities</b>		
a)	Depreciation & related items		559.45
b)	Deferred Revenue Expenditure	1159.96	1026.62
		<b>1159.96</b>	<b>1586.07</b>
	<b>Net Deferred Tax Asset/(Liability)</b>	<b>5444.73</b>	<b>2848.09</b>
<b>12</b>	<b>LONG TERM LOANS AND ADVANCES</b>		
a)	Secured, Considered Good Loans and advances-Employees	214.97	173.76
b)	Unsecured, Considered Good Capital Advances	924.98	2673.94
	Loans and advances-Employees	90.47	59.43
		<b>1230.42</b>	<b>2907.13</b>



## NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT 31 MAR 2012

(₹ Lakh)

NOTE No.	PARTICULARS	AS AT 31 MAR 2012	AS AT 31 MAR 2011
<b>13</b>	<b>OTHER NON-CURRENT ASSETS</b>		
	Unsecured, considered Good		
	Deferred Debts	4754.79	4944.98
		<u>4754.79</u>	<u>4944.98</u>
<b>14</b>	<b>INVENTORIES *</b>		
	(As Certified by Management)		
	Raw Materials and Components	35193.30	29312.16
	Less: Provision for Redundancy	545.63	458.05
	GIT of Raw Materials and Components	<u>2951.22</u>	<u>2058.07</u>
		37598.89	30912.18
	Work-in-progress	21244.00	17864.70
	Less: Provision for Redundancy	<u>53.66</u>	<u>53.66</u>
		21190.34	17811.04
	Finished Goods	153.29	150.61
	Less: Provision for Redundancy	<u>15.09</u>	<u>15.09</u>
		138.20	135.52
	Stores and Spare Parts	801.84	861.76
	Less: Provision for Redundancy	152.41	133.81
	GIT of Stores and Spare Parts	<u>16.00</u>	<u>20.20</u>
		665.43	748.15
	Loose Tools	805.11	737.90
	Less: Provision for Redundancy	193.97	177.15
	GIT of Loose Tools	<u>8.21</u>	<u>25.72</u>
		619.35	586.47
	Others		
	Construction Materials	21.95	1.26
	Less: Provision for Redundancy	1.26	1.26
	GIT of Construction Materials	<u>-</u>	<u>-</u>
		20.69	-
	Stores & Equipment - Welfare	204.56	190.29
	Less: Amortisation	<u>199.14</u>	<u>182.10</u>
		5.42	8.19
	Miscellaneous Stores	<u>18.80</u>	<u>17.57</u>
		<u>60257.12</u>	<u>50219.12</u>
	* Include Material issued to Sub-contractors/Others	3523.39	3813.66
<b>15</b>	<b>TRADE RECEIVABLES</b>		
	Unsecured - Considered good		
	Debts outstanding for a period exceeding six months	1980.51	1420.30
	Other Debts		
	Customers	6603.16	3094.29
	Current maturities of Deferred Debts	<u>255.52</u>	<u>-</u>
		<u>8839.19</u>	<u>4514.59</u>



## NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT 31 MAR 2012

(₹ Lakh)

NOTE No.	PARTICULARS	AS AT 31 MAR 2012	AS AT 31 MAR 2011
<b>16</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Balances with Banks in:		
	Current Accounts	2200.46	1811.93
	Short Term Deposits	427300.90	400263.30
		<b>429501.36</b>	402075.23
	Cash on hand	5.77	7.42
	Cash with Imprest Holders	0.85	0.71
		<b>429507.98</b>	<b>402083.36</b>
<b>17</b>	<b>SHORT-TERM LOANS AND ADVANCES</b>		
	a) Secured, considered good		
	Loans and advances to related parties	-	-
	Goods and Services	11785.08	5920.66
	b) Unsecured, considered good		
	Loans and Advances to related parties	-	-
	Goods and Services	79460.26	12462.45
	Less: Provision for doubtful advances	0.41	0.41
		<b>79459.85</b>	12462.04
	Employees	66.90	69.15
	Claims receivable	2151.00	2501.39
	Less: Provision for doubtful claims	61.77	65.80
		<b>2089.23</b>	2435.59
	Prepaid expenses	53.15	23.09
	Deposits	202.49	185.31
	Advance Income Tax (Net)	156.81	542.34
	Advance Service Tax	1199.55	943.54
	Cenvat Receivable	-	11.42
	Service Tax Receivable	-	71.18
		<b>95013.06</b>	<b>22664.32</b>
<b>18</b>	<b>OTHER CURRENT ASSETS</b>		
	Interest Accrued but not due		
	- Short term deposits	10848.16	4359.73
	- Others	53.59	101.59
		<b>10901.75</b>	<b>4461.32</b>



## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAR 2012

(₹ Lakh)

NOTE No.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
19	<b>REVENUE FROM OPERATIONS</b>		
	<b>Sale of Products</b>		
	Finished Goods	86626.92	84799.97
	Spares	3751.81	5135.46
	Miscellaneous	2106.84	2394.83
		<b>92485.57</b>	<b>92330.26</b>
	<b>Sale of Services</b>		
	Repairs and Overhauls	918.06	461.10
	Training	10.80	3.60
	Job Works	2497.74	1031.74
		<b>3426.60</b>	<b>1496.44</b>
	<b>Other Operating Revenues</b>		
	Sale of Scrap	-	6.26
	Prior Period Items	-	82.88
	<b>Gross Sales</b>	<b>95912.17</b>	<b>93915.84</b>
20	<b>OTHER INCOME</b>		
	Interest on :		
	Short Term Deposits	40281.93	10494.52
	Sundry Advances - Employees and Others	60.86	132.24
	Other Deposits	6.53	4.61
	Transportation - Employees	15.68	15.92
	Disposal of Surplus / unserviceable stores	31.42	9.46
	Township	140.24	126.43
	Profit on sale of Assets (Net)	47.48	6.11
	Provision no longer required written back	3287.99	2999.56
	Liability Written back	65.96	5.37
	Liquidated Damages recovered from suppliers	2181.69	107.59
	Net gain on foreign currency transactions	60.11	41.01
	Miscellaneous	91.88	227.62
		<b>46271.77</b>	<b>14170.44</b>
21	<b>COST OF MATERIALS CONSUMED</b>		
	Opening Stock	30913.08	31814.68
	Add: Purchases	74618.22	63714.64
		<b>105531.30</b>	<b>95529.32</b>
	Less: Closing Stock	36822.21	30913.08
		<b>68709.09</b>	<b>64616.24</b>
	Less: Stores consumed on		
	Deferred Revenue Expenditure	63.57	39.39
	Tools and Jigs	14.94	44.10
	Capital Works	1.36	0.56
	Expenses Accounts and Other Assets	5276.19	6518.01
		<b>5356.06</b>	<b>6602.06</b>
		<b>63353.03</b>	<b>58014.18</b>

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAR 2012

(₹ Lakh)

NOTE No.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
22	<b>Changes in inventories of finished goods and Work-in-progress (Increase)/Decrease</b>		
	Opening Balance		
	(i) Work-in-progress	17864.70	20682.05
	(ii) Finished goods	150.61	150.81
		<u>18015.31</u>	<u>20832.86</u>
	Closing Balance		
	(i) Work-in-progress	21244.00	17864.70
	(ii) Finished goods	153.29	150.61
		<u>21397.29</u>	<u>18015.31</u>
	<b>(Increase)/Decrease</b>	<b>(3381.98)</b>	<b>2817.55</b>
23	<b>EMPLOYEE BENEFIT EXPENSES</b>		
	Salaries and Wages	20867.72	19578.71
	Contribution to Provident and Other Funds	2200.95	2974.65
	Staff welfare expenses	963.45	899.92
		<u>24032.12</u>	<u>23453.28</u>
23.1	Remuneration paid to whole time Directors	97.38	108.90
23.2	As per the provisions of Revised Accounting Standard 15 the following information is disclosed in respect of Gratuity		
		<b>31 Mar 2012</b>	<b>31 Mar 2011</b>
1	<b>Assumptions</b>		
a)	Discount Rate (per annum)	8.00%	8.00%
b)	Salary Escalation (per annum)	6.00%	6.00%
2	<b>Table Showing the Changes in the present value of the Obligation</b>		
a)	Present value of Obligation at the beginning of the year	8004.54	6985.31
b)	Interest Cost	640.36	558.82
c)	Current Service Cost	294.36	281.69
d)	Benefits Paid - Actuals	687.42	1465.40
e)	Expected Liability at the year end	8251.84	6360.42
f)	Present value of Obligation at the end of the year	8807.24	8004.54
g)	Actuarial gain / (loss)	(555.40)	(1644.12)
3	<b>Changes in fair value of the Plan Assets</b>		
a)	Fair value of plan assets at the beginning of the year	7002.92	5393.01
b)	Expected return on plan assets	748.49	628.41
c)	Contributions	1650.35	2446.90
d)	Benefits Paid	687.42	1465.40
e)	Actuarial gain / (loss) on plan assets	-	-
f)	Fair value of plan assets at the end of the year	8714.34	7002.92





## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAR 2012

(₹ Lakh)

NOTE No.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>4</b>	<b>Table showing fair value of Plan Assets</b>		
a)	Fair value of plan assets at the beginning of the year	7002.92	5393.01
b)	Actual return on plan assets	748.49	628.41
c)	Contributions	1650.35	2446.90
d)	Benefits Paid	687.42	1465.40
e)	Fair value of plan assets at the end of the year	8714.34	7002.92
f)	Funded Status	(92.90)	(1001.62)
g)	Excess of Actual over estimated return on plan assets	-	-
<b>5</b>	<b>Actuarial Loss or Gain recognised</b>		
a)	Actuarial Loss for the year - Obligation	(555.40)	(1644.12)
b)	Actuarial Loss for the year - Plan Assets	-	-
c)	Total Loss for the year	(555.40)	(1644.12)
d)	Actuarial Loss recognised	(555.40)	(1644.12)
<b>6</b>	<b>Amount to be recognised in the Balance Sheet</b>		
a)	Present value of the Obligations at the end of the year	8807.24	8004.54
b)	Fair value of plan assets at the end of the year	8714.34	7002.92
c)	Funded Status	(92.90)	(1001.62)
d)	Net Liability / Asset recognised in the Balance Sheet	(92.90)	(1001.62)
<b>7</b>	<b>Expenses recognised in the statement of P&amp;L</b>		
a)	Current Service Cost	294.36	281.69
b)	Interest Cost	640.36	558.82
c)	Expected return on Plan Assets	748.49	628.41
d)	Net actuarial gain / (loss) recognised in the year	(555.40)	(1644.12)
e)	Expenses recognised in P&L a/c	741.63	1856.22
<b>23.3</b>	<b>Compensated Absences</b>		
	The Actuarial Liability of Accumulated absences of the employees of the Company	4,854.64	3,846.52
	Discounting Rate	8.00%	8.00%
	Salary escalation Rate	6.00%	6.00%
	Retirement Age	60 years	60 years
<b>23.4</b>	<b>Post Retirement Medical Scheme</b>		
	Contributions made during the year	11.02	8.76
<b>23.5</b>	Contribution to Post Superannuation Medical benefits pending finalisation of the improvements to the existing Scheme included in Current Liabilities and Provisions (Schedule 13) and Provisions (Schedule 21)	118.75	75.94



## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAR 2012

(₹ Lakh)

NOTE No.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>24</b>	<b>OTHER EXPENSES</b>		
	Shop Supplies	568.68	306.95
	Power and Fuel	906.49	709.86
	Water Charges	222.77	126.78
	Travelling #	698.44	394.23
	Repairs:		
	Buildings	830.32	793.49
	Plant, Machinery and Equipment	615.51	652.97
	Furniture and Equipment	9.53	2.95
	Vehicles	15.74	16.98
	Others	1.87	1.60
	Vehicle Expenses - Petrol and Diesel	61.43	48.48
	Loose Tools and Equipment	174.55	119.99
	Insurance	104.29	77.89
	Rates and Taxes	87.23	134.55
	Postage, Telegrams, Telex and Telephones	115.25	107.58
	Printing and Stationery	87.43	70.20
	Publicity	114.55	47.75
	Advertisement	132.29	97.55
	Bank Charges	99.20	40.42
	Legal Expenses	3.37	5.36
	Donations	0.10	0.10
	Write offs:		
	Bad and Doubtful Debts		0.31
	Others	2.28	3.92
	Auditors' Remuneration:		
	Statutory Audit fees	3.50	2.00
	Tax Audit fees	0.20	0.20
	Service Tax	0.46	0.23
	Documentation fees and expenses	0.22	0.44
	Loss on Sale of Assets (Net)	-	-
	Security Arrangements	1769.23	1238.27
	Liquidated Damages	2009.20	1301.13
	Computer Software and Development	2.45	2.63
	Entertainment	0.39	0.14
	Courtesy	96.61	123.53
	Sitting Fee paid to Directors	3.55	0.35
	Sitting Fee paid to Independent External Monitors	1.50	
	Miscellaneous Operating Expenses	1941.91	1350.65
	Prior Period Items	5.62	-
		<b>10686.16</b>	<b>7779.48</b>
# 24.1	Includes Directors' Travelling Expenses	113.51	68.39
<b>25</b>	<b>PROVISIONS</b>		
	Replacement and other charges, Warranty and Batch Rejections	820.14	974.24
	Redundancy Provision	548.54	417.19
	Liquidated Damages	6814.18	3455.05
	Post-Superannuation Medical Benefits	118.75	75.94
	Corporate Social Responsibility	140.04	-
		<b>8441.65</b>	<b>4922.42</b>



## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAR 2012

(₹ Lakh)

NOTE No.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
26	<b>EXPENSES RELATING TO CAPITAL AND OTHER ACCOUNTS</b> Deferred Revenue Expenditure Tools and Jigs Others	402.05 510.64 305.34 <u>1218.03</u>	322.75 330.19 42.02 <u>694.96</u>
27	<b>Earnings Per Share :</b> Earnings per Share (Basic) calculated as per AS-20 Net Profit After Tax Number of Equity Shares of Face Value of ₹1000/- each fully paid up Basic and Diluted Earnings Per Share (in ₹) There are no dilutive potential Equity Shares.	23495.88 1150000 2043.12	5170.31 1150000 449.59
28	<b>Mandatory Disclosures</b> <b>Contingent Liabilities Not Provided for:</b>		
28.01	Outstanding Letters of Credit and Guarantees: (i) Letters of Credit (ii) Guarantees and Counter Guarantees <b>Total</b>	22367.88 11.89 <u>22379.77</u>	9840.31 32.92 <u>9873.23</u>
28.02	Claims / Demands against the Company not acknowledged as Debt: (i) Sales Tax (ii) Service Tax (iii) Others <b>Total</b>	14449.88 89.89 380.19 <u>14919.96</u>	14449.88 - 1022.44 <u>15472.32</u>
28.03	Estimated amount of contracts remaining to be executed on Capital Account and not provided for, is	8209.41	2911.38
28.04	General Exemption has been granted by the Government vide Notification No S.O.301 (E) dated 08 Feb 2011 from compliance with the provisions contained in para 3(i)(a), 3(ii)(a), 3(ii)((d), 4-C, 4-D(a) to (e) except (d) of Part-II of Schedule VI to the Companies Act,1956.		
	<b>Disclosures as per Accounting Standards:</b>		
28.05	Prior Period Transactions (AS-5) which are over ₹1.00 Lakh in each case are considered as such and disclosed in the Accounts. The effect of such transactions on the profit for the year is ₹ 5.62 Lakh Decrease (Previous Year ₹82.88 Lakh increase) as detailed :		

SI No	Particulars	Note No.	Current Year		Previous Year	
			Debit	Credit	Debit	Credit
1	Sales	19	-	-	-	82.88
2	Other Expense	24	5.62	-	-	-
	Total		5.62	-	-	82.88
	<b>Net effect on Profit—→ Increase/(decrease)</b>			(5.62)		82.88



## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAR 2012

(₹ Lakh)

NOTE No.	PARTICULARS	31 MAR 2012	31 MAR 2011																					
28.06	Effect of changes in the Foreign Exchange rates as per AS-11																							
a)	Exchange rate differences adjusted to fixed assets during the year amounting to	1.37	(0.75)																					
b)	Exchange rate variation recognised in Profit & Loss Account towards Capital Assets	-	-																					
c)	Rescheduled portion of deferred credit is valued at the Exchange Rate applicable as per the Protocol. Effect of exchange rate variation over this is:																							
i)	Increase in liability in respect of Company's portion	46.40	48.26																					
ii)	Increase in liability in respect of Customer's portion which is taken to accounts payable with equal amount to claims receivable as the same does not devolve on the company.	1633.19	1746.78																					
d)	Deferred Liabilities include interest not accrued but brought into books as per Government of India instructions.	-	-																					
28.07	Keeping in view the nature of business and the sensitive nature of disclosure, it is considered prudent not to disclose information required as per AS 17 regarding Segment Reporting. Such non-disclosure does not have any financial effect on the Accounts of the Company.																							
28.08	Details of Related Party Transactions (AS 18) are as given below:																							
	<table><tr><th>Name of the Party</th><th>Relation</th><th>Transaction</th><th>Current Year</th><th>Previous Year</th></tr><tr><td rowspan="3">Institute of Public Enterprise (IPE), Hyderabad</td><td rowspan="3">Shri R.K.Mishra, Independent Director is also Director of IPE</td><td>i) Patron Membership</td><td>8.00</td><td>-</td></tr><tr><td>ii) Financial Support for Campus</td><td>10.00</td><td>-</td></tr><tr><td>iii) Training, Seminar, Course Fees, etc.</td><td>5.06</td><td>4.02</td></tr><tr><td colspan="3">Total</td><td>23.06</td><td>4.02</td></tr></table>	Name of the Party	Relation	Transaction	Current Year	Previous Year	Institute of Public Enterprise (IPE), Hyderabad	Shri R.K.Mishra, Independent Director is also Director of IPE	i) Patron Membership	8.00	-	ii) Financial Support for Campus	10.00	-	iii) Training, Seminar, Course Fees, etc.	5.06	4.02	Total			23.06	4.02		
Name of the Party	Relation	Transaction	Current Year	Previous Year																				
Institute of Public Enterprise (IPE), Hyderabad	Shri R.K.Mishra, Independent Director is also Director of IPE	i) Patron Membership	8.00	-																				
		ii) Financial Support for Campus	10.00	-																				
		iii) Training, Seminar, Course Fees, etc.	5.06	4.02																				
Total			23.06	4.02																				
	There are no other transactions with related parties except remuneration paid to / expenses incurred in respect of whole time directors which is disclosed under the relevant Note Nos. 23 and 24.																							
28.09	Expenditure relating to Research and Development including product improvement financed by the Company during the year charged to natural heads of account :																							
	Being in the nature of Revenue expenditure	1020.00	1085.64																					
	Being in the nature of Capital expenditure (Assets Capitalised)	488.50	67.64																					
28.10	Impairment loss recognised during the year as per AS - 28	Nil	Nil																					



## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAR 2012

(₹ Lakh)

28.11 Provisions and Contingent Liabilities - disclosure as required by AS 29 is furnished below:

### Current Year

Sl. No.	Nature of Provision	Opening Balance	Provision made during the year	Utilisation during the year	Reversal during the year	Closing Balance
1	Warranty	1669.23	820.15	-	873.22	1616.16
2	Liquidated Damages	7690.45	6814.18	1868.00	117.20	12519.43
3	Post-Superannuation Medical Benefits	296.02	118.74	-	-	414.76
4	Redundancy	839.02	548.54	-	425.54	962.02
5	Doubtful Advances/Claims	66.21	-	-	4.03	62.18
6	Corporate Social Responsibility	-	155.11	15.07	-	140.04
		10560.93	8456.72	1883.07	1419.99	15714.59

### Previous Year

Sl. No.	Nature of Provision	Opening Balance	Provision made during the year	Utilisation during the year	Reversal during the year	Closing Balance
1	Warranty	1541.27	974.24	-	846.28	1669.23
2	Liquidated Damages	5721.44	3455.05	723.09	762.95	7690.45
3	Post-Superannuation Medical Benefits	220.08	75.94	-	-	296.02
4	Redundancy	1088.85	417.19	0.28	666.74	839.02
5	Doubtful Advances/Claims	66.21	-	-	-	66.21
		8637.85	4922.42	723.37	2275.97	10560.93

Contingent Liabilities referred to in Note 28.01 and 28.02 are dependent upon terms of contractual obligations, devolvement, raising of demand by concerned parties and the outcome of court/arbitration/ out of court settlement / disposal of appeals.

### Other Disclosures

- 28.12 In case of a supplier, the Company initiated legal action for recovery of advance amount together with interest etc., as the Contract was not executed. Though District Court issued a decree for an amount of ₹48.10 Lakh together with interest etc., in favour of the Company, the decretal amount has not been recognised as claims receivable / income since the supplier was granted stay of operation of the decree by Hon'ble High Court and the matter is sub-judice as on date.
- 28.13 Letters requesting Confirmation of Balances have been sent in respect of Debtors, Creditors, Claims Receivable, Materials with Contractors / Sub-Contractors, Advances, Deposits and others. Based on the replies wherever received, reconciliations / provisions / adjustments are made as considered necessary.
- 28.14 Out of the advances of ₹42454.91 Lakh (previous year ₹42686.39 Lakh) received from the customers, in respect of three contracts which are shortclosed, the Company has made payments to suppliers for procurement of Special Tools and Equipment and inventory. Against these payments, Special Tools and Equipment (Note 8) include an amount of ₹114.05 Lakh (previous year ₹114.05 Lakh), Current Assets, Loans and Advances (Notes 14 to 18) include an amount of ₹11014.16 Lakh (previous year ₹11014.16 Lakh) in suppliers' account and ₹8574.88 Lakh (previous year ₹7906.73 Lakh) in inventory account, total amounting to ₹19703.09 Lakh (previous year ₹19034.94 Lakh). As these assets had been acquired/expenditure had been incurred by the company based on firm orders and out of the funds provided by the customer, no loss devolves on the company on account of long outstanding advances and non-moving Special Tools and Inventory. Hence, no provision is considered necessary. Further, in respect of these shortclosed contracts, the company approached the customers for compensation of ₹8664.00 Lakh being the net amount of expenditure after adjustment of the available advance. Hence, for want of finalisation of the amount from the Government/ Customers, no claim/ impact on profit has been accounted in the books.



## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAR 2012

(₹ Lakh)

28.15 Accounts for the year 2011-12 approved by the Board of Directors and certified by the Statutory Auditors on 13 July 2012 are revised in the light of the observations made by the Comptroller & Auditor General under Section 619(4) of the Companies Act, 1956. The effect of such revision is as below:

S. No.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
a)	Other Income Increase / (Decrease) by	1825.93	NIL
b)	Profit Before Tax Increase / (Decrease) by	1825.93	NIL
c)	R&D Expenditure Increase / (Decrease) by	(33.67)	NIL
d)	Current Liabilities Increase / (Decrease) by	(1825.93)	NIL
e)	Notes forming part of Financial Statements	Additional Disclosure in Note 28.14	NIL
f)	Heading for Note 16	Modified as "Cash and cash equivalents"	NIL
28.16	Previous year figures have been regrouped or rearranged wherever necessary. Negative figures are indicated in parenthesis.		

Note Nos. 1 to 28 and Accounting Policies attached form part of Financial Statements.

As per our report of even date.  
For **D.V.RAMANA RAO & CO.,**  
Chartered Accountants  
Registration No.002918S

**For and on behalf of the Board**

**MV SARMA**  
(M. NO. 205313)  
Partner

**SV SUBBA RAO**  
Director (Finance)

**SN MANTHA**  
Chairman and Managing Director

Place : Hyderabad  
Date : 29 Aug 2012

Place : Hyderabad  
Date : 29 Aug 2012

**M LAKSHMI NARAYANA**  
Company Secretary





## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAR 2012

(₹ Lakh)

PARTICULARS	31 MAR 2012	31 MAR 2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit Before Tax and Extraordinary items	34819.22	7916.55
Adjustments for :		
Depreciation and amortisation	4561.69	3602.72
Interest income	(40349.32)	(10631.37)
Interest expense	19.92	6.77
Operating Profit Before Working Capital Changes	(948.49)	894.67
(Increase)/Decrease in trade receivables	(4324.60)	(1156.69)
(Increase)/Decrease in inventories	(10038.00)	6807.20
(Increase)/Decrease in loans and advances (excluding advance tax and interest accrued)	(70867.37)	2754.02
Increase/(Decrease) in sundry creditors, liabilities & provisions	109874.57	242553.81
Cash generated from operations	23696.11	251853.01
Income taxes paid	(13907.57)	(4048.24)
Cash flow before extraordinary item	9788.54	247804.77
Proceeds from extra-ordinary items	-	-
<b>Net cash from operating activities (A)</b>	<b>9788.54</b>	<b>247804.77</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	(14002.94)	(4924.95)
Proceeds from sale of assets	50.05	37.99
Interest received	33908.89	8150.66
<b>Net cash from investing activities (B)</b>	<b>19956.00</b>	<b>3263.70</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of deferred liabilities		(391.19)
Decrease in deferred debts		380.39
Interest paid	(19.92)	(6.77)
Dividends paid	(2300.00)	(2300.00)
<b>Net cash used in financing activities (C)</b>	<b>(2319.92)</b>	<b>(2317.57)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>27424.62</b>	<b>248750.90</b>
<b>Cash and cash equivalents as at the beginning of the year</b>	<b>402083.36</b>	<b>153332.46</b>
<b>Cash and cash equivalents as at end of the year</b>	<b>429507.98</b>	<b>402083.36</b>

As per our report of even date.  
For **D.V.RAMANA RAO & CO.,**  
Chartered Accountants  
Registration No.002918S

**MV SARMA**  
(M. NO. 205313)  
Partner

Place : Hyderabad  
Date : 29 Aug 2012

For and on behalf of the Board

**SV SUBBA RAO**  
Director (Finance)

Place : Hyderabad  
Date : 29 Aug 2012

**SN MANTHA**  
Chairman and Managing Director

**M LAKSHMI NARAYANA**  
Company Secretary

## AUDITOR'S REPORT

To  
The Members,  
Bharat Dynamics Limited,  
Hyderabad.

1. Pursuant to the observations made by the Comptroller & Auditor General of India under section 619(4) of the Companies Act, 1956, the Accounts adopted by the Board of Directors on 13 Jul 2012 have been revised. The impact of the revision is stated in Note No. 28.15 forming part of Accounts. This Report supersedes our earlier Report dated 13 Jul 2012. The Report is revised to incorporate the observations made by the Comptroller & Auditor General of India, in paragraph 4 & 5(f) of the Auditors Report.
2. We have audited the attached Balance Sheet of **BHARAT DYNAMICS LIMITED**, as at 31 Mar 2012, and the Profit and Loss Account and also the Cash Flow statement for the year ended on that date annexed thereto. 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.
3. We conducted our audit in accordance with the 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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
4. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditors Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in the Annexure referred to above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as it appears from our examination of those books;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow



Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956, except AS 17 vide para 5 (f) (i) stated hereunder.

- e) In terms of Ministry of Law, Justice and Company Affairs, Department of Company Affairs General Circular No.8/2002, dated 22 Mar 2002, Government Companies are exempt from the applicability of the provisions of Section 274(1) (g) of the Companies Act, 1956. Hence, no comments are offered.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and Notes on Accounts, subject to:

**i) Note 28.07 regarding non-disclosure of information as required by Accounting Standard AS 17 on Segment Reporting as required by section 211(3A) of the Companies Act, 1956.**

give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India;

- i) in so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March 2012;
- ii) in so far as it relates to the Profit and Loss account, of the profit of the Company for the year ended on that date and
- iii) in so far as it relates to the Cash Flow Statement, of the Cash Flows of the Company for the year ended on that date.

**For D.V. RAMANA RAO & CO.,**  
Chartered Accountants  
Registration No. 002918S

**M.V. SARMA**  
(M. No.205313)  
Partner

Place : Hyderabad  
Date : 29 Aug 2012





## ANNEXURE TO AUDITOR'S REPORT

### Statement referred to in paragraph - 4 above of our Report of even date

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- b) According to the information and explanations given to us, the Fixed Assets have been physically verified by the Management during the year in a phased manner which, in our opinion, is reasonable, having regard to the size of the Company and nature of the Assets. No material discrepancies were noticed on such verification.
- c) In our opinion, the Company has not disposed off substantial part of Fixed Assets during the year and the going concern status of the Company is not affected.
- ii) a) As explained to us, inventory has been physically verified by the Management at regular intervals during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its business.

In respect of stocks lying with other parties, confirmations in respect with such stocks were sought by the Company and based on the replies, wherever received, reconciliation / provisions / adjustments were made.

- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of Inventories followed by the Management are reasonable and adequate in relation

to the size of the Company and the nature of its business.

- c) The Company is maintaining proper records of Inventory. As explained to us, certain discrepancies have been identified by the Internal Audit (IA) Department of the Company on the physical verification of stocks as compared to the book records. Pending reconciliation of the above discrepancies, these shortages/overages have been disclosed in the Stock Adjustment Account which is to be finally written off/ back after due reconciliation. Apart from the above there were no material discrepancies noticed on the physical verification of stocks as compared to books/ records.
- iii) a) We are informed that the company has not taken/granted any loans from/to Companies, Firms or other parties listed in the register maintained under section-301 of the Companies Act, 1956.
- b) As explained to us the parties to whom advances in the nature of loans were given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of Inventory, Fixed Assets and for sale of goods and services.
- v) a) In our opinion and according to the information and explanations given to us,



there are no transactions made in pursuance of contracts or arrangements that needed to be entered in the register maintained under Section-301 of the Companies Act, 1956.

- b) As explained to us, there was no transaction during the year that needs to be entered in the register maintained under Section-301 of the Companies Act, 1956 and aggregating during the year to ₹5,00,000/- or more in respect of any party.
- vi) The Company has not accepted any Deposits from the Public.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) Maintenance of cost records has not been prescribed by the Central Government under Section-209 (1)(d) of the Companies Act, 1956 for the products manufactured by the Company.
- ix) a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income tax, Sales Tax, Service Tax, Custom Duty, Excise Duty and other Statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31 Mar 2012 for a period of more than six months from the date they became payable.

- b) Statutory dues aggregating to ₹8846.05 Lakh that have not been deposited on account of dispute and pending before the appropriate authorities are as follows:

Sl. No	Name of the statute	Nature of dues	Forum where dispute is pending	(₹ Lakh)
1.	CST Act	CST	A.P High Court	1462.67
2.	CST Act	CST	AP Sales Tax Appellate Tribunal	7055.91
3.	CST Act	CST	DC, Charminar Hyderabad	284.36
4.	Finance Act, 1994	Ser. Tax	Commissioner Customs, Central Excise & Ser.Tax Hyd.II	43.11
Total				8846.05

- x) The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our Audit or in the immediately preceding financial year.
- xi) According to the information and explanations given to us the Company has not defaulted in repayment of dues to financial institutions or banks.
- xii) In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a Chit Fund, Nidhi or Mutual Benefit Fund/ Society. Therefore, Clause - 4 (xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.



- |       |  |        |  |
|-------|--|--------|--|
| xiv)  | The Company is not dealing or trading in shares, securities, debentures and other investments.   |        | Companies, firms or other private parties listed in the register maintained under Section-301 of the Companies Act, 1956.                      |
| xv)   | The Company has not raised any Term Loans.   | xviii) | The Company has not issued any debentures.   |
| xvi)  | According to the information and explanations given to us, no funds raised on Short Term basis have been used for Long Term Investments. | xix)   | The Company has not raised any money by way of public issue during the year.   |
| xvii) | The Company has not made any preferential allotment of shares to   | xx)    | According to the information and explanations given to us no material fraud on or by the Company has been noticed or reported during the year. |

For **D.V. RAMANA RAO & CO.,**  
Chartered Accountants  
Registration No.002918S

Place : Hyderabad  
Date : 29 Aug 2012

**M.V. SARMA**  
(M. No.205313)  
Partner





## **OBSERVATION OF STATUTORY AUDITORS AND REPLIES BY THE COMPANY UNDER SECTION 217 (3) OF COMPANIES ACT, 1956**

### **Reference to Audit Report**

5 (f) (i)

### **Auditors' Qualification**

Note 28.07 regarding non-disclosure of information as required by Accounting Standard AS 17 on Segment Reporting as required by Section 211 (3A) of the Companies Act, 1956.

### **Company's Reply**

Keeping in view the nature of business and the sensitive nature of disclosure, it is considered prudent not to disclose information required as per Accounting Standard 17 regarding Segment Reporting. Such non-disclosure does not have any financial effect on the Accounts of the Company. Disclosure in this regard has been made at Note 28.07 forming part of the Financial Statements.

**For and on behalf of the Board**

**SN MANTHA**

Chairman and Managing Director

**SV SUBBA RAO**

Director (Finance)

## COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA



सं / No.

Insp/BDL Accs(2011-12)/12-13/264  
प्रधान निदेशक वणिज्य विभाग, लेखापरीक्षा एवं पदम सहाय  
लेखापरीक्षा बोर्ड का कार्यालय, बंगलूर - 560 001.

OFFICE OF THE PRINCIPAL DIRECTOR OF COMMERCIAL  
AUDIT and Ex-Officio MEMBER, AUDIT BOARD,  
BANGALORE - 560 001.

दिनांक / DATE :

30.8. 2012

To

Shri S.N. Mantha,  
Chairman and Managing Director,  
M/s.Bharat Dynamics Limited,  
P.O. Kanchanbagh,  
Hyderabad-500058.

Sir,

Sub: Comments of the Comptroller and Auditor General of India  
under section 619 (4) of the Companies Act, 1956.

I forward herewith **Nil Comments Certificate** of the Comptroller and Auditor  
General of India under Section 619 (4) of the Companies Act, 1956 on the accounts of  
**M/s. Bharat Dynamics Limited, Hyderabad** for the year ended 31st March 2012.

It may please be ensured that the Comments are:

- (i) Printed in toto without any editing;
- (ii) Placed before the AGM as required under Section 619(5) of the Companies  
Act, 1956; and
- (iii) Placed next to the Statutory Auditors' Report in the Annual Report of the  
Company with proper indication in the index;

The receipt of this letter may please be acknowledged.

Yours faithfully,

  
(C.H. Kharshiing, IA&AS)  
Pr. Director of Commercial Audit

Encl: As above.

भारतीय लेखा तथा लेखापरीक्षा विभाग,  
INDIAN AUDIT & ACCOUNTS DEPARTMENT

पहला तल, बसवा भवन, श्री बसवेश्वरा रोड, बंगलूर - 560 001.  
1st Floor, Basava Bhavan, Sri Basaveswara Road, Bangalore - 560 001.

दूरभाष / Phone: 2226 7646 / 2226 1168  
E-mail : mabbbr@giasbg01.vsnl.net.in

तार / Telegram : DIRCOMIT  
फैक्स / Fax : 080-2226 2491

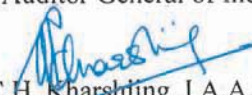


**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA  
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE  
ACCOUNTS OF M/s. BHARAT DYNAMICS LIMITED FOR THE YEAR  
ENDED 31<sup>st</sup> March 2012.**

The preparation of financial statements of M/s **BHARAT DYNAMICS LIMITED** for the year ended 31<sup>st</sup> March, 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditor 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 13.7.2012 and their revised report dated 29.8.2012.**

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 M/s. **Bharat Dynamics Limited** for the year ended 31<sup>st</sup> March, 2012. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditor and is limited primarily to inquiries of the Statutory Auditor and Company personnel and a selective examination of some of the accounting records. **In view of the revision made in the financial statements by the management as indicated in the Notes forming part of Accounts vide Note No.28.14 and 28.15 and the revision in the Auditors' Report vide para 4 and 5(f), highlighted during supplementary audit,** I have no further comments to offer upon or supplement to the Statutory Auditors' Report, under Section 619(4) of the Companies Act, 1956.

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



(C.H. Kharshing, I.A.A.S.)

Pr. Director of Commercial Audit  
& Ex-officio Member, Audit Board, Bangalore.

Bangalore  
Dated: 30 August, 2012



## हमारे उत्पाद OUR PRODUCTS

कांकूर्स-एम  
Konkurs-M



इन्वार  
Invar



मिलान-2टी  
Milan-2T



आकाश  
Akash



बीडीएल-सीएमडीएस  
BDL-CMDS



टाल  
Tal



## अतिथि आगमन VIP VISITS



दि. 30 अगस्त 2012 को अपने दौरे के दौरान सी एम डी तथा निदेशक (वित्त) द्वारा जानकारी प्राप्त करते हुए  
ले. जनरल राजिन्दर सिंह, पविसेमे, उयुसेमे, सेमे, एमजीओ.

Lt Gen Rajinder Singh, PVSM, UYSM, SM, MGO  
being briefed by CMD and Director (Finance)  
during his visit to BDL on 30 Aug 2012.



दि. 07 जून 2012 को अपने दौरे के दौरान  
सी एम डी से बातचीत करते हुए  
एअर मार्शल डी एस खजूरिया, एस सी, महानिदेशक (प्रणालियाँ).

Air Marshal DS Khajuria, SC, Director General (Systems)  
calling on CMD on his visit on 07 Jun 2012



दि. 09 अगस्त 2012 को अपने दौरे के दौरान  
जानकारी प्राप्त करते हुए  
रियर अडमिरल राकेश पंडित, एनएम, सीएसओ (एसवी).

Rear Admiral Rakesh Pandit, NM, CSO (SV)  
being briefed on his visit on 09 Aug 2012.



दि. 10 दिसंबर 2011 को अपने दौरे के दौरान  
सी एम डी तथा निदेशक (वित्त) द्वारा जानकारी प्राप्त करते हुए  
श्री विवेक रे, डीजी (अधिग्रहण), रक्षा मंत्रालय.

Shri Vivek Rae, DG (Acquisition), MoD being  
briefed by CMD and Director (Finance)  
on his visit on 10 Dec 2011.



## अतिथि आगमन VIP VISITS



दि. 11 जुलाई 2012 को अपने दौरे के दौरान जानकारी प्राप्त करते हुए ले ज एस एम मेहता, सेमे, विसेमे\*\*, कमांडेंट, एमसीईएमई.

Lt Gen S M Mehta, SM, VSM\*\*, Commandant, MCEME during his visit to BDL on 11 Jul 2012.



दि. 16 मई 2012 को अपने दौरे के दौरान जानकारी प्राप्त करते हुए एअर मार्शल जे चन्द्रा, अविसेमे, विसेमे, एओसी-इन-सी, मेटेनेंस कमाण्ड.

Air Marshal J Chandra, AVSM, VSM, AOC-in-C, Maintenance Command during his visit on 16 May 2012.



दि. 24 अप्रैल 2012 को अपने दौरे के दौरान जानकारी प्राप्त करते हुए एअर वाईस मार्शल एम आर पवार, एसीएएस (वेपन्स).

Air Vice Marshal M R Pawar, ACAS (Weapons) being briefed on his visit on 24 Apr 2012.



दि. 14 मार्च 2012 को अपने दौरे के दौरान निदेशक (वित्त) के साथ चर्चा करते हुए आन्ध्र बैंक के सी एम डी श्री बी ए प्रभाकर.

Shri B A Prabhakar, CMD, Andhra Bank calling on Director (Finance) on his visit on 14 Mar 2012.



## अतिथि आगमन VIP VISITS



दि. 30 अगस्त 2012 को अपने दौरे के दौरान जानकारी प्राप्त करते हुए ब्रिगेडियर एम एल मोहन बाबु, वज्र शस्त्र कमाण्डेण्ट, स्ट्रैटेजिक फोर्स टीएस.

Brig M L Mohan Babu, Commandant Vajra Shaastra, Strategic Forces TS being briefed on his visit to BDL on 30 Aug 2012.



दि. 04 जुलाई 2012 को अपने में मानकीकरण गतिविधियों पर जानकारी प्राप्त करते हुए एअर कमांडोर एम के गुलेरिया, बिसेमे निदेशक, मानकीकरण निदेशालय.

Air Cmde M K Guleria, VSM, Director, Directorate of Standardization being briefed about standardization activities at BDL on his visit on 04 Jul 2012.



दि. 27 जून 2012 को अपने दौरे के दौरान जानकारी प्राप्त करते हुए ब्रिगेडियर एम जी जैकब, कमाण्डर 715 (आई) ए डी ब्रिगेड.

Brig M G Jacob, Commander 715 (I) AD Brigade being briefed on his visit on 27 Jun 2012.



दि. 27 जून 2012 को अपने दौरे के दौरान जानकारी प्राप्त करते हुए श्री एम डी श्रीकुमार, प्रबंध निदेशक, एच एम टी मशीन टूल्स लिमिटेड.

Shri M D Sreekumar, Managing Director, HMT Machine Tools Limited being briefed during his visit on 27 Jun 2012.



## प्रमुख घटनाक्रम IMPORTANT EVENTS



दि. 18 नवंबर 2011 को बीडीएल, भानूर में आकाश परियोजना भवन के लिए माननीय रक्षा राज्य मंत्री श्री एम एम पल्लम राजू शिलान्यास करते हुए. इस अवसर पर उपस्थित थे सी एम डी, निदेशकगण तथा मुख्य सतर्कता अधिकारी.

Shri MM Pallam Raju, Hon'ble Raksha Rajya Mantri laid foundation stone for Akash Project Building at BDL, Bhanur on 18 Nov 2011.  
JS (MS)-MoD, CMD, Directors and CVO were present on the occasion.



दि. 18 मार्च, 2012 को बीडीएल की इब्राहिमपट्टणम इकाई के शिलान्यास के अवसर पर आन्ध्र प्रदेश के मुख्य मंत्री श्री एन किरण कुमार रेड्डी तथा श्री एम एम पल्लम राजू, माननीय रक्षा राज्य मंत्री को सी एम डी एस उत्पाद की जानकारी देते हुए सी एम डी.

Shri MM Pallam Raju, Hon'ble Raksha Rajya Mantri and Shri N Kiran Kumar Reddy, Hon'ble Chief Minister of Andhra Pradesh being briefed by CMD about CMD's project on the occasion of laying of foundation stone of BDL Ibrahimpatnam Unit on 18 Mar 2012.



दि. 01 जून 2012 को आई टी आर, बालासोर से बीडीएल द्वारा वायुसेना के लिए तैयार की गई आकाश मिसाइल के सफल परीक्षण के अवसर पर उपस्थित श्री पी के मिश्र, संयुक्त सचिव (प्रक्षेपास्त्र प्रणाली) के साथ डीआरडीओ, बी ई एल तथा बीडीएल के वरिष्ठ अधिकारी.

BDL productionised Akash (Air Force Version) Missile was test fired successfully on 01 Jun 2012 at ITR, Balasore.  
Shri P K Mishra, Joint Secretary (Missile System) along with senior officials of DRDO, BEL and BDL were present on the occasion.



दि. 1 नवंबर 2011 को तीसरी पीढ़ी के एटीजीएम नाग के लिए बीडीएल द्वारा उत्पादित इमेजिंग इंफ्रारेड सीर्कर्स का पहला लॉट श्री पी वेणुगोपालन, निदेशक, डीआरडीएल को सौंपते हुए बीडीएल के सी एम डी. अवसर पर उपस्थित निदेशक (उत्पादन).

BDL has productionised Imaging Infra Red (IIR) Seekers for the third generation Nag ATGM. CMD, BDL handing over the first lot of IIR Seekers to Shri P Venugopalan, Director, DRDL on 01 Nov 2011. Director (Production) was present on the occasion.





दि. 11 दिसंबर 2011 को महामहिम राष्ट्रपति श्रीमती प्रतिभा देवीसिंह पाटील  
महाराष्ट्र के अमरावती में बीडीएल इकाई का शिलान्यास करते हुए।

Her Excellency Smt Pratibha Devisingh Patil, Hon'ble President of India laying  
foundation stone for BDL's unit at Amravati, Maharashtra on 11 Dec 2011.



दि. 18 मार्च 2012 को माननीय मुख्य मंत्री, आन्ध्र प्रदेश श्री एन किरण कुमार रेड्डी, बीडीएल की इब्राहिमपट्टणम इकाई का शिलान्यास करते हुए। इस अवसर पर माननीय रक्षा राज्य मंत्री श्री एम एम पल्लम राजू भी उपस्थित थे।

Shri N. Kiran Kumar Reddy, Hon'ble Chief Minister of Andhra Pradesh laying  
foundation stone for BDL's unit at Ibrahimpatnam, Andhra Pradesh on 18 Mar 2012.  
Also present on the occasion Shri MM Pallam Raju, Hon'ble Raksha Rajya Mantri.



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