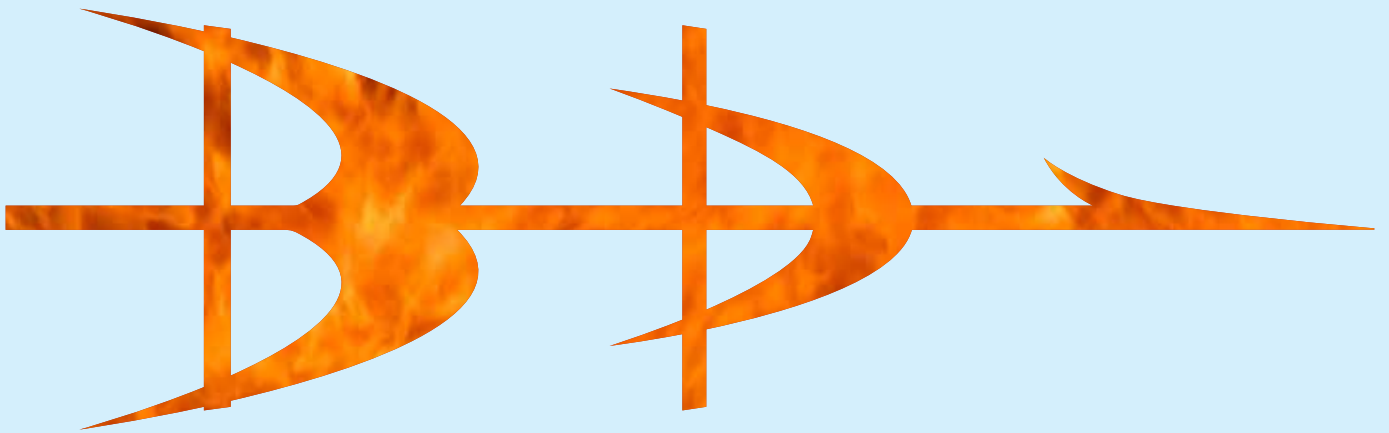


भारत डायनामिक्स लिमिटेड  
BHARAT DYNAMICS LIMITED



# EXPANDING REACH

48<sup>th</sup> Annual Report 2017–18

# EXPANDING REACH

48 years since its establishment, Bharat Dynamics Ltd has been developing and commercialising guided missiles and allied defence products through inhouse R&D as well as under ToT. Today BDL is one of the technologically advanced manufacturer of missiles in the world and a leading supplier of missiles and allied products to Indian Defence sector as well as India's friendly countries.

Further BDL is striving to expand its research, manufacturing and product capabilities to outreach to its potential buyers in India as well as abroad.

## TABLE OF CONTENTS

### Overview

Who we are	01
Former Chief Executives of BDL	02
Corporate Information	03
Board of Directors	04-07
Chairman's Statement	08-13
Our Products	14
Our Strategy	16
Financial Highlights	18
Ten Years at a Glance	19

### Financial Statements

Independent Auditors' Report	67
C & AG Report	73
Balance Sheet	77
Statement of Profit and Loss	78
Statement of Changes in Equity	79
Statement of Cash Flows	80
Accounting Policies	81
Notes to Financial Statements	89

### Governance

Directors' Report	20
Management Discussion & Analysis	44
Report on Corporate Governance	51
Business Responsibility Report	61
Notice	112
Attendance Slip	117
Proxy Form	119



# WHO WE ARE

Established in 1970, Bharat Dynamics Limited (BDL), is a Government of India Enterprise under the Ministry of Defence and a manufacturer of Surface to Air Missile (SAM), Anti -Tank Guided Missile (ATGM), Heavy weight torpedoes, and allied defence equipments.

Head Quarters of the company is located in Hyderabad and has three manufacturing units, located at Kanchanbagh, Hyderabad in Telangana State, Bhanur, Medak district in Telangana State and Visakhapatnam in Andhra Pradesh. Two new units are planned at Ibrahimpatnam, Ranga Reddy district of Telangana State and Amravati District in Maharashtra. During the recent years the company also commenced export of selected defence equipments and have entered into strategic alliances with public and private sector companies. The company has 3095 employees as on 31 March 2018 and during the year 2017-18 reported a net sales turnover of Rs.4576 Crore.

## OBJECTIVES

To become self-reliant and competitive in Guided Missile and Underwater Guided Weapon Technology and Production.

To maximize utilization of existing production capacities.

## VISION

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

## 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.





# FORMER CHIEF EXECUTIVES OF BDL



DR B.D. NAGCHAUDHURI  
Chairman  
22-09-1970 To 20-09-1975



Prof. MGK Menon  
Chairman  
29.09.1975 To 30.12.1977



AVM VS Narayanan  
PVSM, AVSM, VSM (Retd.)  
Chairman  
06.10.1978 To 01.04.1980



Dr. Raja Ramanna  
Chairman  
30.01.1981 To 30.08.1982



Dr VS Arunachalam  
Chairman  
30.08.1982 To 09.09.1990



AVM S J Dastur (Retd.)  
Managing Director  
22.09.1970 To 10.04.1974



BRIG JP Anthony (Retd.)  
Managing Director  
11.04.1974 To 31.08.1977



WG CDR VM Chitale (Retd.)  
Managing Director  
01.09.1977 To 30.09.1980



Shri ZP Marshall  
Managing Director  
01.10.1980 To 07.11.1988



Air CMDE R Gopalaswamy  
AVSM, VSM (Retd.)  
Managing Director  
(1988-1990)  
Chairman & Managing  
Director  
(10.09.1990 To 30.06.1994)



CMDE S Rao, VMS (Retd.)  
Chairman & Managing  
Director  
01.07.1994 To 08.01.2000



Shri S Govindarajan  
Officiating Chairman &  
Managing Director  
09.01.2000 To 31.08.2000



Shri VV Gangadhara Rao  
Chairman & Managing  
Director  
01.09.2000 To 30.06.2002



Shri GVBB Sarma  
Officiating Chairman &  
Managing Director  
01.07.2002 To 23.07.2002



Maj Gen P Mohandas VSM  
(Retd.)  
Chairman & Managing  
Director  
24.07.2002 To 27.04.2005



Maj Gen Raajinish Gossain  
(Retd.)  
Chairman & Managing  
Director  
28.04.2005 To 30.04.2008



CMDE PK Samanta VSM  
(Retd.)  
Officiating Chairman &  
Managing Director  
01.05.2008 To 30.06.2008



Maj Gen Ravi Khetarpal,  
VSM (Retd.)  
Chairman & Managing  
Director  
01.07.2008 To 31.03.2012



Shri SN Mantha  
Chairman & Managing  
Director  
01.04.2012 To 31.12.2014



# CORPORATE INFORMATION

## Board of Directors

### Shri Varanasi Udaya Bhaskar

Chairman and Managing Director

### Shri. Ashwani Kumar Mahajan

Government Nominee Director

### Dr.G Satheesh Reddy, DG (MSS), DRDO

Government Nominee Director

(w.e.f 1 May, 2018)

### Shri S Piramanayagam

Director (Finance) & CFO

### Shri V Gurudatta Prasad

Director (Production)

### Shri K Divakar

Director (Technical)

### Smt Sushama V Dabak

Independent Director

### Prof. Ajay Pandey

Independent Director

### Shri. K.S.Sampath

Independent Director

### Shri. Ajay Nath

Independent Director

### Smt Latha Narasimha Murthy

Independent Director

## Company Secretary

### Shri. N Nagaraja

## Principal Executives

(As on 31 March 2018)

### Shri NP Diwakar

Executive Director (BU)

### Shri Arup Kumar Maiti

General Manager (CS)

### Shri N Sampath Kumar

General Manager (IBU)

### Shri G.Gopal

General Manager (KBU)

### Shri Sivanand S Khanapet

General Manager (NP&R)

### Shri V Latha

General Manager (OP, QR-SAM and D&E)

### Shri.T.Jagadishwara Rao

General Manager (Finance)

### Shri MN Suresh

General Manager (GSD)

### Shri KJ Joseph

General Manager (Finance)

### Shri P Radha Krishna

General Manager (Konkurs-M & CP)

### Shri Ashutosh Kumar

General Manager (Vizag Unit)

### Shri.S.Narayanan

General Manager (P&A)

## Auditors

### M/s.S R Mohan & Co.

Chartered Accountants, Hyderabad

## Internal Auditors

### M/s. M. Bhaskara Rao & Co.,

Chartered Accountants

### M/s. Uma Maheswara Rao & Co.,

Chartered Accountants

### M/s. Ramamoorthy (N) & Co.,

Chartered Accountants

### M/s. Narasimha Rao & Associates,

Chartered Accountants

### M/s. B.V. Rao & Co., LLP

## Cost Auditors

### M/s DZR & Co.,

Cost Accountants

## Tax Consultants

### Bansal & Dave,

Chartered Accountants

## Legal Advisers

Shri V Uma Devi

Shri D Ravi Shankar Rao

## Bankers

Andhra Bank

State Bank of India

Axis Bank

ICICI Bank

HDFC Bank

## Registered Office

Kanchanbagh Post

Hyderabad – 500 058

Telangana, India

EPABX: 040-24587466 & 040-24587777

Fax: – 040 24342826

E-Mail: bdlitd@ap.nic.in

website: www.bdl-india.in

## Corporate Office

Plot No.38-39, TSFC Building

Near (ICICI Towers)

Gachibowli, Financial District

Hyderabad-500032

Tel:-040-23456145

Fax: 040-23456110

E-Mail: investors@bdl-india.in

website: www.bdl-india.in



# BOARD OF DIRECTORS

1

**Smt Sushama Viswanath Dabak**  
Independent Director

2

**Smt K Latha Narsimhamurthy**  
Independent Director

3

**Shri V Udaya Bhaskar**  
Chairman & Managing Director

4

**Shri S. Piramanayagam**  
Director (Finance) & CFO

5

**Shri Ajay Nath**  
Independent Director

04





6

**Shri V. Gurudatta Prasad**  
Director (Production)

7

**Shri K.S.Sampath**  
Independent Director

8

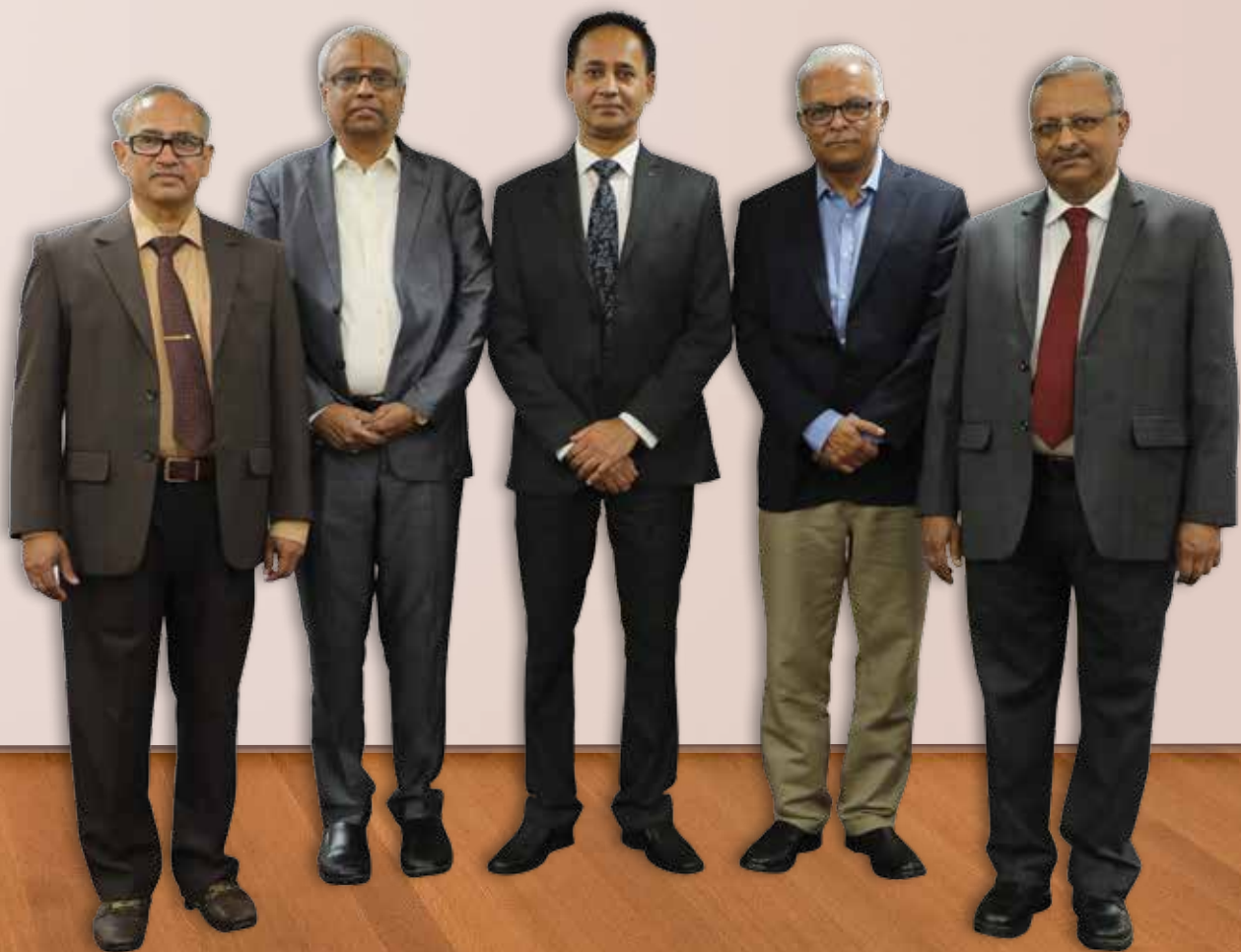
**Shri Ashwani Kumar Mahajan**  
Government Director

9

**Shri Ajay Pandey**  
Independent Director

10

**Shri K Divakar**  
Director (Technical)





# BOARD OF DIRECTORS

## Shri Varanasi Udaya Bhaskar

Chairman and Managing Director

Joined the Board: 30 Jan 2015

Prior to his new appointment, he was on the Board of BDL as Director (Production). An M.Tech in Polymer Science & Technology from IIT, Delhi, Shri Udaya Bhaskar did B.Tech in Plastics Technology and Chemical Engineering from Harcourt Buttlar Tech. Institute, Kanpur. He has a rich experience in various fields of Missile Production spanning over 23 years, which included areas like indigenization, Assembly, Integration and Testing of missiles, Materials Management, Vendor Development and Planning. He played an instrumental role in establishing the production line for ATGMs and made a major contribution in achieving indigenization of over 90% of the weapon systems. He led the ISO core team for Implementation of ISO 9001:2000 version at BDL, Bhanur. Subsequently, he became the Management Representative for monitoring the ISO 9001:2008 Quality Management System at BDL, Bhanur.

He is a recipient of the prestigious Raksha Mantri's Innovation Award in Group/Individual Category for the year 2010-11 for his distinguished contribution in establishing Ballistic Evaluation Method using T-72 fixed firing stand. He joined BDL during the year 1990, prior to which, he served in the private sector for about six years. He is keen on academics and keeps himself abreast of the latest developments in the field of missile technology. He has presented technical papers at various forums and has many value-based articles published to his credit

## Shri. Ashwani Kumar Mahajan

Government Director

Joined the Board: 8 Jan 2016

He belongs to the batch of 1988 IRS. He is also MBBS, LLB, LLM (International Taxation). He was appointed as Addl.FA &JS in the Ministry of Defence (Fin) on 8 Jan 2016. Shri Ashwani Kumar Mahajan is appointed as Government Nominee Director on the Board of BDL w.e.f. 9 March 2016.

### Committee membership

Nomination & Remuneration Committee

## Shri S Piramanayagam

Director (Finance) & CFO

Joined the Board: 1 Jan 2015

He is a Science Graduate and an Associate Member of the Institute of Chartered Accountants of India. Prior to joining BDL as Director (Finance), he worked as General Manager handling finance functions of Rail & Metro Business vertical of M/s. BEM Limited. He worked in the middle Management cadre in BDL during 1996 to 2007 after his stint in Neyveli Lignite Corporation Ltd., for 10 years. He has vast work experience covering Auditing, Accounting, Finance and Taxation areas.

### Committee membership

Stakeholders Relationship Committee  
CSR & Sustainability Development Committee

## Shri V Gurudatta Prasad

Director (Production)

Joined the Board: 10 Sep 2015

Prior to his appointment as Director(Production), he served as General Manager at BDL, Bhanur in the capacity of Unit Head. An M.Tech in Industrial Engineering & Management from JNTU, Hyderabad, he did his BE in Mechanical Engineering from Bangalore University. He has rich experience spanning over 30 years in various areas of Missile Production which include areas such as System Engineering, Component Production, Assembly etc. He has established facilities for integration and testing of Anti-Tank Guided Missile (ATGM). He has been instrumental in accelerating the indigenization of components, machines and test equipments of ATGM. In recognition of his contribution, Raksha Mantri Award has been awarded to him for the year 2012-13. He joined BDL in the year 1986, before which he served M/s. Hyderabad Allwyn Ltd, a State PSU.

### Committee membership

Audit Committee  
Stakeholders Relationship Committee  
CSR & Sustainability Development Committee

## Shri K Divakar

Director (Technical)

Joined the Board: 1 July 2016

Prior to his appointment as Director, he served as General Manager (Design & Engineering) at BDL. Shri Divakar is a B.Tech. in Mechanical Engineering from JNTU, Hyderabad and a Post Graduate from Central Institute of Tool Design, Hyderabad. Shri Divakar has a rich experience spanning over 28 years in various areas of Missile Production.

He played an instrumental role in establishing the Naval Division of BDL at Visakhapatnam and in the successful productionization of Torpedoes for the Indian Navy. In his past assignments, he also headed the Milan, Refurbishment and Explosive Divisions. At BDL, Bhanur, he worked for indigenisation of warheads, propellants and other explosives and was awarded for his indigenisation efforts which resulted in the saving of precious foreign exchange. Prior to joining BDL, he worked in Indian Telephone Industries, Rae Bareilly for about six years.

## Smt Sushama V Dabak

Independent Director

Joined the Board: 1 December 2015

She Joined Indian Audit & Accounts Service (IA&AS) in 1981 and held various posts including Principal Accountant General, Haryana, Accountant General, Rajasthan and Maharashtra. In 2013, she retired as Director General of Audit in Mumbai. Before joining IA&AS, she worked as a Lecturer in Elphinstone College, Mumbai and as an Economist at National Institute of Public Finance & Policy (NIPFP), New Delhi.





She did her MA in Economics, LLB and Diploma in Financial Management from University of Mumbai. She has Audit experience of all three tiers of Government viz Central, State and Local and different forms of Government organisations viz Government Companies, Autonomous Bodies and Local Bodies covering various sectors of the economy. Deputed as Financial Advisor in Nuclear Power Corporation Ltd and as Finance Member, Maharashtra Krishna Valley Development Corporation. Deputed for conduct of audit of UNHCR and Indian missions abroad. She has experience of certification of Government Accounts, Government Companies and externally aided projects. She was nominated for various training programs and seminars in India and abroad.

**Committee membership**

- Audit Committee
- Nomination & Remuneration Committee
- CSR & Sustainability Development Committee

**Prof. Ajay Pandey**

Independent Director

**Joined the Board: 1 December 2015**

He is currently with IIM, Ahmedabad as Professor of Finance & Accounting. He graduated as an Industrial Engineer from University of Roorkee (now IIT, Roorkee) and worked as project planning and monitoring engineer in Engineers India Limited (EIL) and Oil & Natural Gas Corporation (ONGC). Later, he continued his education at IIM Ahmedabad by joining Fellow Program and obtained his Fellow degree (equivalent to Ph.D.) by specializing in Finance area. After obtaining doctorate, he had been associated with several academic institutions in India before moving to IIM Ahmadabad. In between, he also worked in financial sector with a private sector joint venture start up. His professional interests related to research, training and teaching are mainly in corporate finance and capital markets such as corporate governance, risk management, project finance, volatility and asset price dynamics etc. He also has professional interest in infrastructure sectors on issues such as project structuring and risk allocation, public procurement, land acquisition besides interest in the Electricity sector. He has been a consultant to the Government, Regulators and PSUs on infrastructure related issues. He has also been involved in academic administration as Chair, Post-Graduate Program (PGP), Dean [Faculty], Dean [Programs] and Director-in-charge at IIM, Ahmedabad.

**Committee membership**

- Audit Committee
- Nomination & Remuneration Committee
- CSR & Sustainability Development Committee

**Shri.K.S.Sampath**

Independent Director

**Joined the Board: 13 September 2017**

He is a Chartered Accountant in practice, having 32 years' professional exposure in Income Tax, Corporate Laws, Banking (Treasury, Forex, including Due Diligence of Foreign Banks) and Insurance and specializing in improving Corporate Governance. He has board-level exposure in the banking, insurance and co-operative sectors by serving as Board Member in some of the country's top public institutions – LIC of India, Punjab National Bank, Bank of India and more recently, as an advisory member on

Board of Supervision for StCBs, DCCBs and RRBs under the aegis of NABARD. He has focused on improving corporate governance as part of various Board Committees like Audit Committee (as Chairman / Member), Management Committee, IT Committee, Risk Management Committee and Share Transfer Committee.

**Committee membership**

- Audit Committee
- Nomination & Remuneration Committee
- CSR & Sustainability Development Committee
- Stakeholders Relationship Committee

**Shri.Ajay Nath**

Independent Director

**Joined the Board: 13 September 2017**

He is a member of the Indian Administrative Service ("IAS") of the 1982 batch belonging to the Madhya Pradesh Cadre. He holds a bachelor and masters' degree in Economics from the University of Delhi. He has worked as Principal Secretary and later as Additional Chief Secretary in the Finance Department of the Government of Madhya Pradesh from September 2011 to September 2015 when he retired from government service. He has previously worked as Director General (Investigation & Registration) with the Ministry of Corporate Affairs, Gol and later as Director with the Serious Frauds Investigation Office (SFIO), Ministry of Corporate Affairs, Gol. He has been associated as a Deputy Secretary with the Department of Economic Affairs, Gol, and as a Technical Assistant with the office of the Executive Director (India) of Asian Development Bank, Manila, Philippines. He has also been associated previously as Managing Director with the Madhya Pradesh State Co-operative Marking Federation Limited and as a Chief Vigilance Officer with the Security, Printing and Minting Corporation of India, a CPSU, under the Gol.

**Committee membership**

- Audit Committee
- Nomination & Remuneration Committee
- CSR & Sustainability Development Committee

**Smt Latha Narasimha murthy**

Independent Director

**Joined the Board: 13 September 2017**

She is currently the Managing Partner of Melange Prime Properties, and Managing Partner at Toy Patnam. She has completed the MIT Global Entrepreneurship Bootcamp and has been awarded certification on "New Ventures Leadership" from the Massachusetts Institute of Technology. She holds a post-graduate degree in Public Policy from the Takshashila Institution. She has completed the India-Women in Leadership (I-WIL) programme from the Indian Institute of Management, Bengaluru. She has previously served as a Corporator of the Bruhat Bengaluru Mahanagara Palike (BBMP) from 2010 – 2015. She is the recipient of the "Bengaluru Youth Award" in 2014 for her outstanding contribution in the political field. She is the winner of the "Safe Roads, Safe India Campaign", organized by UL and Ashoka Change Makers.

**Committee membership**

- Audit Committee
- Nomination & Remuneration Committee
- CSR & Sustainability Development Committee



# CHAIRMAN'S STATEMENT



V. Udaya Bhaskar  
Chairman & Managing Director

08

It gives me immense pleasure in welcoming you all, on behalf of the Board of Directors to this 48th Annual General Meeting of your company.

I must admit that my journey over the last three and half years as Chairman and Managing Director of this company has been very exciting and eventful with "Team BDL" standing firmly behind me in overcoming each and every challenge that we have encountered during the journey.

Before I apprise you on achievements of the company in 2017-18 along with the operating scenario and the initiatives taken, I must say that this annual report is unique and holds a special significance as it is the first one after our successful IPO with a theme of "Expanding our Reach". This clearly shows our intent and strategy to expand our reach to potential customers within and outside our country.

## PERFORMANCE OVERVIEW:

This year has been a momentous one in terms of performance. The performance of this year especially demonstrates the grit, tenacity and true character of our organization as we could register a record sales turnover of ₹ 4576 Crore (with a value of production

of ₹ 4630 Crore) under very trying circumstances with overwhelming technical challenges. I would give credit to each and every employee and stakeholder who made it possible to achieve such an insurmountable task.

Turning to our financial performance, your company continues its journey in the path of profits and continues to pay dividends. I am happy to inform you that your board has decided to pay a final dividend of ₹ 133.61 Crore for the year 2017-18 (i.e ₹ 7.29/- per equity share of ₹ 10/- each).

## OPERATING SCENARIO:

Indian industry today is on the threshold of entering into a new era where it will assume greater responsibility in making the nation self-reliant in Defence Production. The resurgence of India's manufacturing sector has been remarkable. Not only are the profits soaring, the sector is also making its presence felt abroad as many Indian firms are becoming transnational companies.

The Indian manufacturing sector is internationally competitive with international quality standards, efficiency and manufacturing facilities. India is fast



**The performance of this year especially demonstrates the grit, tenacity and true character of our organization as we could register a record sales turnover of ₹ 4576 Crore (with a value of production of ₹ 4630 Crore) under very trying circumstances with overwhelming technical challenges.**

developing into a manufacturing hub for world corporations wanting to leverage the sector's proven skills in product design, reconfiguration and customization with creativity, assured quality and value addition. India, also keen to strengthen its own defence and aerospace industry and has asked major weapon exporting countries to transfer technology to India.

Some of the flagship programmes of Government like "Make in India" and Indigenization have given an impetus for efforts on increasing indigenous defence manufacturing and becoming self-reliant.

In the last two years, private participation in India's defence sector has been rising. Large Indian conglomerates have increased their exposure to defence manufacturing on one hand. On the other hand, foreign defence contractors are showing their confidence in India by expanding their tie-ups with Indian companies. This is facilitated by policy support, both specifically for defence, and generally under the Make in India campaign.

To increase the contribution of MSMEs, MOD has come out with special Defence Corridors at Tamilnadu and Uttar Pradesh.

India's focus on indigenous manufacturing especially in the defence space is paying off as MOD over the last two years has unveiled several products manufactured in India like HAL's Teja (LCA), penetration cum blast (PCB) specially designed for Arjun tank and not to forget your own product heavy weight Torpedo called

Varunastra developed by DRDO and manufactured with 90% locally sourced parts.

With the Government of India continues to unveil a host of initiatives to encourage defence indigenisation, BDL with its long experience, manufacturing expertise, concurrent engineering partnership with DRDO labs, robust supply chain, strong project management skills and reinforced D&E is poised to benefit and prosper.

#### **ACCOMPLISHMENTS DURING THE YEAR:**

- (i) As already mentioned, your company has achieved a record turnover of ₹ 4576 Crore despite many technical challenges.
- (ii) Your company became a listed company by successfully completing its initial public offer of 22,451,953 equity shares of face value of ₹ 10/- each (representing 12.25% of the 100% paid-up capital held by Govt of India) through offer for sale by Government of India and making its debut in both BSE and NSE on 23 March, 2018. To your credit, the issue was oversubscribed by 1.3 times.
- (iii) Your company has successfully started executing first export order of Light Weight Torpedo.
- (iv) Your Company has bagged new orders worth ₹ 2175 Crore, which includes MRSAM, Export order of LWT Torpedoes and others.
- (v) With its strong domain expertise in manufacturing of missiles and other allied equipment, your company has entered into technology tie-ups with Indian premier Defence labs which includes licencing agreement for production of Varunastra with NSTL, productionization of ASTRA with DRDO etc.
- (vi) In addition, the company is actively pursuing with ministry for expeditious allocation of various projects namely Akash further orders, VSHORADS and ATGMs which are in different stages of processing.
- (vii) Being a missile manufacturing company, quality of the product is the utmost requirement and the products of the company should work first time and every time. Hence, in pursuance of high quality standards, Milan, Akash and Bhanur divisions have upgraded to AS 9100D Aerospace Quality standards.
- (viii) Information technology is playing a key role in improving the efficiency of organizations in



every sector with no exception for Defence. Implementation of Enterprise Resource Planning along with strict cyber security were of vital importance at our company.

Accordingly, your Company has successfully implemented multi-function integrated ERP at all units to streamline our processes resulting in speed, accuracy and transparency in complete operations of the organisations.

We have built a state of art data centre to host the enterprise level data and a disaster recovery centre for safety and security of data.

BDL has been certified with ISO 27001:2013 for Information Security Management of its IT Systems.

- (ix) During the year, your company has expanded the infrastructure and facilities at three existing facilities and made the test bed system fully operational as part of first phase at Ibrahimpatnam.
- (x) Human Resource Development is the most vital for the growth of the organization and motivated employee force is the most valuable asset of the organization. In that direction, the company has imparted training programmes for 658 Executives and 530 Non Executives on latest technical and need based topics to meet the present and future requirements of the company. In addition, the company also sponsored senior executives for various management Development Programmes at top 'B' Schools in the country.

### CORPORATE GOVERNANCE:

Good governance is central to the integrity, reputation and performance of any Organization.

Your Company has a well-established, transparent and fair administrative set up to provide professionalism and accountability. The philosophy of this company in respect of Corporate Governance is to ensure transparency in all its operations, make appropriate disclosures, comply with laws and regulations, maintain ethical standards and ensure the interests of all the stakeholders. This organization allows the Executive Management to concentrate on its strategic priorities and implement the strategic plan under the best possible conditions. It is carried out in conjunction with the Group's transformation.

Your Company's governance framework is designed to safeguard its long-term success for the benefit of shareholders and other stakeholders. It continues

## RECORD TURNOVER

## BECAME A LISTED COMPANY

## EXPORT ORDER

## BAGGED NEW ORDERS WORTH ₹ 2175 CRORE

## TECHNOLOGY TIE-UPS WITH INDIAN PREMIER DEFENCE LABS

## ACTIVELY PURSUING WITH MINISTRY FOR EXPEDITIOUS ALLOCATION



Listing ceremony held on 23 March, 2018 at NSE, Mumbai



## MILAN, AKASH AND BHANUR DIVISIONS HAVE UPGRADED TO AS 9100D AQS

## SUCCESSFULLY IMPLEMENTED MULTI-FUNCTION INTEGRATED ERP AT ALL UNITS TO STREAMLINE OUR PROCESSES

## EXPANDED INFRASTRUCTURE

## IN FY18 THE COMPANY HAS IMPARTED TRAINING PROGRAMMES FOR 1188 EMPLOYEES



BDL and DRDO have signed a "Licensing Agreement for Transfer of Technology" for productionization of Varunastra and Astra. The signed agreement documents were presented by Hon'ble Raksha Rajya Mantri Dr Subhash Ramrao Bhamre to CMD, BDL Shri V. Udaya Bhaskar in the presence of Hon'ble Raksha Mantri Smt. R. Nirmala Seetharaman on the sidelines of DEFEXPO - 2018 at Chennai on 11 April, 2018. Chief of Naval Staff, Secretary Defence R&D & Chairman, DRDO, SA to RM and senior officials from DRDO and Ministry of Defence were also present on the occasion

to evolve as the Group develops and promotes transparency, respect and accountability. It ensures that the Board can operate in a culture of openness which, coupled with its wealth of expertise and the collaborative attitude which permeates the Group, optimises its effectiveness.

Quarterly and annual compliance reports on Corporate Governance are being forwarded to Stock Exchanges and MOD in the prescribed format as per SEBI listing Regulations and DPE Guidelines respectively. The evaluation rates your company as "Excellent".

Your Company's activities are monitored by several external agencies like Statutory Auditors, Comptroller and Auditor General of India, CVC, MOD (Dept of Defence Production) etc.

### ENVIRONMENT PROTECTION & SAFETY:

Your Company is committed to protecting the environment and the health and safety of our employees, customers and the communities where we work and live. We recognize that by integrating sound environmental, health and safety management practices into all aspects of our business., Your Company strives for continual improvement in our environmental, health and safety management

**Your Company has strengthened its Marketing and Business Development department. An Executive Director (Mktg) has been appointed for spearheading the marketing with a clear task of expanding our reach in and outside country. ED(Mktg) will be operating from Delhi office and will be available at beck and call of ministry's requirements.**



## Your company is putting up its determined efforts towards indigenization of ATGM's with the objectives of self-reliance, import substitution, FE savings and overall cost reduction

systems and in the environmental quality of our products, processes and services.

BDL also recognizes that we have a responsibility to our employees, suppliers and partners and to the communities, in which we operate.

Your Company meticulously follows promotion of Industrial Safety, health and environmental cleanliness and all statutory obligations are complied with. Safety Committee meetings are held at regular intervals for reviewing, monitoring and upgrading safety aspects.

BDL strongly believes in maintaining a clean and green environment at all its manufacturing units. Clean surroundings, Green Environment, stringent Pollution Control measures, zero effluent discharge, energy conservation, systematic management and disposal of hazardous wastes etc. have become a part and parcel of our regular well-established environment management system.

All the three productions units are awarded with ISO14000 environmental quality standard is a testimony for the above. Commissioning of Grid converted 5 Megawatt Solar power plant at Bhanur Unit is a step towards our commitment in green energy.

### INTERACTIONS WITH CUSTOMERS:

Gone were the days where customers (services) used to approach OEMs with their requirements. Present day demands that Organizations proactively seek to know about the requirements of services and accordingly work towards the same.

Accordingly, your company has strengthened its Marketing and Business Development for maintenance of regular interaction with customers. Teams from D&E and production divisions regularly travel to the User Depots to understand their requirements and to resolve their issues. Regular interactions with customer reps are organized by

way of periodical meetings for getting to know their requirements and monitoring the progress.

### VENDOR DEVELOPMENT:

Our Vendors are our valued partners in our business development and we shall work with them in a spirit of mutual co-operation to meet our business objectives.

Corporate Commercial Department identifies the vendors, rates the vendors based on feedback received based on different parameters like Quality, Delivery time and Quantity etc.

Your Company considers its vendors as partners in progress and believes in establishing mutually beneficial relationships. BDL provides necessary technical assistance in the form of Project and Production Engineering, to maintain quality levels.

Vendor Meets are conducted by individual divisions and by Corporate Commercial Department in order to have clear, transparent and common understanding and thereby ensuring level playing field to all.

### ROAD AHEAD:

Your Company has a healthy order book position of ₹ 8889 Crore as on 1<sup>st</sup> April 2018. There is a slight concern that out of ₹ 8889 Crore of total order book, only ₹ 1800 Crore is slated to be produced during 2019-20. None the less, there is every reason to feel sanguine about the future as many projects which are identified for BDL are in different stages of allocation. Your company is actively pursuing with the Ministry for clearance of these projects, which will strengthen our Order book in coming years.

Your Company has strengthened its Marketing and Business Development department. An Executive Director (Mktg) has been appointed for spearheading the marketing with a clear task of expanding our reach in and outside country. ED(Mktg) will be operating from Delhi office and will be available at beck and call of ministry's requirements.

In addition, your company has reinforced its in-house Design and Engineering (D&E) group and assigned with a task of developing our own ATGM for which top management is totally committed. Though it looks overwhelming, I am confident, once the task is completed, a new rejuvenated BDL will be born and the image of your company will be boosted by many folds in the Defence circles.

Besides, your company is putting up its determined efforts towards indigenization of ATGM's with the



objectives of self-reliance, import substitution, FE savings and overall cost reduction.

In addition, Government's continuous thrust for initiatives like Make in India, indigenisation and import substitution will provide ample opportunities and BDL with its decades of experience under its belt will exploit maximum advantage

Based on the order book position, anticipated orders and other initiatives, I am quite confident that your company is well poised for a sustained growth. Your company is establishing new manufacturing facilities at different locations to meet its commitments in respect of orders on hand and those in pipeline.

## CSR FOCUS

BDL has always believed in sustainable and responsible growth led by its values. Corporate Social Responsibility (CSR) is interwoven in the business model of your Company. The Company's CSR efforts endeavour to support the less privileged, rural and urban communities, with a focus on sections of the vulnerable and marginalised local communities that live in close proximity to its manufacturing facilities in semi-rural locations. BDL is committed to contribute actively towards enhancing their living standards through its CSR interventions in water and sanitation, health, education and skill development. During the year, the company took up about 32 social projects such as mid-day meal for school children, mobile medical units for elderly people in Nalgonda and Visakhapatnam districts. In addition, your company has taken up several tasks like skill development, contribution to development of sports, Swatch Bharat, welfare of people with disabilities and marginalized sections of the society. The Company has spent an amount of ₹ 1839.40 lakh for these activities.

Your Company continues to take forward its good work in backward/underdeveloped areas in Andhra Pradesh and Telangana as part of its CSR activities.

## CONCLUSION

I offer my heartfelt gratitude for the support extended by Ministry of Defence, other Ministries of Government of India, Department of Defence Production, DRDO, Principal Director of Commercial Audit and Ex-Officio Member, three services and their inspectorates and our customers for their valuable guidance and support. We truly value your continued patronage.

I express my profound thanks to all our employees and business associates for their dedicated contribution to the Company's performance and growth over the years. I am confident that with continuous dedicated efforts, commitment and hard work, your company shall march forward to achieve greater heights and will make your dream of becoming a global leader in airborne and defence equipment manufacturers a true.

I convey my sincere thanks to my colleagues on the Board for their counsel and support.

And finally, I thank the retail and institutional investors for positively responding to our initial public offer.

With best wishes,

**V.Udaya Bhaskar**  
**Chairman & Managing Director**  
**DIN:06669311**



# OUR PRODUCTS

BDL is the leading DPSU in India in manufacturing guided missile systems. The company has a product portfolio consisting of Surface to Air missiles (SAMs), Anti-Tank Guided Missiles (ATGMs), underwater weapons, launchers, countermeasures and test equipment. The company also undertakes life-extension and refurbishment of missile systems. Currently, it is the sole supplier of SAMs and ATGMs to the Indian Armed Forces.



### Akash SAM

The Akash Surface to Air Missile (SAM) is an all weather area defence system which can engage multiple targets simultaneously. The Akash SAM can target helicopters, fighter aircraft and unmanned aerial vehicles. In addition to the Akash SAM, we also supply the ground support system and construct infrastructure facilities for the Akash SAM to our customers.



### Long Range SAM ("LR SAM") and Medium Range SAM ("MR SAM")

The SAM is a high response quick reaction vertical launch supersonic missile to neutralise enemy aerial threats such as missiles, aircraft, guided bombs and helicopters.



### The Milan 2T ATGM

The Milan 2T ATGM is a man portable second generation ATGM with a tandem warhead to destroy tanks. The Milan 2T ATGM can target both moving and stationary targets.



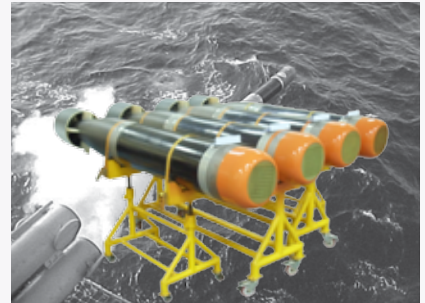
### The Konkurs – M ATGM

The Konkurs – M ATGM is a second generation, semi-automatic tube launch optically tracked, wire guided and canard controlled missile which has been designed to destroy moving and stationary armoured targets. The Konkurs – M ATGM can be launched from vehicles and ground launchers.



### The INVAR (3 UBK 20) ATGM

The INVAR (3 UBK 20) ATGM is a second generation plus mechanized infantry weapon which can be fired from the gun barrel of a T-90 tank to destroy armored vehicles.



### Light Weight Torpedo

The light weight torpedo can be launched from a ship or a helicopter. The light weight torpedo is used for anti-submarine warfare.





### **CMDS**

The CMDS is a micro controller chaff and flare based airborne defence system. The CMDS can be activated by the pilot or the radar warning receiver of the aircraft. The CMDS provides protection to the aircraft against radar guided and heat seeking missiles (air and ground) by dispensing chaff and / or flare payloads.



### **C – 303 Anti Torpedo Decoy Launching System (“Anti Torpedo System”)**

The Anti Torpedo System is meant to counter the threat posed to any submarine by any active and / or passive homing torpedo.



### **Submarine Fired Decoy (“SFD”)**

The SFD acts as preferred target in the presence of an own submarine to a passive or active homing torpedo.



### **Launchers for the Konkurs M ATGM and the Milan 2T ATGM**



### **Test Equipments**



## OUR STRATEGY



16

An environment characterised by both increasing complexity in factors influencing national security and continuing economic challenges in India and globally is the key driver of BDL's business. This is further aided by advances in the technology, defence indigenization and increasing competition.

An important constituent of our business outlook in this environment is to focus on execution, improving standards, quality and predictability of the delivery of our products to the Indian Army. We also continue to invest in technologies to fulfil the requirements of the Indian armed forces and also invest in our people so that we have the necessary technical skills to succeed without limiting our ability.

Against this backdrop BDL's key strategies are aimed at enhancing the company's market position by expanding capabilities, capitalising on opportunities in domestic and international markets, and enhance the company's competitive advantage focusing more on indigenisation.



To achieve our strategic goals, The company is primarily focusing on the following initiatives



**Automation & Process Improvements :**

We intend to automate our production systems at our manufacturing facility in Hyderabad to increase the production of SAMs. We also intend to carry out process improvements, with the aim of improve our productivity and efficiency of our operations and thereby lower costs

**Expanding Infrastructure:**

We continue to invest in our infrastructure. New manufacturing facilities to make Surface to Air Missiles and VSHORADMs at Ibrahimpattam and Amravati is expected to enable the company to cater to the emerging demand in the domestic as well as export market. The company is also establishing a test fire range.



**New Generation SAMs & ATGMs.**

We intend to leverage our experience to develop new products such as new generation SAMs, ATGMs, and heavy weight torpedoes which will enable us to further increase our revenues.

**Focus on Research & Development:**

BDL intends to increase the R&D activities to develop innovative products to our customers. The R&D expenses have grown at a CAGR of 23.60% from ₹ 227.21 million for the financial year 2015 to ₹ 347.10 million for the financial year 2017.



# FINANCIAL HIGHLIGHTS

## TURNOVER (₹ in crore)

FY 13-14	1779.89
FY 14-15	2799.68
FY 15-16	4159.97
FY 16-17	4886.62
FY 17-18	4587.60

## PROFIT BEFORE TAX (₹ in crore)

FY 13-14	508.59
FY 14-15	614.19
FY 15-16	847.31
FY 16-17	802.81
FY 17-18	773.82

## PROFIT AFTER TAX (₹ in crore)

FY 13-14	345.51
FY 14-15	418.57
FY 15-16	564.88
FY 16-17	524.06
FY 17-18	528.15

## NET WORTH (₹ in crore)

FY 13-14	1217.75
FY 14-15	1533.37
FY 15-16	1800.02
FY 16-17	2194.98
FY 17-18	1956.38

## VALUE OF PRODUCTION (₹ in crore)

FY 13-14	1804.49
FY 14-15	2770.05
FY 15-16	4297.83
FY 16-17	5011.00
FY 17-18	4641.30

## EQUITY (₹ in crore)

FY 13-14	115.00
FY 14-15	115.00
FY 15-16	97.75
FY 16-17	122.19
FY 17-18	183.28



# TEN YEARS AT A GLANCE

(₹ in Crore - unless otherwise stated)

Particulars	2017-18*	2016-17*	2015-16*	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Sales (Gross)	4587.60	4886.62	4159.97	2799.68	1779.89	1074.71	959.12	939.16	627.23	464.82
Changes in WIP/SIT	53.70	124.38	137.86	(29.63)	24.60	100.81	33.82	(28.18)	4.38	58.24
Value of Production	4641.30	5011.00	4297.83	2770.05	1804.49	1175.52	992.94	910.98	631.61	523.06
Material Consumption	2907.59	3125.23	2620.30	1855.10	1226.01	779.57	633.53	580.14	438.01	364.84
Value Added	1733.71	1885.77	1677.53	914.95	578.48	395.95	359.41	330.84	193.60	158.22
Profit Before Tax	773.82	802.81	847.31	614.19	508.59	419.06	348.19	79.17	50.63	74.23
Profit After Tax	528.15	524.06	564.88	418.57	345.51	288.40	234.96	51.70	33.77	47.67
Equity	183.28	122.19	97.75	115.00	115.00	115.00	115.00	115.00	115.00	115.00
Reserves & Surplus	1773.10	2072.79	1702.27	1418.58	1102.97	838.30	617.38	437.05	412.08	405.13
Gross Block(Excl.Cap.WIP)	1048.62	869.66	746.38	940.04	834.56	711.55	604.24	488.08	461.20	403.42
Inventory	1925.87	2240.42	2057.66	1480.12	1382.51	1006.53	602.57	502.19	570.26	623.11
Trade Receivables	2208.13	1735.36	1478.22	865.72	398.81	281.55	88.39	45.15	33.58	8.95
Working Capital	1085.68	1569.75	2052.30	2740.34 ^	812.68 \$	614.58	458.97	370.66 #	360.44	404.86
Capital Employed	1954.05	2326.87	2745.18	3134.20 ^	1172.29 \$	892.59	670.64	511.79 #	503.66	508.81
Net Worth	1956.38	2194.98	1800.02	1533.37	1217.75	953.08	732.19	551.85	526.88	519.93
Number of Employees	3095	3182	3132	3183	3266	3300	3142 @	2897	2894	2788
Employee Costs	529.34	448.39	326.23	313.07	307.28	258.99	240.32	234.53	178.84	151.16
Value Added per ₹ of Wage	3.28	4.21	5.14	2.92	1.88	1.53	1.50	1.41	1.08	1.05
Value Added per Employee (₹ Lakh)	56.02	59.26	53.56	28.74	17.71	12.00	11.44 @	11.42	6.69	5.67
Earnings per Share (EPS) ₹	26.65 !	24.51 !	4273	3640	3004	2508	2043	450	294	415

\*Amounts for 2017-18,2016-17 & 2015-16 are shown as per Ind AS.

# Re-adjusted due to presentation of accounts as per Revised Schedule VI from 2011-12 onwards.

@ Re-adjusted to include temporary employees.

\$ Re-adjusted due to regrouping of Current Assets and Current Liabilities of 2013-14 in 2014-15.

^ Re-adjusted due to regrouping of Current Assets and Current Liabilities of 2014-15 in 2015-16.

! Splitting of shares from ₹ 1000/- to ₹ 10/-during the year 2017-18.



# DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 48<sup>th</sup> Annual Report together with the audited financial statements of the Company for the year ended 31 March 2018.

## 1. HIGHLIGHTS OF OPERATIONS

- Your Company has achieved highest sales turnover of ₹ 4576 Crore (exclusive of taxes) during the fiscal year under report registering marginal increase of around 1% over that of previous year
- Your Company successfully completed its Initial Public Offer and became a listed company with effect from 23 March 2018 by listing its equity shares on National Stock Exchange of India Ltd and BSE Ltd.
- 5 MW Solar Photo Voltaic Power Project commissioned at BDL, Bhanur

## 2. FINANCIAL RESULTS AND PERFORMANCE HIGHLIGHTS

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

Particulars	Rs in Crore		% of Increase/ (Decrease)
	2016-17*	2017-18	
Revenue from Operations (Gross)	4887	4588	(6)%
Less:			
Duties & taxes	351	11	-
Revenue from Operations (Net)	4536	4576	0.89%
Value of Production	4660	4630	(0.65)%
Profit Before Tax	803	774	(3.61)%
Profit After Tax	524	528	0.78%
Value Added	1528	1715	12.23%
Earnings per share#	24.51	26.65	-

\* Regrouped figures as per IND-AS;

# EPS has been calculated based on profits excluding the other comprehensive income. EPS for previous year is adjusted for Bonus issue made during the year. Since there is a splitting of shares during the year from face value of ₹ 1000/- to ₹ 10/- each, the previous year figures are revised accordingly.

2.2 Following data reflect the financial position of the Company:

Particulars	Rs in Crore		% of Increase/ (Decrease)
	2016-17*	2017-18	
Gross Block	681	856	25.69%
Depreciation	84	136	61.90%
Net Block	596	720	20.63%
Working Capital	1570	1086	(30.83)%
Capital Employed	2327	1954	(16.02)%
Net Worth	2195	1956	(10.87)%

\* Regrouped figures as per IND-AS

2.3 During the year under review your Company has achieved profit before tax of ₹ 774 Crore as compared to ₹ 803 Crore achieved in the previous year. Profit after tax is at ₹ 528 Crore as against ₹ 524 Crore in the previous year. The reduction in profits is due to reduction in interest income, however compensated by increase in operating profit by ₹ 81 Crore. The interest income in 2016-17 was ₹ 189 Crore whereas in 2017-18 it is ₹ 82 Crore.

- There has been improvement in value of sales (net) and decrease in value of production during the year compared to the previous year by around 1% and 1% respectively. This year your Company made an operating profit of ₹ 682 Crore as against ₹ 601 Crore in the previous year indicating a significant improvement in operational performance. Major orders executed during the year for the Armed forces include Akash Weapon system, ATGMs and other products including refurbishments.
- The working capital of the Company has come down to ₹ 1086 Crore as compared to previous year of ₹ 1570 Crore due to operational efficiency.
- The Networth of the Company was reduced to ₹ 1956 Crore due to buyback of 30546875 equity shares held by Government of India (representing 25% of paid-up capital of the Company) at a price of ₹ 147.49 per share for an aggregate amount of ₹ 547.34 crore (including taxes).
- The order book position of the Company as on 01 April 2018 is around ₹ 8889 Crore comprising mainly of Akash, MR-SAM, ATGMs, Export of LWT and other products.

## 3. FIXED DEPOSITS FROM PUBLIC:

The Company did not accept any fixed deposits from Public during the year, and there was no outstanding Fixed Deposits at the beginning/end of the year. Accordingly, there was no default in payment of deposits/interest thereon.

## 4. DIVIDEND & TRANSFER TO GENERAL RESERVE:

- Your Company has a consistent track record of Dividend Payment. The Board has recommended a Final Dividend of ₹ 7.29/- per equity share of ₹ 10/- each amounting to ₹ 133.61 Crore for the year 2017-18. Further your Company has paid interim dividend of ₹ 25 Crore in March 2018 before listing of Company's equity shares.
- An amount of ₹ 230 Crore is being transferred to General Reserve for the year 2017-18

## 5. CAPITAL STRUCTURE:

- During the year 2017-18, your Company, in compliance with the Guidelines on Capital Restructuring of CPSEs issued vide Office Memorandum No.F.No.5/2/2016 of Ministry of Finance, Government of India dated 27 May, 2016, completed the Buyback of shares and Issue of Bonus Shares. The Company purchased 25% of issued and paid-up share capital amounting to ₹ 547.34 Crore (including taxes) from the Government of India in September 2017. Further, the Company issued bonus shares in the ratio of 1:1 (one fully paid up equity share of ₹ 10 each for every one equity share held) to the Shareholders on 15<sup>th</sup> February, 2018.
- As a consequence, the paid up capital of the Company as on 31<sup>st</sup> March, 2018 at the end of financial year



stood at ₹ 183.28 Crore (18,32,81,250 equity shares of ₹ 10/- each). The Authorized Capital of the Company has been increased from ₹ 125 Crore to ₹ 200 Crore during the year 2017-18.

### 5.3 Initial Public Offer

During the year, Government of India (GOI) decided to disinvest 12.25% of GOI's shareholding out of their 100% shareholding in the Company through an offer for sale to the public and employees of the Company. Consequently, your Company converted from private limited to public limited with effect from 27 October, 2017 and successfully completed its Initial Public Offer of 22,451,953 equity shares of face value of ₹ 10/- each (representing 12.25% of the 100% paid-up capital held by Govt. of India) through offer for sale by Government of India and listed its equity shares on the stock exchanges (i.e. BSE Limited and National Stock Exchange of India Limited) on 23 March, 2018. The issue received good response from the public and it was oversubscribed by 1.3 times as a whole.

## 6. PERFORMANCE AGAINST MoU:

Your Company signs a Memorandum of Understanding (MoU) every year with the Ministry of Defence, Government of India. The performance of the Company for the year 2016-17 has been rated "Very Good". The MoU rating for the year 2017-18 is under evaluation. The MoU for the financial year 2018-19 was finalized with the Ministry, with a Net Sales target fixed at ₹ 4600 Crore. Your Company is well poised to achieve the targets fixed in the MoU.

## 7. MODERNIZATION AND UPGRADATION:

Manufacturing Capacities of ATGMs and other products are being ramped up. Civil infrastructure is being created and modernization/upgradation of plant and machinery are under process. During the year, an amount of ₹ 140 Crore has been earmarked for Capital Expenditure (CAPEX) towards modernization of Plant & Machinery and other Infrastructure development programme.

The following Key Technology Upgradation projects were taken up for implementation during the financial year 2017-18:

- 320 KV X-Ray machine
- High temperature pit furnace
- Infrastructure facilities at Ibrahimpatnam
- 2D-vision Measuring System
- 5 MW solar power systems

Your Company is putting up determined efforts towards increasing indigenization contents in the manufacture of ATGMs with the objective of increasing self-reliance, reduction of Foreign Exchange out flow and achieving cost reduction. Indigenization of products like Konkurs-M, Invar, Milan-2T has been achieved upto 90%, 78.6% and 71% respectively.

## 8. RESEARCH & DEVELOPMENT

Your Company recognizes that Research & Development is a thrust area for design and development of various products for Indian Armed Forces. R&D facilities like Computational Fluid Dynamics, Spectro-Radiometer, Advanced Structural and Thermal Analysis software,

3D Scanner, Rapid Prototyping and Reliability software and other development tools have been established. Your Company has already developed a launcher for Anti-Tank Guided Missile and Test Equipment, Outdoor Simulator, Infrared Interference Indicator (IRII), Counter Measures Dispensing System (CMDS) etc. as import substitutes.

Your Company has identified various products to meet the requirement of Indian Armed Forces and currently its research and development is focusing in the following missions:

**Amogha-I:-** It is a Semi-Automatic Command to line of Sight (SACLOS) Anti-Tank Guided Missile (ATGM) for infantry. Missile design has been validated by conducting test firings. Missiles are being manufactured for further trials and qualification. Your Company has received Hon'ble Raksha Mantri's Award for Excellence for Amogha-I Anti-Tank Guided Missiles in Innovation category on 30 May 2017.

**Amogha-II:-** It is a Radio Frequency guidance, Semi-Automatic Command to line of Sight (SACLOS) ATGM for mechanized infantry. The development of the missile is under progress. Test firing of Amogha-II from Ground launcher was successful on 14<sup>th</sup> October, 2017.

**Amogha-III:-** It is a 3<sup>rd</sup> generation fire and forget, IIR seeker based ATGM. System configuration has been finalized. Design of sub-systems is under progress.

The Company is also working on the design and development of avionics systems such as Counter Measures Dispensing System (CMDS) for Indian Air Force. CMDS and its Test Equipment for various platforms are being developed as import substitutions. There is a substantial export market for CMDS.

The following table shows the recent trend in in-house R&D expenditure:

(₹ in Crore)

	2014-15	2015-16	2016-17	2017-18
Sales Turnover (Gross)	2800	4160	4887	4588
R&D expenditure	22.72	29.43	34.71	40.22

In addition to the in-house R&D activities, your Company has entered into MoUs with DRDO labs for co-development of various missiles with a substantial financial commitment and manpower support from the Company. This will further enhance the R&D efforts of BDL to strengthen Government of India's Make in India programme.

## 9. PROCUREMENT FROM MSMEs

Your Company has been providing increased thrust on procurement from Micro, Small & Medium Enterprises (MSMEs) as per the guidelines/notifications issued by the Ministry of MSMEs.

Your Company being a weapons manufacturing Company has been granted exemptions vide MSME Notification No.F.No.21(1)/201 I-MA Dated 23 March 2012. However, your Company would endeavor to procure general items from SMEs. A list of 358 items was reserved in the Company's IMM manual for procurement from SMEs.

As per Government of India guidelines issued from time to time your Company extends various facilities/concessions to vendors registered with NSIC under its Single Point



Registration Scheme such as

- a) Issue of Tender documents free of cost.
- b) Exemption from payment of EMD.
- c) Price Preference of 15% over the quotation of large-scale units. In case the SME happens to be within 15% range above the L1 price who is not an SME, SME unit shall be provided with a counter price to reduce to L1 price. A quantity of up to 20% shall be ordered on SME on acceptance of L1 price.
- d) Pre-qualification experience is relaxed for Start-ups (whether MSMEs or otherwise), as per guidelines of Govt. of India subject to the meeting of quality and technical specifications as per clarification given by Ministry of Finance, Department of Expenditure (DoE).
- e) Interest free advance is also being paid to MSMEs and startups against Bank Guarantee for 110% of order value.
- f) Vendors registered in other Defence PSUs will be considered as Deemed Registered. This Deemed registration will enable the vendors to participate in all future tenders of DPSUs for similar category of goods/services subject to fulfillment of other eligibility criteria indicated in the RFQ.
- g) Providing Test facilities to MSMEs/Start-Up vendors.

#### 10. EXHIBITIONS:

Senior Executives and Directors participated in National and International Exhibitions during the year 2017-18. Such platforms are used to gain awareness in advanced technologies, interact with experts and share knowledge. Visiting the pavilions of other countries and understanding the systems available with them enables your Company to draw up its own future business plans effectively.

Your Company participated in the DEFEXPO-2018 exhibition held on April 11, 2018 to April 14, 2018 at Chennai.

#### 11. EXPORTS

With the recent changes in the Export policy of the Department of Defence Production, Ministry of Defence, Government of India, your Company is now focused more into export markets. Your Company is exploring the markets for potential exports and try every possible course of action to succeed in this strategy leaving no stone unturned. In this process your Company has signed a contract for its first export order worth USD 21.5 Million for the supply of Light Weight Torpedoes to a friendly country. During the year, your company started executing the said export order contract. Further, your Company also secured order worth USD.14.33 million during the current financial year 2018-19 towards supply of light weight torpedoes

Your Company envisages lot of potential for exporting its products to friendly foreign countries. This assessment is based on the MoU target for export order during 2018-19, which is ₹ 250 Crore.

#### 12. BOARD OF DIRECTORS:

The Board of Directors of the Company comprises Functional Directors, Government Nominee Directors and Independent Directors who are appointed by the Government of India from time to time. Further, the tenure and remuneration of Functional Directors including Chairman and Managing Director are decided by the Government of India through Public Enterprises Selection Board / Search Committee. The

Government communication also indicates the detailed terms and conditions of their appointment including a provision for the applicability of the relevant rules of the Company.

The Government Nominee Directors are not entitled to any remuneration/ sitting fee. The Independent Directors are entitled to sitting fees for attending the Board/Committee meetings as duly approved by the Board considering the government directives, statutory acts, rules and regulations

#### Appointment of Independent Directors

In order to fulfil the requirement of SEBI (LODR) Regulations, 2015, Government of India vide its letter No.H-62011/2/2016-D(BDL) dated 13 September, 2017 appointed three new Independent Directors viz., Shri Ajay Nath, Shri KS Sampath and Smt. Latha Narasimha Murthy as Part-time Non-Official Directors w.e.f 13 September 2017 for a period of three years or until further orders whichever is the earliest. With the induction of above three Independent Directors, your Company is complying with the SEBI Regulations as well as Companies Act, 2013 for the year ended 31 March, 2018.

#### (i) Statement on declaration by Independent Directors:

Independent Directors have given declarations u/s 149(7) of the Companies Act, 2013 that they meet the criteria of independence as laid down u/s 149 (6) of the said Act.

#### (ii) Change of Directors:

During the financial year, your Board has nominated Shri.S. Piramanayagam, Director (Finance) as Director (Finance) & CFO of the Company in compliance with the provisions of Companies Act, 2013 and also Listing Regulations.

Further, Government of India vide its Office Memorandum No.62011/6/2016-D(BDL)Pt.1 dated 01st May 2018 conveyed the appointment of Dr.G. Satheesh Reddy, DG(MSS)/DRDO as Part-Time Official Director (i.e. Government Nominee Director) on the Board of your Company.

In terms of provisions of section 152 of the Act, Shri.S. Piramanayagam, Director (Finance) & CFO retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

#### (iii) Number of Meetings of Board:

During the year 2017-18, Eleven (11) Board Meetings were held on 08 May, 2017, 03 August 2017, 18 September 2017, 20 November 2017, 26 December 2017, 15 February 2018, 28 February 2018, 01 March 2018, 05 March 2018, 16 March 2018 and 21 March 2018.

#### (iv) Performance Evaluation

The provisions of Section 134(3)(p) of the Companies Act, 2013 relating to evaluation of Board/ Directors do not apply to your Company since necessary exemptions are provided to all government companies.

Further, similar exemptions were granted to your Company by Securities Exchange Board of India (SEBI) under the provisions of SEBI (Listing Obligations and Disclosure Requirements {LODR}) Regulations, 2015 vide their letter No.SEBI/HO/CFD/DIL1/OW/P/2018/1679/1 dated January 17, 2018. The Company initiated correspondence with SEBI for further clarity in this regard.



## BDL at DEFEXPO - 2018



BDL and DRDO have signed a "Licensing Agreement for Transfer of Technology" for productionization of Varunastra and Astra. The signed agreement documents were presented by Hon'ble Raksha Raja Mantri Dr Subhash Ramrao Bhamre to CMD, BDL Shri V. Udaya Bhaskar in the presence of Hon'ble Raksha Mantri Smt. R.Nirmala Seetharaman on the sidelines of DEFEXPO - 2018 at Chennai on 11 April, 2018.

Chief of Naval Staff, Secretary Defence R&D & Chairman, DRDO, SA to RM and senior officials from DRDO and Ministry of Defence were also present on the occasion



Dr.Subhash Ramrao Bhamre, Hon'ble Raksha Raja Mantri (Minister of State for Defence) at BDL stall.



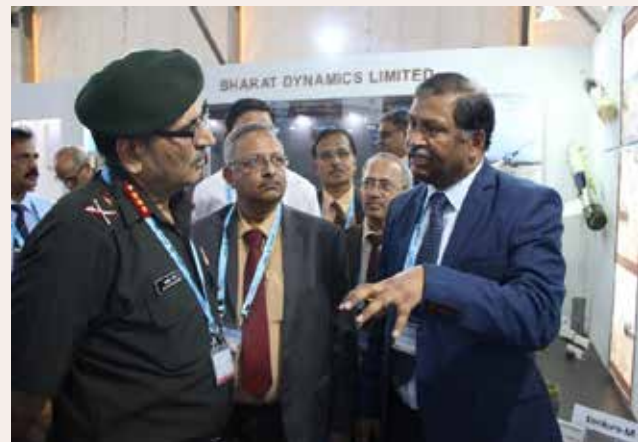
Vice Admiral RB Pandit, AVSM, Commandant, Indian Naval Academy at BDL stall.



Shri Sanjay Mitra, IAS Secretary (Defence), Ministry of Defence at BDL stall.



DG EME at BDL stall



DG, DGQA at BDL stall.



### 13. DIRECTORS' RESPONSIBILITY STATEMENT:

As per Section 134(5) of the Companies Act, 2013 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
- (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 as at 31 March 2018 and of the profit of the Company for the year ended on that date.
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 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.
- (v) that the Company has devised proper internal financial controls and that such internal financial controls were adequate and operating effectively.

### 14. EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS:

Material changes and commitments affecting the financial position of the company which have occurred between 31 March 2018 and date of signing of this Report are - Nil.

### 15. MANPOWER AND RESERVATION OF POSTS FOR SCs/STs:

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

Total manpower strength as on 31 March 2018 is at 3095 (including four functional directors) out of which the number of persons on temporary rolls was 60. Of the total strength, 79 are ex-servicemen, 586 are of Schedule Caste and 217 are of Scheduled Tribes. The percentage of Scheduled Caste and Scheduled Tribes in respect of Employees was at 18.93% and 7.01% respectively.

Number of persons on temporary rolls as on 31 March 2018 is 60, out of which 18 belong to Scheduled Caste and 01 belong to the Scheduled Tribes category.

The No. of Scheduled Caste and Scheduled Tribes in various categories of posts as on 31 March 2018 is given below:

Category	Number of Employees					
	Total Strength		Scheduled Castes		Scheduled Tribes	
	31-03-2017	31-03-2018	31-03-2017	31-03-2018	31-03-2017	31-03-2018
Group-A	829	856	138	153	84	86
Group-B	60	17	14	2	04	01
Group-C	1940	1892	348	342	110	111
Group-D	277	266	74	71	19	18
Temporary	72	60	18	18	2	1
<b>Total</b>	<b>3178*</b>	<b>3091*</b>	<b>592</b>	<b>586</b>	<b>219</b>	<b>217</b>

\* excluding four functional directors.

Recruitment of employees of Scheduled Caste and Scheduled Tribes during 2017-18 is given below:

Classification of posts	Total Vacancies Released	Total Recruitment	Reservation of posts (out of Col.3)		Recruitment made during the year 2017-18	
			(4)		(5)	
			SCs	STs	SCs	STs
(1)	(2)	(3)				
Group-A	15	15	6	0	6	0
Group-B	0	0	0	0	0	0
Group-C	14	14	0	1	0	1
Group-D	1	1	0	0	0	0
<b>Total</b>	<b>30</b>	<b>30</b>	<b>6</b>	<b>1</b>	<b>6</b>	<b>1</b>

### 16. 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 position of Women as on 31 March 2018 is given below as directed by the Ministry of Defence, vide their letter Nos. 39(6)/99/D(B&C), dated 27 August 1999.



## I. Executives

Grade	No. of Employees	Women	Percentage
I	17	3	17.65%
II	214	30	14.02%
III	209	33	15.79%
IV	126	14	11.11%
V	88	11	12.50%
VI	167	7	4.19%
VII	40	0	0.00%
VIII	11	1	9.09%
IX	1	0	0%
Functional Directors	3	-	0%
CMD	1	-	0%
<b>Total</b>	<b>877</b>	<b>99</b>	<b>11.29%</b>

## II. Non-Executives

Grade	No. of Employees	Women	Percentage
WG-0	2	0	0.00%
WG-1	13	2	15.38%
WG-2	132	15	11.36%
WG-3	207	24	11.59%
WG-4	347	42	12.10%
WG-5	147	30	20.41%
WG-6	261	34	13.03%
WG-7	29	4	13.79%
WG-8	130	7	5.38%
WG-9	17	0	0.00%
WG-10	59	3	5.08%
WG-11	184	9	4.89%
WG-12	630	51	8.10%
<b>Total</b>	<b>2158</b>	<b>221</b>	<b>10.24%</b>

### 17. PERSONS WITH DISABILITIES (PWD) AS ON 31 MARCH 2018:

The total number of Physically Challenged employees as on 31 March 2018 was 103 and its percentage to total employees works out to 3.33%.

	HI	LD	VI	Total
Group-A	0	12	5	17
Group-B	0	1	0	1
Group-C	18	46	8	72
Group-D	4	5	4	13
<b>Total</b>	<b>22</b>	<b>64</b>	<b>17</b>	<b>103</b>

HI- Hearing Impaired, LD- Locomotive Disability, VI- Visually Impaired.

### 18. HUMAN RESOURCE DEVELOPMENT:

During the year under review the Company has conducted training programmes for 658 Executives and 530 Non Executives to impart training on knowledge based, development oriented and need based topics. Such training programmes were organized in-house and at premises of external agencies to cover the present and future requirements of the Company.

Apart from regular training programmes, your Company organized the following activities/ programmes during the year:

#### (a) Management Development Programmes (MDPs):

Your Company sponsored 49 Senior Executives (in Grade V & above) for Management Development Programmes (MDPs) conducted by premier Institutes in India like IIM-Ahmedabad, IIM-Calcutta and XLRI Jamshedpur during the year 2017-18.

#### (b) Advanced Management Programmes (AMP):

Your Company sponsored 03 principal Executives at General Manager level for the Advanced Management Programme (AMP) conducted by ASCI Hyderabad in collaboration with SDA Bocconi School of Management, Milano.

#### (c) Project Management Professional (PMP) Programme:

As a part of institutionalizing the Project Management principle in the Company, Projects were assigned to the PMP/IPMA Level-D Certified Executives in the Company so that they can apply their learning to live projects in progress.

As on date 65 Executives have registered themselves with PMI USA and 19 Executives have successfully cleared the PMP certification exam.

05 PMP Certified Executives were sent for national conference on Project Management in Hyderabad (PMIC).

### 19. PARTICULARS OF EMPLOYEES

There were no employees of the Company who received remuneration in excess of the limits prescribed under Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. Further, in accordance with Ministry of Corporate Affairs notification no. GSR 463(E) dated June 05, 2015, Government Companies are exempt from Section 197 of the Companies Act, 2013 and its rules thereof



## 20. FOREIGN VISITS:

Your Company incurred an expenditure of around ₹ 68.52 lakh during the year under report towards foreign travel for business trips and also for on the Job-Training of personnel.

## 21. INDUSTRIAL RELATIONS AND EMPLOYEE WELFARE:

Your Company continues to enjoy cordial and harmonious Industrial relations throughout the year with recognized Trade Union, other Unions and Associations. All Statutory Committees such as Works Committee, Safety Committee, Canteen Management Committee and other participative forums have extended their Co-operation to maintain discipline at all levels.

Compliance on statutory welfare provisions are followed meticulously. The Company has been taking care of medical needs of employees and their family members as per BDL Medical Rules. Further, in line with DPE guidelines, Company has framed Pension Scheme and Post-Retirement Medical Benefit Scheme for the Executive and Non- Executives of the Company.

During the year your Company successfully implemented 3rd Pay Revision for the Executives as per the DPE guidelines. Further both the Management and the recognized Union i.e. (BDEU) with the support of Conciliations Officer cum Asst. Labour Commissioner (Central) Hyderabad arrived at a settlement of Wage Revision for Non-Executives on 28 March 2018.

## 22. SECURITY:

Central Industrial Security Force (CISF) is providing Security and Fire Services in both Kancharbagh and Bhanur Units. During the year under report, CISF has played a vital role in the Security and safeguarding of property of the Company. CISF team adopted robust security measures combining physical measures with technology to keep the highly sensitive installations secure.

The Plant Security Council is in place to review the security arrangements and implementation of IB guidelines. Regular Security review meetings are being conducted both by Management and CISF to beef up security.

Biometric Access Control System has been installed in addition to Computerized Photo Identity Cards to prevent unauthorized entry and CCTV Cameras have been installed all over the factory premises to cover more area under CCTV surveillance. Door Frames, Metal Detectors, X-ray baggage machines are also in use. Barricades, Boom Barriers and Mochas are provided to strengthen physical security measures.

Regular programmes on Security awareness were conducted besides observing Security Week/Fire Week. Employees are sensitized on the security threat and action to be taken in case of emergency and fire accidents.

## 23. SAFETY:

Safety, Health and Environment (SHE) is strictly followed in your Company. The two Corporate Committees i.e. Industrial Safety Committee, which is statutory and Explosive Safety Committee are functioning to meet the needs of the Company. Safety committee meetings are held at regular interval for monitoring Safety, Health and Environment as per the statutory requirement. The works are carried out in compliance with the Factories Act 1948,

and Explosive safety strictly adhering to the Storage & Transport of Explosive Committee (STEC) regulations.

Annual explosive safety audit is conducted by Centre for Fire, Explosive & Environment safety (CFEES) New Delhi and the observations made by the audit team have been complied with. Regular medical check-ups are carried out for employees working in hazardous areas.

Training programmes are arranged by HRD Department through National Safety Council (NSC), Central Labour Institute (CLI), Regional Labour Institute (RLI) and Centre for Fire, Explosive & Environment Safety (CFEES) to inculcate safety consciousness and to establish a safe working environment among the employees.

During the year Safety officers of the BDL Safety Engineering Department conducted classes on both Industrial Safety and Explosive Safety as a part of an induction programme for new entrants in coordination with ISTM-HRD. Safety Engineering Department has organized guest lectures by experienced persons with expertise in the field on Explosive safety and Industrial Safety to educate the employees of the Company.

Fire mock drills are conducted at regular intervals to ensure firefighting preparedness.

Safety Day/Week was celebrated during the Month of March, 2018. On this occasion, Safety pledge was administered to all the employees and various competitions and programmes were conducted by Safety Engineering Department to bring awareness and employees were awarded to boost their interest towards safety.

## 24. ANNUAL RETURN:

In accordance with the provisions of the Companies Act, 2013, Company is required to attach an extract of Annual Return for the year under report and the same is placed as **Annexure-1**.

## 25. ENVIRONMENT AND POLLUTION CONTROL:

Your company contributes in all aspects for clean and green environment by systematically integrating best practices to bring in cleaner technologies and greening the environment through recycle, reuse and reduce approach. Effluent treatment plant, Sewage treatment plant are being operated. Various environmental activities such as water conservation, tree plantation, disposal of hazardous waste and metal scrap, planting of flower bearing trees and landscaping, utilizing treated effluent water, have been carried out. Company has been reviewing status of various types of pollutions through core team meeting, internal audits and management review meetings at regular intervals.

The following steps have been taken for controlling and preventing pollution in all respects:

### i) Consent for operation:

Bhanur and Vizag units are having valid consent for operation. Renewal of the consent for Kancharbagh Unit was applied in the month of Feb 2018 before expiry of the current validity and it is under process at (Telangana state pollution control board (TSPCB).

### ii) Waste management:

All food waste generated from canteen is being given for animal feeding and composting. The hazardous

waste, e-waste and biomedical waste is being given to the agency registered with the pollution control board. The lead acid batteries are being given to the authorized recyclers/dealers on buy back. Metal scrap is disposed through M/s MSTC Ltd (A Govt. of India Undertaking).

**iii) Testing of environmental parameters:**

The environment parameters like ambient air quality, wastewater from sewage treatment plant and effluent treatment plant, air quality of diesel generator set and Venturi scrubber are tested at all the three units through certified agency at regular intervals and results are within the prescribed limits of Pollution Control Board.

**iv) Celebration of world environment day 2017**

World Environment Day 2017 was celebrated in all the three units of BDL. On this occasion, with the theme “**Connecting people to nature**”, banners were put up in prominent locations. On this occasion, tree plantation was carried out. Competitions like multi-lingual essay, slogan writing and quiz etc. were conducted and the winners have been presented with prizes. Guest lecturers were arranged on the above theme.



**Sri. Udaya Bhaskar, Chairman & Managing Director** inaugurated tree sapling plantation followed by **Sri. S. Piramanayagam, Director (Finance), Sri. K. Divakar, Director (Technical) and GMs** at Kanchanbagh Complex on 05 June 2017. Senior executives and employees also participated in the plantation programme. A variety of about 40 saplings were planted.

**26. QUALITY:**

Your Company manufactures products which are single shot in nature. These products require stringent Quality standards and high degree of reliability. In pursuit of this objective, BDL has adopted International Quality Management system practices by way of obtaining ISO certification for the last 22 years. Presently CP-IGMP, Electronics Division and D&E divisions have been certified to ISO 9001:2008 Quality Management System standard.

MILAN, Akash Division & Bhanur Unit have been certified to AS 9100D Aerospace standard. Remaining ISO certificated divisions are also planning to upgrade to AS 9100D during FY 2018-19.

Electrical measured values have traceability to National or International standards which are achieved through calibrating the Electronics equipment in ISO/IEC

17025:2005 (NABL) accredited Labs of Milan Division and Bhanur Unit.

All the three units of BDL at Kanchanbagh, Bhanur and Vizag have been certified with ISO 14001:2004 Environmental Management System (EMS).

Your Company has been certified with ISO 27001:2013 (Information Security Management System) Standard. Material Testing Lab of Bhanur Unit has been accredited with ISO / IEC 17025: 2005 (NABL) Certification in the field of testing.

During the year, regular audits by external agencies were conducted for all the ISO/AS certified divisions. Customer satisfaction is being measured for all major products manufactured in those divisions.

Your Company is continuously striving to improve customer satisfaction through customer meets and interaction with users. Corrective actions are taken wherever necessary for improvement.

**27. OFFICIAL LANGUAGE (OL) IMPLEMENTATION:**

Implementation of OL Act-1963 (as amended in 1967) & Rules thereunder are being ensured in your Company. Quarterly OLIC Meetings are held regularly under the Chairmanship of CMD and Directors besides submission of Quarterly progress reports on use of OL sent to authorities concerned.

Under OL Act, 1963 and the Presidential Orders thereon, the papers laid before the Parliament, Annual Report of the Company, MoU with MoD and brief of the Company along with presentation for various delegations and Parliamentary Committees were prepared in bilingual form and submitted.

Hindi fortnight was celebrated from 01 to 19 September. On the eve of this, various competitions were organized at Kanchanbagh, Bhanur Unit and Vishakhapatnam Unit. Cash Awards were given to the winners of the competitions. Complying with the assurances given to the Parliamentary Committee on OL, Hindi film Ghazi Attack at Kanchanbagh and HOLYDAY at Bhanur Unit were shown on 10<sup>th</sup> September during the Hindi Fortnight Celebrations.

Town Official Language Implementation Committee (U) functioning is carried out by BDL Hindi Department for PSUs of twin cities consisting of 45 Organizations was awarded RAJBHASHA KIRTI PURSKAR (first place) by Govt. of India in region ‘C’ for the year 2016-17.

The award was presented by Hon’ble President of India Sri Ramnath Kovind at a function held at Vigyan Bhavan on 14 September, 2017 on the eve of HINDI DIWAS. CMD & Chairman of the Committee received the “RAJBHASHA KIRTI PURASKAR” in the form of a Shield and DGM (OL) and Member Secretary of the Committee was awarded with Commendation Certificate for outstanding contribution.

On the eve of Vigilance Awareness Week, National Safety Week, Fire Safety Week, Environment Day and observance of Quami Ekata Diwas in the Company, various competitions were conducted in Hindi, English and Telugu to involve more and more employees of the Organization and bring awareness on these subjects. On the occasions of Republic Day and Independence Day Celebrations, CMD of the organisation addressed the gathering in Hindi.



With an objective to promote, propagate Hindi and inculcate the reading habit among the Officers and Employees of the Company, various Hindi Magazines and News Papers such as (1) Hindi Milap (2) Swatrantra Vaartha (3) Anuvad (4) Sahitya Amruth (5) Avishkar (6) Yojna (7) Hindi Rozgar Samachar (8) Pratiyogita Darpan (9) Meri Saheli (10) Dakshin Samachar (11) Golconda Darpan (12) Vaak (13) Milind Patrika (14) Naya Gyanoday (15) Hans are subscribed regularly. Besides this, popular Hindi books on all subjects are also purchased annually with the same objective as per the directives of DOL.

The Website of the company prepared in Hindi is being updated from time to time in compliance with the directives from Govt. of India.

## **28. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Your Company being a Defence PSU, the disclosure of information with respect to conservation of energy, technology absorption, foreign exchange earning and outgo under the provisions of Section 134(3)(m) read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is not required as the Ministry of Corporate Affairs vide Notification GSR No.680 (E) dated 4th September, 2015 has granted exemption to Defence Public Sector Undertakings.

### **Renewable Energy**

Under Green Energy commitment to Hon'ble Prime Minister of India, BDL has revised the commitment to set up 10 MW Grid connected Solar PV power plants in their units. Your Company has installed 5 MW Grid connected Solar Power plant at BDL-Bhanur unit through M/s. Solar Energy Corporation of India which has become operational since September 2017. The generated solar power is being connected to Telangana state electrical power grid at Nandigama sub-station. The generated power is being used for captive consumption for BDL-Bhanur unit, which has resulted in increased savings by virtue of reduction in electricity cost.

Installation of 5MW Grid connected Solar Power plant at Ibrahimpatnam unit through M/s. Solar Energy Corporation of India is in progress which will be operational during FY 2018-19. The generated solar power would be connected to Telangana state electrical power grid at Mangalpally sub-station. The generated power will be used for captive consumption for BDL-Kanchanbagh unit.

Solar PV power system is environmental friendly producing non-polluting renewable energy. Grid connected Solar Photo Voltaic (PV) Roof Top Power Plants have been established during the year 2015-16 at the following locations

- a) 100KWp Grid connected Solar PV Power Plant commissioned on the Roof Top of the Main Canteen building and it is in operation from December 2015.
- b) Another 100KWp Grid connected Solar PV Power Plant commissioned on the Roof Top of the D&E building and it is in operation from February 2016.

## **29. VIGILANCE:**

Vigilance Awareness Week-2017 was organized from 30 October 2017 to 04 November 2017.

On 30 October 2017, Shri K. Divakar, Director (Technical)/BDL administered the Pledge and other Senior Officers

read the messages of the Government authorities. Live video conference of administering the Pledge and reading of the messages took place by covering all the divisions of BDL viz., i) Kanchanbagh- Hyderabad-Telangana ii) Bhanur-Sangareddy Dist.-Telangana iii) Visakhapatnam-Andhra Pradesh and declared commencement of the Vigilance awareness week Celebrations with the Theme of "My Vision – Corruption Free India".

On 31 October 2017 CVO, BDL inaugurated the Vigilance Awareness Week-2017 celebrations at BDL-Bhanur, Sangareddy Dist. Shri P.V.K. Ramana Prasad, Principal Chief Legal Advisor, Anti-Corruption Bureau, Telangana State delivered a guest lecture at Auditorium, BDL-Township, Bhanur.

On 01 November 2017, Ms. Anupama Jha, Ex-Executive Director, Transparency International India delivered a Guest Lecture and participated in an interactive session with the Senior Executives at "Midhani" Conference Hall, Kanchanbagh, Hyderabad as part of Vigilance Awareness Week Celebrations of 2017.

Essay writing Competitions were organized during Vigilance Awareness week. On 03 November 2017 Valedictory Function was organized wherein Justice G.V. Seethapathy, Former Judge of Andhra Pradesh High Court delivered a guest lecture on "My Vision-Corruption Free India" as part of Vigilance Awareness Week-2017 celebrations. Further, Justice G.V. Seethapathy, Former Judge of Andhra Pradesh High Court released the "Vigilance Manual", which is compiled by the CVC consisting of vigilance circulars etc., Prizes were distributed to winners in Various Competitions

"Integrity Pledge for Citizens" was administered on 30 October 2017 to all the employees of BDL-Kanchanbagh, Bhanur, Badamafi and Visakhapatnam and also to college students.

The main focus of the Vigilance department has been preventive/pro-active vigilance. System improvement suggestions were given to the Management on areas like e-tendering, recruitment and absorption of Management Trainees, Resignation, e-payment, e-procurement departmental promotions, foreign visits, merit awards to employees, civil works etc during the year under report. Online submission of Annual Property Returns through computerized system was also implemented during the year.

## **30. CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY DEVELOPMENT:**

Pursuant to the provisions of Section 135 of the Companies Act, 2013 and The Companies (Corporate Social Responsibility) Rules, 2014 read with various clarifications / amendments issued by Ministry of Corporate Affairs and DPE guidelines, the Company has undertaken various activities as per the CSR Policy. The programmes/initiatives/projects are taken up in line with the Schedule-VII of the Companies Act-2013, which are duly incorporated in CSR policy and forms the guiding principle for all our programmes.

The Board of Directors of your Company has constituted Board Level Committee on Corporate Social Responsibility and Sustainable Development (CSR & SD) (please refer Corporate Governance Report) in line with the



provisions of Section 135 of the Companies Act, 2013. The Committee has formulated and recommended CSR Policy to the Board indicating the projects/activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013.

The CSR and SD activities are monitored periodically by the Committee and an annual report on CSR and SD activities undertaken during the year 2017-18 is enclosed at **Annexure-2**.

Your Company has been very conscious about its responsibilities towards society. Your Company has also ventured into backward/ under-developed areas in Andhra Pradesh and Telangana to undertake Corporate Social Responsibility (CSR) activities by sponsoring various schemes.

The core areas of focus under CSR are Health Care, Nutrition, Education & Literacy, Skill Development & Sustainable Livelihoods, Sanitation, Safe Drinking Water etc. Your Company also adopted villages in Andhra Pradesh and Telangana States under Corporate Social Responsibility initiative and the focus is on the necessities of human life—health, water and other conveniences.

During the year 2017-18, your Company spent an amount of ₹ 1839.40 lakh on CSR activities and achieved 100% CSR target amount required under the provisions of Companies Act, 2013.

CSR activities being undertaken are placed on Company's website <http://www.bdl-india.in>

#### **31. AUDIT COMMITTEE:**

An Audit Committee is in place as a part of good Corporate Governance. Six meetings have been held during the year 2017-18 to review 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.

#### **32. RELATED PARTY TRANSACTIONS**

There are no materially significant related party transactions during the year under review which may have a potential conflict with the interest of the Company at large. Thus, disclosure in Form AOC-2 is not required. Members may refer to the notes to the accounts for details of related party transactions. The policy for related party transaction has been uploaded on the Company's website [www.bdl-india.in](http://www.bdl-india.in).

#### **33. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:**

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statement

#### **34. INTERNAL CONTROL SYSTEMS**

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

#### **35. AUDITORS:**

M/s.S.R.Mohan & Co., Chartered Accountants, Hyderabad were appointed as Statutory Auditors of the Company for the financial Year 2017-18 by the Comptroller & Auditor General of India. The Auditors have audited the Accounts and their Report is placed as a part of the Annual Report.

#### **36. COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA**

The Comments of Comptroller and Auditor General of India (C&AG) under Section 143 (5) of the Companies Act, 2013 on the accounts of the Company for the year ended 31 March 2018 are placed next to the Statutory Auditors Report.

#### **37. COST AUDITORS**

Your Company appointed M/s DZR & Co., Cost Accountants, Hyderabad as Cost Auditors for the FY 2017-18 in terms of Section 148 of the Companies Act, 2013, read with the Companies (Cost Records and Audit) Rules 2014.

#### **38. SECRETARIAL AUDIT**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Shri.Y.Ramesh, a Practicing Company Secretary (PCS Registration No. 7929) for the financial year 2017-18 to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is annexed to this report as **Annexure 3**.

The Secretarial Auditor in his Report observed that as per Regulation 31(2) of the SEBI (LODR) Regulations, 2015, hundred percent of shareholding of promoter and promoter group shall be in dematerialized form. However, as on 31 March 2018, twelve equity shares held by six nominee shareholders of President of India, the promoter of the Company are in physical mode.

It is informed that Company has been listed on the stock exchanges recently on 23 March, 2018 and as disclosed in the IPO offer document the said nominee shares have been transferred back to the President of India after listing vide approval of the Board in its meeting held on 30 May 2018, for the purpose of dematerialisation.

#### **39. CEO / CFO CERTIFICATION:**

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

#### **40. MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Management Discussion and Analysis Report required under the SEBI (LODR) Regulations, 2015 and also under DPE Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs), is attached to this Report as **Annexure 4**.

#### **41. CORPORATE GOVERNANCE:**

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

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

As per the guidelines on Corporate Governance for CPSEs issued by DPE vide its OM No. 18 (8)/2005-GM, dated 14 May 2010 and in terms of the SEBI (LODR) Regulations, 2015, Report on Corporate Governance along with Certificate on



compliance of conditions on Corporate Governance from a Practicing Company Secretary are attached to this report as **Annexure-5**.

Quarterly and Yearly compliance reports on Corporate Governance are being forwarded to Stock Exchanges and MoD in the prescribed format. Your Company received "Excellent" rating from MoD for compliance of Corporate Governance under DPE Guidelines for the year 2016-17 and compliance of Corporate Governance for the year 2017-18 is under evaluation.

**42. RISK MANAGEMENT:**

DPE guidelines on Corporate Governance for CPSEs – 2010 require that the Board of the Company should ensure integration and alignment of Risk Management Systems with Corporate and operational objectives and also that risk management is undertaken as a part of normal business practice and not as a separate task set at times.

In line with the above guidelines, your Company has framed Risk Management Policy of the Company which is applicable to all levels and all Units of the Company. One of the objectives of Risk Management Policy is to ensure that all current and future risk exposures of the Company are identified, assessed, quantified, appropriately mitigated and managed.

Divisional Level Committees have been formed to assess current status of Risk and identify measures to mitigate risks and also to evaluate mitigation measures so identified. Periodical Review meetings are taking place and a report being placed before the Board atleast once in a year.

In terms of SEBI (LODR) Regulations, 2015, constitution of Risk Management Committee is not applicable to your Company based on the Market Capitalization for the financial year ended 31 March, 2018.

**43. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013:**

In line with the provisions contained under "The Sexual Harassment of Women at the workplace (Prevention, Prohibition & Redressal) Act, 2013 your Company has put in place "Anti Sexual Harassment Policy" in line with the requirements of the above Act. During the year 2017-18, your Company has not received any Sexual harassment complaints.

**44. COMPLIANCE UNDER THE RIGHT TO INFORMATION ACT, 2005.**

The information required to be provided to citizens under Section 4(1)(b) of Right to Information Act, 2005 is placed on Company's Website [www.bdl-india.in](http://www.bdl-india.in). It contains general information of the Company, functions, powers and duties of employees/officers, decision making process, rules, regulations, manuals and records held by the Company, directory of the Company's Officers, pay scales of officers/ employees and procedure for seeking information and inspection of records. The Company has nominated a Central Public Information Officer of Senior Manager level to attend to queries and appeals. Further, during the year 2017-18 the Company received 105 applications/queries and the same were disposed off.

**45. VIGIL MECHANISM**

Pursuant to the provisions of the Section 177(9) of the Companies Act, 2013 read with Rule (7) of the Companies (Meeting of the Board & its Power) Rules, 2014 and DPE Guidelines for CPSEs, the Board of Directors had approved

the policy on Whistle Blower/Vigil Mechanism and the same was hosted on website of the Company. The policy, inter-alia, provides a direct access to the Chairman of the Audit Committee

**46. BUSINESS RESPONSIBILITY REPORT**

The Securities and Exchange Board of India (SEBI) has mandated inclusion of Business Responsibility Report ("BR report") as part of the Annual Report for 500 listed entities based on market capitalization. Your Company has prepared a comprehensive policy framework for BR report after studying the SEBI (LODR) Regulations, 2015 requirements and keeping in view the business and governance environment in which BDL as a Defence PSU operates. The Company's BR report for the year is attached to this report as **Annexure-6**.

**47. DIVIDEND DISTRIBUTION POLICY**

In terms of SEBI (LODR) Regulations, 2015, the top 500 listed Companies, based on market capitalization shall formulate a Dividend Distribution Policy. As per the Market Capitalization data released by stock exchanges, the Company ranks in the list of top 500 listed Companies. Hence the said policy would be applicable to the Company from the current financial year 2018-19.

Accordingly, dividend distribution policy has been adopted to set out the parameters and circumstances that will be taken into account by the Board in determining the distribution of dividend to its shareholders and/or retaining the profit in the business. The policy is available on the BDL's website [www.bdl-india.in](http://www.bdl-india.in)

**48. ACKNOWLEDGEMENT**

Your Directors gratefully acknowledge the valuable support and assistance received from all Government Agencies, particularly Ministry of Defence, Ordnance Factories, Department of Defence Production, DRDO Laboratories, Central Government Departments, State Governments of Telangana and Andhra Pradesh, Quality Assurance Agencies of Government of India and other PSUs for the help extended by them from time to time.

The Company wishes to place on record its appreciation for the cooperation extended and guidance provided by the Comptroller & Auditor General of India, the Principal Director of Commercial Audit & Ex-officio Member, Audit Board, Statutory Auditors, Bankers and Suppliers.

The Directors take this opportunity to place on record their deep appreciation for the valuable contribution made and co-operation extended by the employees at all levels to propel the Company to greater heights and to sustain its growth path in the years to come.

**For and on behalf of the Board**

**V Udaya Bhaskar**  
**Chairman and Managing Director**  
**DIN: 06669311**

**Place :** Visakhapatnam

**Date :** 20 Jul 2018





## ANNEXURE-1

### FORM No. MGT – 9 EXTRACT OF ANNUAL RETURN

(AS ON 31 MARCH 2018)

[Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12 (1) of the Companies (Management and Administration) Rules, 2014]

#### I. REGISTRATION AND OTHER DETAILS:

i)	Corporate Identity Number (CIN)	:	L24292TG1970GOI001353
ii)	Registration Date	:	16 JULY 1970
iii)	Name of the Company	:	BHARAT DYNAMICS LIMITED
iv)	Category/Sub-Category of the Company	:	MINIRATNA CATEGORY-1
v)	Address of the registered office	:	Kanchanbagh, Hyderabad-500058 Tel: +91 40 24344979
vi)	Corporate Office and Contact details	:	TSFC Building, Financial District Gachibowli, Hyderabad – 500032 Tel: +91 40 23456145 Fax: +91 40 23456110
vii)	Whether Listed Company	:	YES
viii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	:	Alankit Assignments Limited 205-208, Anarkali Complex, Jhandewalan Extension, New Delhi-110055 Telephone: +91 11 42541234 Facsimile : +91 11 41543474

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sl.No.	Name and Description of main products/ services	NIC Code of the product/service	% to total turnover of the Company
1.	Disclosure of the information exempted as per MCA notification No. Nil Dated 05 June 2015.		

#### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl.No	Name and Address of the Company	CIN/GLN	Holding/Subsidiary/ Associate	% of share held	Applicable Section
- NIL -					

#### IV. SHARE HOLDING PATTERN

(Equity Share Capital Breakup as percentage of Total Equity)

##### i) Category – wise Shareholding

Category of Shareholders	No. of Share held at the beginning of the year (@ face value of ₹ 1000/- each)				No. of Shares held at the end of the year (@ face value of ₹ 10/-each)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1) Indian</b>									
a) Individual/ HUF (Nominees of President of India)	-	2	2	-	-	12	12	-	-
b) Central Govt.	-	1221875	1221875	100%	160829285	-	160829285	87.75	-12.25%
c) State Govt. (s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Sub-total A (1)</b>	-	1221875	1221875	100%	160829285	12	160829297	87.75	-12.25%
<b>2) Foreign</b>									
a) NRIs- Individuals	-	-	-	-	-	-	-	-	-
b) Other-Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other...	-	-	-	-	-	-	-	-	-
<b>Sub-total A(2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Shareholding of Promoter (A)= (A) (1) + (A) (2)</b>	-	1221875	1221875	100%	160829285	12	160829297	87.75	-12.25%



Category of Shareholders	No. of Share held at the beginning of the year (@ face value of ₹ 1000/- each)				No. of Shares held at the end of the year (@ face value of ₹ 10/-each)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	-	-	-	-	5056573	-	5056573	2.76	-
b) Banks/FI	-	-	-	-	2448767	-	2448767	1.34	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt (s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Company	-	-	-	-	4832297	-	4832297	2.64	-
g) FIs	-	-	-	-	7315	-	7315	0.00	-
h) Foreign Venture Capital	-	-	-	-	-	-	-	-	-
i) Other (Specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total(B)(1)</b>	-	-	-	-	12344952	-	12344952	6.74	-
<b>2. Non-Institutions</b>									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
(i) Indian	-	-	-	-	655152	-	655152	0.36	-
(ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individuals Shareholders holding nominal share capital upto Rs 1 Lakh	-	-	-	-	7988402	-	7988402	4.36	-
ii) Individual Shareholders holding nominal share capital in excess of ₹ 1 Lakh	-	-	-	-	565325	-	565325	0.31	-
c) Other (Specify)									
Trusts	-	-	-	-	490	-	490	0.00	-
HUF	-	-	-	-	365834	-	365834	0.20	-
NRIs	-	-	-	-	199184	-	199184	0.11	-
Employees	-	-	-	-	51241	-	51241	0.03	-
Clearing Members	-	-	-	-	281373	-	281373	0.15	-
<b>Sub-total B (2):</b>	-	-	-	-	10107001	-	10107001	5.51	-
<b>Total Public Shareholding (B) = (B) (1) + (B) (2)</b>	-	-	-	-	22451953	-	22451953	12.25	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	1221875	1221875	100%	183281238	12	183281250	100%	-

## ii) Shareholding of Promoters

Shareholders Name	Shareholding at the beginning of the year (01 April 2017)			Shareholding at the end of the year (31 March 2018)		
	No. of Shares (@ FV of ₹ 1000/- each)	% of total shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares (@ FV of ₹ 10/- each)	% of total shares of the Company	% of Shares Pledged/ encumbered to total shares
1 President of India Nominees of President of India	1221873	100%	-	160829285	87.75%	-
V.Udaya Bhaskar	1	0%	-	2	0%	-
S.Piramanayagam	1	0%	-	2	0%	-
Dr.Amit Sahai	-	-	-	2	0%	-
Ashwani Kumar	-	-	-	2	0%	-
V.Gurudatta Prasad	-	-	-	2	0%	-
K.Divakar	-	-	-	2	0%	-



iii) Change in Promoters' Shareholding

S.No	Shareholders Name	Shareholding at the beginning of the year		Date	Increase/ (decrease) in share holding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
1	President of India	1221873	100%	01/04/2017	-	-	1221873	100%
				08/05/2017	120965427	Sub division	122187300	100%
				03/08/2017	194	Transfer from Nominees	122187494	100%
				26/09/2017	(30546875)	Buyback	91640619	100%
				15/02/2018	91640619	Bonus shares	183281238	100%
				22/03/2018	(22451953)	Offer for sale	160829285	87.75%
				31/03/2018	-	-	160829285	87.75%
<b>Nominees of President of India</b>								
	a) V Udaya Bhaskar	1	0%	01/04/2017	-	-	1	0%
				08/05/2017	99	Sub division	100	0%
				03/08/2017	(99)	Transfer	1	0%
				15/02/2018	1	Bonus Shares	2	0%
				31/03/2018	-	-	2	0%
	b) S.Piramanayagam	1	0%	01/04/2017	-	-	1	0%
				08/05/2017	99	Sub division	100	0%
				03/08/2017	(99)	Transfer	1	0%
				15/02/2018	1	Bonus Shares	2	0%
				31/03/2018	-	-	2	0%
	c) Dr.Amit Sahai	-	-	01/04/2017	-	-	-	-
				26/12/2017	1	Transfer from other Nominee	1	0%
				15/02/2018	1	Bonus Shares	2	0%
				31/03/2018	-	-	2	0%
	d) Ashwani Kumar	-	-	01/04/2017	-	-	-	-
				03/08/2017	1	Transfer from other Nominee	1	0%
				15/02/2018	1	Bonus Shares	2	0%
				31/03/2018	-	-	2	0%
	e) V.Gurudatta Prasad	-	-	01/04/2017	-	-	-	-
				03/08/2017	1	Transfer from other Nominee	1	0%
				15/02/2018	1	Bonus Shares	2	0%
				31/03/2018	-	-	2	0%
	f) K.Divakar	-	-	01/04/2017	-	-	-	-
				03/08/2017	1	Transfer from other Nominee	1	0%
				15/02/2018	1	Bonus Shares	2	0%
				31/03/2018	-	-	2	0%

iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

S.No	Name of the Shareholder	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	<b>Life Insurance Corporation of India</b>					
	At the beginning of the year	01/04/2017	-	-	-	-
	Allotment in the IPO	22/03/2018	4089614	2.23	4089614	2.23
	At the End of the year	31/03/2018	4089614	2.23	4089614	2.23
2	<b>HDFC Trustee Company Limited-HDFC Equity Fund</b>					
	At the beginning of the year	01/04/2017	-	-	-	-
	Allotment in the IPO	22/03/2018	3265331	1.78	3265331	1.78
	At the End of the year	31/03/2018	3265331	1.78	3265331	1.78



S.No	Name of the Shareholder	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
<b>3 HDFC Trustee Company Limited – HDFC Capital Builder Fund</b>						
	At the beginning of the year	<b>01/04/2017</b>	-	-	-	-
	Allotment in the IPO	22/03/2018	895621	0.49	895621	0.49
	At the End of the year	<b>31/03/2018</b>	<b>895621</b>	<b>0.49</b>	<b>895621</b>	<b>0.49</b>
<b>4 HDFC Trustee Co Ltd A/C HDFC Housing Opportunities Fund-1140D</b>						
	At the beginning of the year	<b>01/04/2017</b>	-	-	-	-
	Allotment in the IPO	22/03/2018	895621	0.49	895621	0.49
	At the End of the year	<b>31/03/2018</b>	<b>895621</b>	<b>0.49</b>	<b>895621</b>	<b>0.49</b>
<b>5 Bank of Baroda</b>						
	At the beginning of the year	<b>01/04/2017</b>	-	-	-	-
	Allotment in the IPO	22/03/2018	868878	0.47	868878	0.47
	At the End of the year	<b>31/03/2018</b>	<b>868878</b>	<b>0.47</b>	<b>868878</b>	<b>0.47</b>
<b>6 State Bank of India</b>						
	At the beginning of the year	<b>01/04/2017</b>	-	-	-	-
	Allotment in the IPO	22/03/2018	695087	0.38	695087	0.38
	At the End of the year	<b>31/03/2018</b>	<b>695087</b>	<b>0.38</b>	<b>695087</b>	<b>0.38</b>
<b>7 General Insurance Corporation of India</b>						
	At the beginning of the year	<b>01/04/2017</b>	-	-	-	-
	Allotment in the IPO	22/03/2018	521322	0.28	521322	0.28
	At the End of the year	<b>31/03/2018</b>	<b>521322</b>	<b>0.28</b>	<b>521322</b>	<b>0.28</b>
<b>8 The New India Assurance Company Limited</b>						
	At the beginning of the year	<b>01/04/2017</b>	-	-	-	-
	Allotment in the IPO	22/03/2018	434426	0.24	434426	0.24
	At the End of the year	<b>31/03/2018</b>	<b>434426</b>	<b>0.24</b>	<b>434426</b>	<b>0.24</b>
<b>9 Union Bank of India</b>						
	At the beginning of the year	<b>01/04/2017</b>	-	-	-	-
	Allotment in the IPO	22/03/2018	276611	0.15	276611	0.15
	At the End of the year	<b>31/03/2018</b>	<b>276611</b>	<b>0.15</b>	<b>276611</b>	<b>0.15</b>
<b>10 Dhunseri Petrochem Ltd</b>						
	At the beginning of the year	<b>01/04/2017</b>	-	-	-	-
	Allotment in the IPO	22/03/2018	233625	0.13	233625	0.13
	At the End of the year	<b>31/03/2018</b>	<b>233625</b>	<b>0.13</b>	<b>233625</b>	<b>0.13</b>

v) Shareholding of Directors and Key Managerial Personnel:

For Each the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
At the beginning of the year	Nil			
Date wise Increase/ Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. Allotment/transfer/bonus/ sweat equity etc)				
At the End of the year (or on the date of separation, if separated during the year).				



(V) INDEBTEDNESS

The Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total ( i + ii + iii)</b>				
<b>Change in Indebtedness during the financial year</b>				
• Addition				
• Reduction				
<b>Net Change</b>				
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total ( i + ii + iii)</b>				

(VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole Time Directors and/or Manager:

(Amount in ₹)

Sl. No	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
		V Udaya Bhaskar CMD	S Piramanayagam Director (Finance)	V Gurudatta Prasad Director (Production)	K.Divakar Director (Technical)	
1	Gross Salary a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961.	54,72,593	46,28,824	45,82,359	52,54,145	1,99,37,921
	b) Value of perquisites u/s 17(2) Income Tax Act, 1961	6,42,910	32,400	32,400	32,400	7,40,110
	c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-	-	-
2.	Stock Option	-	-	-	-	-
3.	Sweat Equity Commission	-	-	-	-	-
4	- as % of Profit - others, specify	-	-	-	-	-
5	Others, please specify	-	-	-	-	-
	<b>Total (A)</b>	<b>61,15,503</b>	<b>46,61,224</b>	<b>46,14,759</b>	<b>52,86,545</b>	<b>2,06,78,031</b>

B. Remuneration to other Directors:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Name of the Directors					Total Amount
		Sushama V Dabak	Prof. Ajay Pandey	Ajay Nath	K S Sampath	Latha Narasimha Murthy	
1.	Independent Directors • Fee for attending Board Committee Meetings • Commission • Others, please specify	3,50,000	2,60,000	1,70,000	1,10,000	2,40,000	11,30,000
	Total (1)	3,50,000	2,60,000	1,70,000	1,10,000	2,40,000	11,30,000
2.	Other Non-Executive Directors • Fee for attending Board Committee Meetings • Commission • Others, please specify	NIL					
3	Total (2)	Nil					
4	Total (B) = (1+2)	11,30,000					
	Total Managerial Remuneration (A+B)	2,18,08,031					
	Overall ceiling as per the Act	Exempted as per the MCA Notification No. 463 (E) dated 05.06.2015					



**C. Remuneration to Key Managerial Personnel Other than the MD/Manager/WTD**

(Amount .in ₹)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel	
		Company Secretary	
		N Nagaraja	
1.	Gross Salary		
	a) Salary as per provisions contained 17 (1) of the Income-Tax Act,1961		14,83,904
	b) Value of perquisites u/s 17(2) Income Tax Act, 1961		-
	c) Profit in lieu of salary under section 17(3) Income Tax		-
2.	Stock Option		-
3.	Sweat Equity		-
4.	Commission as % of profit		-
5.	Others, please specify		-
	<b>Total</b>		<b>14,83,904</b>

**Note: Director (finance) is also CFO of the Company. Hence no separate disclosure is provided.**

**(VII). PENALTIES/ PUNISHMENT/ COMPOUNDING OF OFFENCES:**

TYPE	SECTION OF THE COMPANIES ACT	BRIEF DESCRIPTION	DETAILS OF PENALTY/ PUNISHMENT COMPOUNDING FEES IMPOSED	AUTHORITY [RD/NCLT/ COURT]	APPEAL MADE IF ANY (GIVE DETAILS)
<b>A. COMPANY</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>B. DIRECTORS</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-



## ANNEXURE-2

### ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY ACTIVITIES

{Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014}

#### a) Brief outline of the Company CSR&SD Policy

BDL has been very conscious about its responsibilities towards society. The Company has also ventured into backward / under developed areas in Andhra Pradesh and Telangana to undertake Corporate Social Responsibility (CSR) activities by sponsoring a variety of schemes.

As per the provisions of the Companies Act, 2013, BDL is spending 2% of the average net profits of the immediately three preceding financial years.

The core areas of focus under CSR are Health Care, Nutrition, Education & Literacy, Skill Development & Sustainable Livelihoods, Sanitation, Safe Drinking Water etc. BDL has also adopted villages in Andhra Pradesh and Telangana States under Corporate Social Responsibility initiative and the focus is on the necessities of human life – health, water and other conveniences.

Some of the major activities of BDL under CSR are:

- Mid-day Meal for School Children studying in Government Schools
- Health Care for Elderly people through Mobile Medicare Units at Nalgonda district of Telangana and Visakhapatnam district of Andhra Pradesh
- Safe Drinking Water by installation of RO water treatment plants
- Construction and Maintenance of Toilets in Govt. Schools
- Adoption of Govt. ITIs
- Skill Development of Unemployed Youth
- Sanitation and Swachh Bharat
- Welfare of Persons with Disabilities
- Promoting Education (Distribution of Dual Desks to Govt. Schools)

CSR activities being undertaken are placed on Company's website <http://www.bdl-india.in>

#### b) Composition of CSR Committee as on 31 March, 2018

1	Shri.Ajaynath Independent Director	Chairman
2	Smt.Sushama V Dabak, Independent Director	Member
3	Shri.S.Piramanayagam Director (Finance) & CFO	Member
4	Shri.V.Gurudatta Prasad Director (Production)	Member
5	Shri.K.S.Sampath Independent Director	Member
6	Prof.Ajay Pandey, Independent Director	Member
7	Smt.K.Latha Narasimha Murthy Independent Director	Member

#### c) Average Net Profit of the Company for last three financial years:

The Average net profits of the Company for the last three financial years is ₹ 75477 lakh

#### d) Prescribed CSR Expenditure:

The prescribed CSR Expenditure i.e. 2% of the amount in the item No.(c) above is ₹ 1509.54 lakh

#### e) Details of CSR spent during 2017-18

- Total Amount to be spent as per Companies Act, 2013 for the financial year: ₹ 1509.54 Lakh
- Amount unspent, if any : Nil
- The manner in which the amount spent during the financial year is annexed here under:



**CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES UNDERTAKEN DURING THE FINANCIAL YEAR 2017-18**

(Format prescribed under rule 8 of the companies (CSR Policy) Rule 2014)

(₹ in lakh)

1	2	3	4		5	6		7	8
			Local area or other	Specify the State and district where projects or programs was undertaken		Amount spent on the project or program Sub-heads:	Direct Expenditure on projects or programs		
S.No	CSR project or activity identified.	Sector in which the Project is covered.			Amount outlay (budget) project or program wise			Cumulative expenditure upto the reporting period.	Amount spent : Direct or through implementing agency
1	Mid Day Meal Scheme, Patancheru	Education	Local	Sangareddy, Telangana	107.00	84.77	NIL	84.77	The Akshaya Patra Foundation
2	Mid Day Meal Scheme, Vizag	Education	Local	Visakhapatnam, Andhra Pradesh	53.50	42.89	NIL	42.89	The Akshaya Patra Foundation
3	Health Care at Nalgonda	Health Care	Local	Nalgonda, Telangana	29.06	18.43	NIL	18.43	Helpage India
4	Health Care at Vizag	Health Care	Local	Visakhapatnam, Andhra Pradesh	22.49	14.75	NIL	14.75	Helpage India
5	Safe Drinking Water	Drinking Water Supply	Local	Nalgonda, Telangana	5.42	5.42	NIL	5.42	Naandi Foundation
6	Skill Development through Indo-German Institute of Advance Technology (IGIAT)	Skill Development	Local	Visakhapatnam, Andhra Pradesh	50.00	29.99	NIL	29.99	Indo German Institute of Advanced Technology
7	Skill Development training for Unemployed Youth through CIPET	Skill Development	Local	Hyderabad, Telangana	50.00	39.65	NIL	39.65	Central Institute of Plastics Engineering & Technology (CIPET), Hyderabad
8	Distribution of Artificial Limbs	Health Care	Local	Siddipet, Telangana	20.00	13.23	NIL	13.23	Artificial Limbs Manufacturing Corporation of India (ALIMCO)
9	Stationery to Blind Organisation of India	Education	Local	Mumbai, Maharashtra	0.21	0.21	NIL	0.21	Direct
10	Adoption of ITI (Govt. ITI Old City and Govt. ITI Alwal, Hyderabad)	Skill Development	Local	Hyderabad, Telangana	158.77	33.72	NIL	33.72	Direct
11	Maintenance of School Toilets in Govt. Schools of Telangana State	Sanitation	Local	Sangareddy, Nalgonda, Ranga Reddy, Telangana	37.08	30.90	NIL	30.90	Telangana Sarva Siksha Abhiyaan
12	Maintenance of School Toilets Govt. Schools of Andhra Pradesh State	Sanitation	Local	Visakhapatnam, Andhra Pradesh	9.00	5.94	NIL	5.94	Andhra Pradesh Sarva Siksha Abhiyaan
13	Village Adoption of Military Madhavaram	Rural Development	Local	West Godavari, Andhra Pradesh	658.90	153.00	NIL	153.00	Direct
14	Village Adoption Gondupalem	Rural Development	Local	Sangareddy, Telangana	20.00	23.25	NIL	23.25	Direct
15	School Furniture for Govt. Schools in Nalgonda	Education	Local	Nalgonda, Telangana	10.25	13.25	NIL	13.25	Direct





1	2	3	4		5	6		7	8
			Local area or other	Specify the State and district where projects or programs was undertaken		Amount spent on the project or program Sub-heads:			
S.No	CSR project or activity identified.	Sector in which the Project is covered.			Amount outlay (budget) project or program wise	Direct Expenditure on projects or programs	Over heads	Cumulative expenditure upto the reporting period.	Amount spent : Direct or through implementing agency
16	RCI, BDL & Other DRDO Labs at KBC Roads Development, Arboriculture Plantation	Sanitation	Local	Hyderabad, Telangana	29.06	25.12	NIL	25.12	Direct
17	Construction of School Building & Commissioning of RO Water Treatment Plants at Bhanur Village	Education	Local	Sangareddy, Telangana	268.00	3.02	NIL	3.02	Direct
18	CCTVs Installation at Kanchanbagh PS Limits	Others	Local	Hyderabad, Telangana	5.00	4.93	NIL	4.93	Hyderabad Police Department
19	Construction of School Toilets through Hindustan Prefab Limited	Sanitation	Local	Sangareddy, Nalgonda, Ranga Reddy, Telangana	19.92	19.92	NIL	19.92	Hindustan Prefab Limited
20	Tree Guards to Rajanna Sircilla District	Environmental Sustainability	Local	Sircilla, Telangana	70.00	63.00	NIL	63.00	District Administration, Rajanna Sircilla District
21	Swachh Bharat Kosh	Sanitation	Other	-	450.00	450.00	NIL	450.00	Direct
22	Health Minister's Cancer Patient Fund	Health Care	Other	-	100.00	100.00	NIL	100.00	Direct
23	Armed Forces Flag Day Fund	Measures for the benefit of Armed Forces	Other	-	50.00	50.00	NIL	50.00	Direct
24	GHMC Underground Garbage Bins	Sanitation	Local	Hyderabad, Telangana	75.00	75.00	NIL	75.00	Greater Hyderabad Municipal Corporation
25	Cochlear Implant Project to Persons with Hearing Disability	Health Care	Local	Telangana	73.79	73.79	NIL	73.79	Artificial Limbs Manufacturing Corporation of India
26	School Furniture for Govt.Schools in Telangana Through Chanchalguda and Cherlapally Prisons	Education	Local	Telangana	200.00	198.50	NIL	198.50	Central Prisons, Chanchalguda and Cherlapally, Hyderabad
27	Establishing BDL Digital Labs at IGIAT	Skill Development	Local	Visakhapatnam, Andhra Pradesh	15.06	15.06	NIL	15.06	Indo German Institute of Advanced Technology
28	Skill Development of Unemployed Youth through CIPET (520 Participants)	Skill Development	Local	Telangana	184.08	184.08	NIL	184.08	Central Institute of Plastics Engineering & Technology (CIPET), Hyderabad



1 S.No	2 CSR project or activity identified.	3 Sector in which the Project is covered.	4 Projects or programs		5 Amount outlay (budget) project or program wise	6 Amount spent on the project or program Sub-heads:		7 Cumulative expenditure upto the reporting period.	8 Amount spent : Direct or through implementing agency
			Local area or other	Specify the State and district where projects or programs was undertaken		Direct Expenditure on projects or programs	Over heads		
29	CSR Administrative & Overheads	Others	-	Hyderabad, Telangana	-	67.59	NIL	67.59	Direct
					<b>2771.59*</b>	<b>1839.40</b>		<b>1839.40</b>	

\* Note: This is an estimated cost for which approval was taken from the Board. It may be noted that under the provisions of the Companies Act, the Company has to spend ₹ 1509.54 lakh for CSR activities (i.e. 2% of the average net profits for the last three years) for the year 2017-18. However, the Company has spent ₹ 1839.40 lakh including carried forward unspent expenditure of the previous years and hence there is no shortfall and non-compliance in this regard.

f) **In case the Company has failed to spend the two percent of the Average Net-profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report:**

Nil.

g) **A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Company**

It is hereby stated that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and policy of the Company

Place : Visakhapatnam

Date : 20 Jul 2018

**V. UDAYA BHASKAR**

Chairman & Managing Director  
DIN: 06669311

**AJAYNATH**

Chairman of CSR &SD  
DIN: 05151291



## ANNEXURE-3

### Form No. MR-3

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the  
Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

### SECRETARIAL AUDIT REPORT

{For the Financial Year Ending 31st March 2018}

To,  
The Members  
Bharat Dynamics Limited  
Hyderabad.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good Corporate practices by **M/s. Bharat Dynamics Limited.** (hereinafter called the Company). The Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the Corporate Conducts / Statutory Compliances and expressing my opinion thereon.

Based on my verification of the Company's, Books, Papers, Minute Books, Forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on **31st March 2018** generally complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;  
**(Applicable to the Company with effect from the date of listing i.e. 23 March 2018)**
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;  
**(Applicable to the Company with effect from the date of listing i.e. 23 March 2018)**
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (erstwhile The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999);  
**(Not applicable as the Company has not issued any stock options or stock purchase scheme to employees during the financial year under review);**
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;  
**(Not applicable as the Company has not issued any Debt securities during the financial year under review);**
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;  
**(Not Applicable as the Company is not registered as Registrar to Issue and Share Transfer Agent during the financial year under review);**
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;  
**(Not applicable as the Company has not delisted/proposed to delist its equity shares from any Stock Exchange during the financial year under review)**
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;  
**(Not applicable as the Company has not bought back any of its equity shares post listing on 23 March 2018)**
- (vi) Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 issued by the Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, Government of India

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India with respect to the Board and General Meeting.
- (ii) The Listing Agreements entered into by the Company with BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (iii) I have not examined compliance by the Company with applicable financial laws, like direct and indirect tax laws, since the same have been subject to review by statutory financial audit and other designated professionals.



During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following:

- i) The Company was a private limited Company at the beginning of the year and was converted into a public limited Company on 27th October, 2017. Thereafter the Company came out for Initial Public Offer of 22451953 equity shares of face value of ₹ 10/- each (representing 12.25% of the paid-up capital of the Company) through an offer for sale by the President of India and listed on the stock exchanges (i.e BSE and NSE) on 23 March, 2018. Hence some of the SEBI Regulations as stated above are applicable from the date of listing i.e. 23 March 2018.
- ii) As per Regulation 31(2) of the SEBI (LODR) Regulations, 2015, 100% of shareholding of promoter and promoter group shall be in dematerialized form. However, as on 31 March 2018, twelve equity shares held by six nominee shareholders of President of India, the promoter of the Company are in physical mode.

It is informed that Company has been listed on the stock exchanges recently on 23rd March, 2018 and as disclosed in the IPO offer document the said nominee shares have been transferred back to the President of India, after listing, vide approval of the Board in its meeting held on 30 May 2018, for the purpose of dematerialisation.

**I further report that** the Board of Directors of the Company is duly constituted with Executive Directors, Non-Executive Directors and Independent Directors. It is informed that filling up of vacancies of the Directors on the Board is with the appointing authority namely Government of India. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Proper advance notices for Board and Committee meetings were issued to Directors during the year; such notices accompanied detailed notes on agenda items and draft minutes of respective meetings; the Company adopt a system to enable Directors to seek and obtain required information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

**I further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**I further report that** during the audit period the here are following events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, taken place:

- (a) Sub-division of nominal value of shares from ₹ 1000 to ₹ 10/- each
- (b) Buyback of 30546875 equity shares (representing 25% of the paid up capital of the Company) ₹ 10/- each
- (c) Conversion of private limited company to public limited company
- (d) Increase in Authorised Capital of the Company from ₹ 125 Crore to ₹ 200 Crore and Issue of 91640625 Bonus shares of ₹ 10/- each in the ratio of 1:1 (i.e. one share for every one share held)
- (e) Initial Public Offer of 22451953 equity shares of face value of ₹ 10/- each (representing 12.25% of the paid-up capital of the Company) through an offer for sale by the President of India

Signature :

Name : Y.Ramesh  
Company Secretary in Practice  
ACS No. : 14910 ; CP No : 7929

Place : Hyderabad  
Date : 04-07-2018

This Report is to be read with my letter of even date which is annexed as Annexure A and forms an integral part of this report.



## 'Annexure -A'

To,  
The Members  
Bharat Dynamics Limited

My Report of even date is to be read along with this letter.

1. Maintenance of secretarial records and compliance of the provisions of corporate and other applicable laws, rules, regulations, standards are the responsibility of the management of the Company.
2. My responsibility is to express an opinion on these Secretarial records and compliance based on our audit.
3. I believe that audit evidence and information obtained from the Company's Management is adequate and appropriate for me to provide a reasonable basis for my opinion.
4. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
5. Wherever required, I have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Signature :

Name : Y.Ramesh  
Company Secretary in Practice  
ACS No. : 14910 ; CP No : 7929

Place : Hyderabad  
Date : 04-07-2018



# ANNEXURE-4 MANAGEMENT DISCUSSION & ANALYSIS

## Forward looking statements

Statements in this Management Discussion and Analysis of Financial Condition and Results of Operations of the Company describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Forward looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company assumes no responsibility to publicly amend, modify or revise forward looking statements on the basis of any subsequent developments, information or events. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include government's strategy relating to acquisition of naval platforms, changes in government regulations, tax laws, economic developments within the country and such other factors globally.

### Bharat Dynamics Ltd in Brief:

Established in 1970, Bharat Dynamics Limited (BDL), is a Government of India Enterprise under the Ministry of Defence and a manufacturer of Surface to Air Missile (SAM), Anti -Tank Guided Missile (ATGM), Heavy weight torpedoes, and allied defence equipments. Head Quarters of the company is located in Hyderabad and has three manufacturing units, located at Kanchanbagh, Hyderabad, Telangana States Bhanur, Medak district, Telangana State and Visakhapatnam, Andhra Pradesh. Two New Units are planned at Ibrahimpatnam, Ranga Reddy district, Telangana and Amravati Maharashtra. During the recent years the company also commenced export of selected defence equipments and have entered into strategic alliances with public and private sector companies. The company has 3095 employees as on 31 March 2018 and during the year 2017-18 reported a net sales turnover of ₹ 4576 Crore.

### 1. Strategic Environment

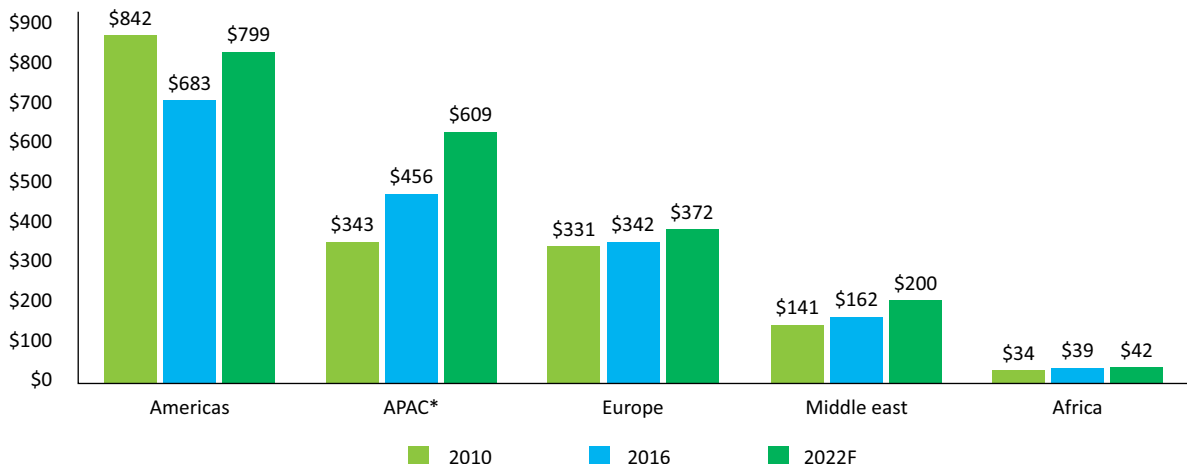
The company operate in an environment characterised by both increasing complexity in factors influencing national security and continuing economic challenges in India and globally. A significant component of our business outlook in this environment is to focus on execution, improving standards and quality and predictability of the delivery of our products to the Indian Army. We also continue to invest in technologies to fulfil the requirements of the Indian armed forces and also invest in our people so that we have the necessary technical skills to succeed without limiting our ability.

BDL's business is influenced by its strategic environment comprising of Indian defence sector, *Global defence spending, Government Policy & Emerging trends.*

#### 1.1 Global Defence Spending

Defence spending had substantially decreased in western part of the globe between 2009 and 2015 following the financial crisis in 2008. According to a study titled Military Balance, during the same period defence spending increased in Middle East, Asia and Sub-Saharan Africa.

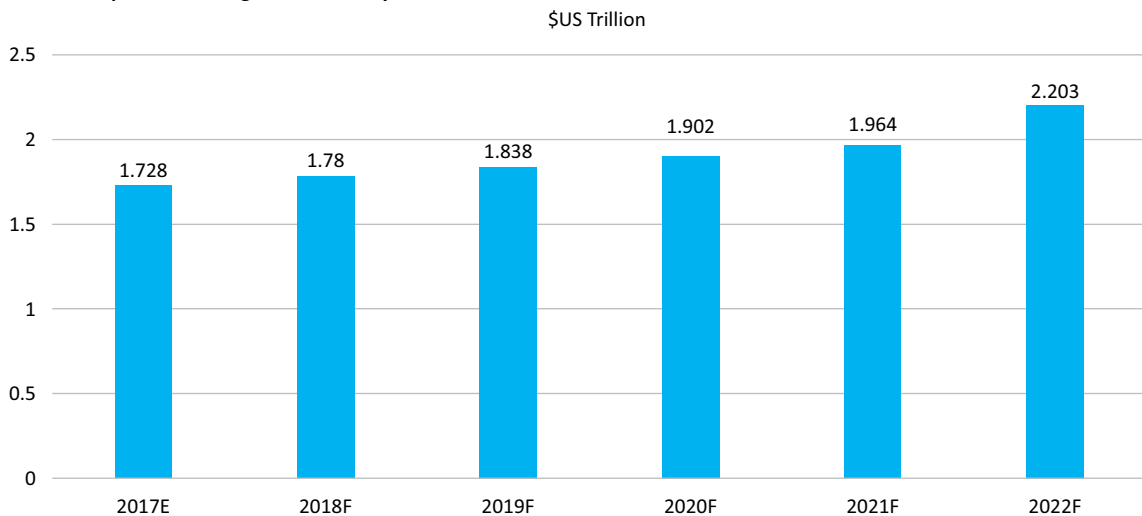
After substantial real term defence-spending reductions between 2009 and 2015 following the financial crisis in 2008, in 2016 onwards defence spending has picked up in Europe and the United States. As a consequence, Asia overtook Europe in defence spending. Between 2008 to 2017 Asia's share of global defence spending rose from 17% in 2008 to 24% in 2017 while Europe declined from a 22% share in 2008 to 18% in 2017 and North America declined from 46% to 36%. In the same time period, the Middle East's share also increased (7% to 12%).



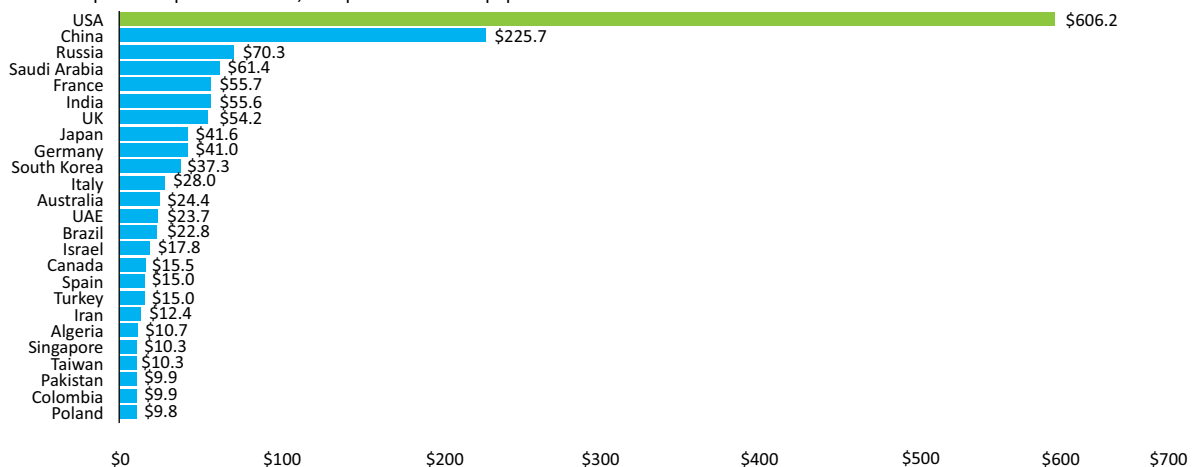
However, the data for the period 2017–18 reveals changes to these trends. According to the study Military Balance 2018, economic indicators now point to a renewed growth in global military expenditure, particularly in the West. Many European states, including the top spenders, have announced plans to increase their defence budgets in the coming years. In the US, the Trump administration and the US Congress have agreed to significantly increase defence spending in 2018 and 2019. Indeed, defence budgets will grow by 6% in real-terms in the US in 2018, by 3.3% in France and 2.5% in Germany



Overall global defence sector estimated to be US\$ 1.728 trillion in 2017, is anticipated to grow at a CAGR of about 3.0 percent over the 2017–2022 period, crossing US\$2 trillion by 2022.



The following table shows top 25 military spending nations in the world. The US remained the largest defence spending national, accounting for 36 percentage of the total global military spend of US\$1682 billion in 2016. Several middle eastern and African countries spend a higher percentage of their GDP on military expenditure. Governments of other countries have also started increasing their defences budget to address security threats and to counter terrorism. India, Russia and China’s 2016 military expenditure rose by 8.5%, 5.9% and 5.4% respectively. Some of the major defence product that are expected to remain in focus include armoured ground vehicles, ground attack munitions, light air support aircraft, intelligence, surveillance and reconnaissance electronic sensor, cyber protections, maritime patrol ships and aircraft, and provisions for equipment maintenance and sustainment.



BDL is actively exploring export business from friendly countries in Asia. Any increase or decrease in defence outlay by these friendly countries may have an impact on BDL’s export business. In the overall global defence outlay, India is a large contributor. Increase in India’s defence budget particularly with reference to defence equipment purchase will also impact BDL.

**1.2 Global Defence Exports**

The five largest global suppliers - the United States of America (USA), Russia, China, France and Germany accounted for 74 per cent of the volume of global exports between 2011 and 2015. The USA and Russia have been the largest defence suppliers since 1950.

**1.3 Indian Defence Sector**

**India has the third largest armed forces in the world.**

The Indian defence market is in a state of transition, as a result of new policies promulgated by the government. The Indian government seeks to address this through the new Defence Procurement Policy (DPP) 2016, which seeks to streamline procurement and give more leeway to suppliers, opening up Foreign Direct Investment, allowing single vendor participation for tenders, and initiating a “Strategic Partner” model. The government is outlining policies to convert India into a defence hub, with indigenous manufacturing being given the highest priority. Defence exports will be permitted and foreign direct investment (FDI) holdings have been tweaked to enable more foreign original equipment manufacturers (OEMs) to set up ventures in India. Several multi-billion dollar projects are expected to come to fruition. A few of these projects will be executed through government-to-government (G2G) and off-the-shelf purchases; however, the majority will be through partnerships between indigenous companies and foreign OEMs. Offset regulations are being relaxed to speed up procurements and provide flexibility for suppliers while approaching tenders. The focus is on fast-track deals, tailored projects with Indo-foreign OEM partnerships, and involving micro, small, and medium enterprises.



### 1.3.1 Budget 2018 proposals and key initiatives

Under the 2017-2018 budget, an amount has been provided for defence expenditure. Total allocation for the Defence sector in Budget 2018 exceeds last year's estimates by 5.8%. In Budget 2018, an amount has been allocated for R&D, which is an increase of 29% from last year, and is expected to boost indigenous defence manufacturing.

There is continued focus on modernisation and enhancement of the operational capabilities of defence forces through the development of defence production capabilities and promotion of private investment in defence production by the announcement of the following:

- Development of two defence industrial corridors
- Formulation of the industry-friendly DPP 2018 to promote domestic production by the public and private sectors and MSMEs
- An additional INR 130 crore allocation for prototype development under the 'make' procedure for Indian Army's projects
- Promotion of the Make in India initiative will help to develop and nurture defence production capabilities.
- Budget 2018 announcements meet the Government's strategic objective of strengthening road infrastructure on India's borders.

### 1.3.2 Defence Procurement Policy 2018

Govt of India has announced in the General Budget 2018-19 that the Govt will bring out an industry friendly Defence Production Policy 2018 to promote domestic production by public sector, private sector and MSMEs. In pursuance of the above, the Govt. has formulated a draft Defence Production Policy 2018. Key highlights of which are as below:

Create an environment that encourages a dynamic, robust and competitive defence industry as an important part of the 'Make in India' initiative.

To facilitate faster absorption of technology and create a tiered defence industrial ecosystem in the country.

To reduce current dependence on imports and to achieve self-reliance in development and manufacture of following weapon systems/platforms latest by 2025:

- Fighter Aircraft.
- Medium Lift and Utility Helicopters.
- Warships.
- Land Combat Vehicles.
- Autonomous Weapon Systems.
- Missile Systems.
- Gun systems.
- Small Arms.
- Ammunition and Explosives.
- Surveillance Systems.
- Electronic Warfare (EW) Systems.
- Communication Systems.
- Night Fighting Enablers.

### 1.4 Indian Defence Indigenousization

India overtook the UK as the fifth-largest defence spender in the world in 2017 at \$52.5 billion, up from \$51.1 billion in 2016, according to the 'Military Balance 2018' report by the International Institute for Strategic Studies (IISS) 33 % of the defence budget is spent on capital acquisitions.

More than 50% of defence related requirements are met by imports which offers a huge opportunity for import substitution.

### Towards making India achieve self-reliance in defence products manufacturing, DPP 2013 was amended with effective from April 2, 2016 to provide the following:

The most preferred acquisition category Buy Indian (IDDM (Indigenously Designed, Developed and Manufactured) introduced to encourage indigenous design, development and manufacturing of defence equipment. This category refers to procurement from Indian vendors of products that Are indigenously designed, developed and manufactured, and have at least 40% indigenous content. If the product is not designed and developed indigenously, it will have to have 60% indigenous content.

Indian companies are allowed for tie-ups with a foreign Original Equipment Manufacturer (OEM) for Transfer of Technology (ToT) under 'Buy & Make (Indian)' category.

Under 'Buy & Make' Category of Capital Acquisition, the foreign vendor is required to transfer the Technology to Indian Production agency for indigenous production of the items.

Foreign OEM can select Indian Production agency of its choice for transfer of technology.

Government is also encouraging prototype development by refunding 90% of development cost to Vendors with 20% given as advance. If the vendor doesn't get an order within two years the remaining 10% will also be reimbursed.

### Offset Policy

The offset policy in capital purchase contracts with foreign defence OEMs, stipulates a mandatory offset requirement of a minimum of 30% for defence contracts. The minimum contract value for which offsets are mandatory has now been revised from INR 300 crore to INR 2,000 crore.

### 1.5 Indian Defence Exports

India's defence trade vis-à-vis exports and imports are at two ends of a continuum with a massive trade deficit skewed against Indian indigenous production. The Stockholm International Peace Research Institute (SIPRI) Arms Transfer Database indicates that India has remained the largest importer of defence equipment in the 2012-16 time-frame with its share in global arms imports increasing from 9.7 % in 2007-11 to 12.8 % in 2012-16. Compared to this, India's arms exports contribute to only an infinitesimally small fraction of global arms trade. The fact that Indian defence exports over the past 5 years totalled to only about \$ 751.8 Million (at a conversion rate of 1 INR = 0.016 \$), whilst world defence trade over the same time period was \$ 8379 Billion puts India's miniscule defence output in perspective.

The government has also taken many proactive steps to steer the country's indigenous defence industry into exports. A Standard Operating Procedure has been released to elucidate the process and documentation required for grant of export license clearance. 66 per cent of the items have been delisted from defence export clearances. Creation of an export strategy and granting online No Objection Certificates to defence exporters are steps taken in this direction.

India now has missiles, warships, Off-Shore Patrol Vessels (OPVs) and Self Propelled Artillery Guns (SP Guns) on its list of export items.

Furthermore, India and Spain too have decided to widen their defence partnership. Most recently, exchanges between India and the United Arab Emirates (UAE) came to the forefront when India showed interest in assisting the latter in developing its air defence system and repairing defence equipment to enhance its life cycle, besides providing offshore patrol vehicles, as the Gulf nation hopes to expand ties beyond its traditional partner Pakistan.





Air defence is an area where India can assist the UAE given the new found expertise that India is building on," Ananta Centre, a leading Indian public policy forum said in a comprehensive report on India-UAE ties.

The increased production of the Ordnance Factories Board (OFB) and the Defence Public Sector Units like BDL shows that there has been a remarkable increase in Indian exports. In the last two years, productions in the OFB and DPSUs have shot up by over 25 pc.

From the initial export of Indian Small Arms System (INSAS) assault rifles to Oman and Nepal, India's progress in the world defence market have been remarkable. Although this first deal had its share of loopholes and drawbacks, India has outperformed itself in terms of both manufacturing and managing its weapons and their exports.

To augment India's Defence exports Department of Defence Products, Ministry of Defence, Government of India as come out specific strategies in its defence production polity 2018, which are:

- Defence Expo and Aero Expo will be positioned as major global events to showcase India's capabilities in defence manufacturing, as also to encourage exports.
- Subject to strategic considerations, domestically manufactured defence products of both public sector organisations and private industry will be promoted through Govt to Govt agreements and Line of Credit/Funding.
- Indian Offset Partners will be encouraged to take up export of parts and accessories developed as part of offset process.
- DPSUs/OFBs will set up export offices in countries having such potential with the objective of promoting exports actively.
- Defence Export Organisation will be set up jointly with industry to promote export of Indian defence products abroad.
- The end-to-end export clearance process in the Department of Defence Production will be made online and time-bound.

Strategy for Defence Exports in September 2014, the Strategy for Defence Exports (SDE), which provides clear cut procedures and an institutional mechanism for export promotion and regulation, was announced. Under the ambit of the Foreign Trade Policy, it provides guidelines for engaging with Indian Missions/Embassies abroad for export promotion, offers options for export financing through line of credit, promotes better use of offset policy and the export of indigenously developed defence systems as well as streamlining of the export regulation process.

## 2. Review of BDL's Business

### 2.1 About the company

Founded in 1970, and Head quartered in Hyderabad, BDL is one of the leading defence PSUs in India engaged in the manufacture of Surface to Air missiles (SAMs), Anti-Tank Guided Missiles (ATGMs), underwater weapons, launchers, countermeasures and test equipment. Conferred with the Mini-ratna (Category -1), BDL is the sole manufacturer in India for SAMs, torpedoes, ATGMs. BDL is also the sole supplier of SAMs and ATGMs to the Indian armed forces. The company is also engaged in the business of refurbishment and life extension stored and deployed missiles. We are also the co-development partner with the DRDO for the next generation of ATGMs and SAMs.

#### BDL's Products

SAMs	ATGMs	Torpedoes	Launchers	Counter-measures	Decoy Systems	Test Equipment
Akash Missiles	Milan 2T, Konkurs-M INVAR (3 UBK 20)	Light Torpedoes	Launchers for Konkurs-M & MILAN 2T ATGMs	Chaffs & Flares Based Air Defence Systems, C 303 torpedo decoys	Submarine fired decoys	Health monitoring equipments for ATGMs

### 2.2 Manufacturing facilities

The company has three manufacturing facilities located in Hyderabad, Bhanur and Vishakhapatnam. Hyderabad manufacturing unit is engaged in the manufacture of SAMs, Milan 2T ATGMs, countermeasures, launchers and test equipment. The Bhanur unit is engaged in the manufacture of the Konkurs – M ATGMs, the INVAR (3 UBK 20) ATGMs, launchers and spares. Vishakhapatnam unit is engaged in the manufacture of light weight torpedoes, the C-303 anti-torpedo system, countermeasures and spares. All our manufacturing facilities have ISO 14001:2004 certifications from TUV India Private Limited. Our Hyderabad (Akash Division) and Bhanur manufacturing units have AS 9100C certifications (based on and including ISO 9001:2008) from NVT Quality Certification Private Limited. Our quality management systems and management system for the Hyderabad manufacturing have been certified ISO 9001:2008 and ISO 9001: 2015 compliant, by the IR Class Systems and Solutions Private Limited and TUV India Private Limited respectively.

The company is also in the process of setting up two additional manufacturing facilities at Ibrahimpatnam (near Hyderabad) and Amravati in Maharashtra which shall be used to manufacture SAMs and Very Short Range Air Defence Missiles (VSHORADMs) respectively. We are the nominated production agency for VSHORADMs

### 2.3 Order Book

Our current order book as on 01 April 2018 is ₹ 8889 Crore.

### 2.4 Financial Performance

Performance of the Company in financial terms is summarized below:

₹ in Crore

Particulars	2016-17*	2017-18	% of Increase/(Decrease)
<b>Revenue from Operations (Gross)</b>	<b>4887</b>	<b>4588</b>	(6)%
<b>Less:</b>			
Duties & taxes	351	11	-
<b>Revenue from Operations (Net)</b>	<b>4536</b>	<b>4576</b>	0.89%
Value of Production	4660	4630	(0.65)%
Profit Before Tax	803	774	(3.61)%
Profit After Tax	524	528	0.78%
Value Added	1528	1715	12.23%
Earnings per share#	24.51	26.65	-

\* Regrouped figures as per IND-AS;

# EPS has been calculated based on profits excluding the other comprehensive income. EPS for previous year is adjusted for Bonus issue made during the year. Since there is a splitting of shares during the year from face value of ₹ 1000/- to ₹ 10/- each, the previous year figures are revised accordingly.



Following data reflect the financial position of the Company:  
₹ in Crore

Particulars	2016-17*	2017-18	% of Increase/ (Decrease)
Gross Block	681	856	25.69%
Depreciation	84	136	61.90%
Net Block	596	720	20.63%
Working Capital	1570	1086	(30.83)%
Capital Employed	2327	1954	(16.02)%
Net Worth	2195	1956	(10.87)%

\* Regrouped figures as per IND-AS

## 2.5 Company Objectives

- To become self-reliant and competitive in Guided Missile and Underwater Guided Weapon Technology and Production.
- To maximize utilization of existing production capacities.

## 2.6 Opportunities & Threats

### Opportunities

- BDL's multiple years of expertise in manufacturing various defence equipments coupled with its advanced facilities enable the company to expand its market in India and abroad.
- BDL has an experienced senior management and staff having multiple years of experience in defence equipment manufacturing.
- Increased thrust on defence indigenisation under the "Make in India" policy has thrown up more opportunities for BDL.
- BDL has a strong supply chain comprising of technically qualified vendors and suppliers to ensure timely delivery of materials.
- BDL's primary customer is Ministry of Defence, Govt of India. GOI has been allocating increased budget for acquiring defence equipments.
- Company has successfully executed export orders in the recent times and has also been receiving more enquiries from neighbouring countries.

### Threats

- Slowdown in the economic activities and lower defence budget by GOI could adversely impact BDL's business.
- Higher dependency on single customer i.e. Ministry of Defence (MoD)
- Poor uptick in the export business can negatively influence the company's export foray.
- Cancellation of orders can weaken the order book and future revenue
- The preferential treatment given to Defence Public Sector Undertakings (DPSUs) in Excise duty/custom duty has been discontinued to create a level playing field. As per the revised policy, all Indian industries (public and private) are subjected to the same kind of excise and custom duty levies (April 2015).
- Exchange Rate Variation protection has been made applicable for Indian private sector at par with Public Sector Undertakings for all categories of capital acquisitions

## 2.7 Key Strategies

Key strategies of BDL are aimed at enhancing the company's market position by expanding capabilities, capitalising on opportunities in domestic and international markets, and enhance the company's competitive advantage focusing more on indigenisation.

To achieve our strategic goals, we would focus on the following:

**2.7.1 Expanding Infrastructure:** We would Continue to invest in infrastructure. Our upcoming manufacturing facilities at Ibrahimpatnam and Amravati will enable the company to cater to the growing demand of our customers. These two manufacturing facilities shall be utilised to manufacture SAMs (including a new generation of SAMs) and VSHORADMs respectively. We are also in the process of establishing a test fire range in Rachakonda, Telangana which we believe will result in operational advantages and cost efficiencies.

**2.7.2 Automation:** We intend to automate our production systems at our manufacturing facility in Hyderabad to increase the production of SAMs.

**2.7.3 Focus on Research & Development:** We believe that the recent changes to the government policies allowing private sector companies to participate in defence contracts will provide significant competition to us. In order to address these challenges, we intend to increase our R&D activities to develop innovative products to our customers. Our R&D expenses have grown at a CAGR of 23.60% from ₹ 227.21 million for the financial year 2015 to ₹ 347.10 million for the financial year 2017. We believe that development of new products will enable us to diversify our offerings and mitigate product dependencies. We have established the missile development group with the objective to design and develop missiles. We have also established various technological labs such as RF labs, laser labs, aerodynamic labs and seeker labs to develop seeker technologies. We are conducting R&D for an improved version of the second generation of the Konkurs-M ATGM.

**2.7.4 Improving Processes.** We also intend to carry out process improvements, with the aim of improve our productivity and efficiency of our operations and thereby lower costs.

**2.7.5 New Generation SAMs & ATGMs.** We intend to leverage our experience to develop new products such as new generation SAMs, ATGMs, and heavy weight torpedoes which will enable us to further increase our revenues. We are also the joint development partner with the DRDO for the next generation of ATGMs and SAMs. The MoD has identified us as the production agency and the lead integrator for one of the new generation of SAMs and the nominated agency for the third generation of ATGMs. We have also entered into several MoUs and non-disclosure agreements with various companies for developing new products and transfer of technologies.

## 2.8 Exports

BDL primarily cater to the requirements of the Indian armed forces. With encouragement from Government of India, BDL is actively exploring export markets. The company is currently exporting the light weight torpedoes. The company intend to interact with potential overseas customers with a view to exporting products such as Akash SAM, light weight torpedoes and countermeasure dispensing systems to friendly nations. BDL has signed a contract for export of Light Weight Torpedoes (LWT-XP) to a friendly country. Company also secured a repeat order worth USD.14.33 million during the current financial year 2018-19 towards supply of light weight torpedoes.

## 3. Future Outlook

The Defence Industry in India is experiencing significant and progressive change with huge opportunities for growth. In the



new Defence Procurement Procedure(DPP) 2016, the Government has introduced a new procurement category called Buy-IDDM (Indian Designed, Developed and Manufactured) to encourage the indigenously designed and developed products/solutions. Your Company has always been promoting indigenous design, development and manufacture of products/solutions. This category of acquisition is likely to benefit the company in the long run and enable to channelize the resources to develop and deploy more indigenous products with the help of MSME's and private sector industry in India.

Your Company is aware that its Nominated Production Agency Status is being slowly transformed into that of a Competitive Bidder. In the last two years, private sector participation in India's defence sector has been rising and large Indian private sector conglomerates have increased their exposure to Indian defence market. This is facilitated by several policy interventions by Government support and specifically the 'Make in India' Program. The impact of these initiatives has created more opportunities for domestic industry to tie-up with global defence companies for products and technologies. Increased focus on the Indian defence market by Indian private sector and global players is likely to further increase the competition for your Company in the coming years.

Your Company has a healthy order book position of ₹ 8889 Crore as on 01 April 2018 with the inclusion of fresh order of one of the ATGMs. Further your Company received additional Export Order for Torpedoes, which will keep the production lines busy in the years ahead. Your Company is having challenging times ahead with delivery commitments with respect to major ATGMs and SAM Projects.

Based on the Order book position and anticipated orders, your Company is well poised for an rapid growth. Your Company is enhancing its existing capacities and also establishing new manufacturing facilities at multi-locations to meet the commitments in respect of orders on hand and those that are in pipeline.

Consequent to the modernization programme launched by the Indian Armed Forces, the future outlook of the Company is looking bright. With decades of experience under its belt, your Company is well positioned and geared up to face challenges in future.

#### 4 Risks and Concerns:

Various risks identified with mitigation plans includes risks related to industry, increased market competition, time to market, decline or recession in market segments and product and product inputs prices, cost control and change demand risks. Also risks related to environment, health and safety, IT, R&D, intellectual property and new technical demands such as digitalization/smart industry are high on the agenda and proactively mitigated, managed with identified improvement activities and followed up on regularly.

**4.1 Business Risk:** The company primarily dependent on a single customer, the Indian armed forces through the Ministry of Defence, Government of India ("MoD"). A decline or reprioritization of the Indian defence budget, the reduction in their orders, termination of contracts or failure to succeed in tendering projects and deviations in the short term and long term policies of the MoD or the Indian armed forces in the future will have a material adverse impact on our business, financial condition, and results of operations, growth prospects and cash flows. We also operate in evolving markets where a level playing opportunity is given to private sector which makes it difficult to evaluate our business and future prospects.

Mitigation: Having rich expertise in this business, Company has ability to handle adverse situations and also geared up to face competition from private sector. Further in order to expand the customer base, BDL is actively exploring export markets, with encouragement from Government of India. The company is currently exporting the light weight torpedoes.

**4.2 Policy Risk:** The company is subject to a number of procurement rules and regulations of the MoD, Government regulations and other rules and regulations. Our business and our reputation could be adversely affected if we fail to comply with applicable rules. Restrictions on current and future export of our products and other regulations could adversely affect our business, results of operations and financial conditions

Mitigation: Company is complying with all rules and regulations as per the policies of Government of India and taking all necessary precautions in this regard

**4.3 Operational & Labour Risk:** The company's operations are based out of three units in Telangana and Andhra Pradesh. The loss of, or shutdown of, our operations at any of our units in Telangana and Andhra Pradesh will have a material adverse effect on our business, financial condition and results of operations. Some of our workforce is represented by labour unions so our business could be harmed in the event of a prolonged stoppage of work

Mitigation: The Company always continues to maintain cordial relations with all the employees and as such do not foresee material adverse effects in this regard.

**4.4 Supplier/Service Provider Risk:** Company is dependent on multiple key original equipment manufacturers ("OEM") for subassemblies / components, single source suppliers and sub-contractors. Any failure on the performance of any of them could have a material impact on our operations

Mitigation: The Company is continuously striving to expand its vendor base and sufficiently safeguarded with liquated damage clause in case of any failure on the performance.

**4.5 Technology Risk:** We manufacture and service products that incorporate advanced technologies. The introduction of new products and technologies involves risks and we may not realize the degree or timings of benefits initially anticipated.

Mitigation: The Company has activated its own Research & Development department and started increasing its investment in R&D to encounter technology risks. In addition to this the Company also concurrently works with DRDO in development of several projects.

#### 5. Internal control systems and their adequacy:

Your Company has put in place all required internal controls and systems commensurate with its size and nature of the business to meet the canons of financial propriety. The effectiveness of the internal controls is continuously monitored by an in house Internal Audit Department comprising of professionally qualified personnel. Internal Audit's main objective is to provide to the Audit Committee and the Board of Directors, an independent, objective and reasonable assurance of the adequacy and effectiveness of the organization's risk management, control and governance processes. The scope of the Internal Auditor is approved by the Audit Committee of the Board. Appointment of External audit firms has been continued to ensure adequacy and report thereon. These audit firms are in addition to Internal Audit Department supporting the department. A detailed analysis of reports of Internal Audit Firms as well as reports of Internal Audit Department of your Company are placed before the Audit Committee for its review and advice.

a) Cost reduction initiatives: A cost reduction committee has been constituted with senior executives from divisions for the year 2017-18. Various areas of cost reduction identified such as reduction in material cost, Indigenization, outsourcing, energy saving by replacing existing units with energy efficient units, change of production process in specific areas and use of alternative material. During the year under report, an amount of around ₹ 25.29 Crore has been achieved under cost review/reduction programme.



- b) Economy Measures:-In line with Ministry of Finance Office Memorandum on Expenditure Management, Economy Measures and Rationalization of expenditure, Company has observed financial prudence and economy on areas like travelling expenses, advertisement and publicity expenses, purchase of new vehicles, conducting seminars and conferences, courtesy and entertainment, etc during the year 2017-18.

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.

**6. Material developments in Human Resources, Industrial Relations front, including number of people employed**

**6.1 The manpower strength of the Company as on 31 March 2018 is as under:**

	Non-Executives	Executives	Total
Male	1937	778	2713
Female	221	99	323
<b>Total</b>	<b>2158</b>	<b>877</b>	<b>3035</b>
Previous Year	2289	893	3182

Your Company intensified its focus on training and development of manpower. Training and development at middle management levels was in focus during the year. Apart from regular Training Programmes, your Company organized Management Development programmes, Executive Development Programmes, Advanced Management Programmes, IPMA Level 'D' Certification Programmes,

Project Management Professional (PMP) Programmes for the development of various skills of the Executives during the year.

Further need-based Training Programmes are formulated from time to time to meet the requirements of the Company keeping in view the Projects on hand and also to foresee the customer's further requirements in the technology front.

**6.2 Industrial Relations**

Your Company continues to enjoy cordial and harmonious Industrial Relations with the Cooperation and support of all sections of employees viz. Recognized Trade Union, Associations such as SC, ST, OBC and Officers Association. Statutory and Non Statutory Committees such as Works Committee, Safety Committee, and Welfare Committee are contributing to workplace discipline.

**Reading Reference Documents**

*BDL website*

*Global Aero space and Defense Outlook KPMG*

*Annual Report MOD FY16-17*

*Defence Manufacturing Sector Achievements Report February 13, 2017 ( Make In India )*

*Draft Defence Policy 2018*

*Indian Defence Industry - Redefining Frontiers*

*IPO offer document – BDL*

*2018 Global Aerospace Defence Industry Outlook – Deloitte*

*www.iiss.org*



# ANNEXURE-5 REPORT ON CORPORATE GOVERNANCE

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

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.

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

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.

Your Company is in compliance with the requirements of the Corporate Governance standards as stipulated under SEBI (Listing obligations and disclosure requirements) Regulations, 2015 (hereinafter referred to as 'Listing Regulations') and the Department of Public Enterprises Guidelines on Corporate Governance for Central Public Sector Enterprises-2010 (hereinafter referred to as 'DPE Guidelines').

## 2. BOARD OF DIRECTORS:

### a) Composition and Category of Directors:-

In terms of the Companies Act, 2013, your Company is a 'Government Company' as 87.75% of the total paid up capital is being held by President of India.

The composition of the Board of Directors of the Company had been restructured by the Government of India with ten members viz. Four Whole Time Directors, including Chairman and Managing Director, one Part-time Official Director (Government Nominee Director) and five Part-time Non-official Directors (Independent Directors).

### b) Details of the Members of the Board during the year are as follows:

A)	Functional/Whole Time Directors (Executive)	Designation
1)	Shri.V.Udaya Bhaskar	Chairman & Managing Director
2)	Shri.S.Piramanayagam	Director (Finance) & CFO
3)	Shri.V.Gurudatta Prasad	Director (Production)
4)	Shri K Divakar	Director (Technical)
<b>B)</b>	<b>Part-Time Official Director (Non-Executive-Non independent)</b>	
	Shri.Ashwani Kumar Mahajan, Addl.FA & JS	Government Nominee Director
<b>C)</b>	<b>Part-time Non-Official Director (Non-Executive-Independent)</b>	
1)	Smt.Sushama V Dabak	Independent Director
2)	Prof Ajay Pandey	Independent Director
3)	Shri Ajay Nath*	Independent Director
4)	Shri KS Sampath*	Independent Director
5)	Smt. Latha Narasimha Murthy*	Independent Director

\* Vide MoD letter No.H-62011/2/2016-D(BDL) Dt.13 September, 2017, the above said Independent Directors were appointed on the Board of BDL w.e.f 13 September 2017.

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

During the year 2017-18, Eleven (11) Board Meetings were held on 08 May, 2017, 03 August 2017, 18 September 2017, 20 November 2017, 26 December 2017, 15 February 2018, 28 February 2018, 01 March 2018, 05 March 2018, 16 March 2018 and 21 March 2018. 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 making. 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 2017-18 etc., are furnished below:



Directors	Board Meetings		Attendance At last AGM held on 26 Sep 2017	No. of other directorships held	No. of committee membership across all companies	
	No. of Board Meetings held during respective tenure of Directors	No. of meetings attended			As Chairman	As Member
<b>Functional Directors</b>						
Shri V Udaya Bhaskar Chairman & Managing Director	11	11	Yes	-	-	-
Shri S Piramanayagam Director (Finance) & CFO	11	11	Yes	-	-	1
Shri V Gurudatta Prasad Director (Production)	11	11	Yes	-	-	2
Shri K Divakar Director (Technical)	11	9	Yes	-	-	-
<b>Government Nominee Director</b>						
Shri Ashwani Kumar Mahajan, Addl. FA & JS.	11	6	-	-	-	-
<b>Independent Directors</b>						
Smt.Sushama V Dabak	11	11	Yes	-	1	-
Prof Ajay Pandey	11	8	-	-	1	1
Shri Ajay Nath (w.e.f 13 September 2017)	9	5	-	-	-	1
Shri KS Sampath (w.e.f 13 September 2017)	9	3	-	-	1	1
Smt Latha Narasimha Murthy (w.e.f 13 September 2017)	9	7	-	-	-	1

**Note :**

- i) None of the Directors of the Company/Key Managerial Personnel had any pecuniary relationship with the Company during the year.
  - ii) Directorship in Companies registered under the Companies Act, 2013, excluding directorships in private companies, foreign companies and companies under Section 8 of the Companies Act, 2013.
  - iii) Pursuant to regulation 26 of SEBI (LODR) Regulations 2015, the Chairmanship/Membership of Audit Committee and Stakeholders' relationship Committee are considered for the purpose of number of other committees memberships across all Companies. No Director is a member in more than ten Committees or Chairman of more than five Committees across all companies in which he/she is a Director.
  - iv) Leave of absence was granted to Directors in case of their inability to attend the meeting due to unavoidable reasons.
  - v) Shri.V.Udaya Bhaskar, CMD, Shri.Ashwani Kumar, Government Nominee Director, Shri.S.Piramanayagam, Director (Finance) & CFO, Shri.V.Gurudatta Prasad, Director (production) and Shri.K.Divakar, Director (Technical) holds Two (2) shares each on behalf of President of India. None of the Directors hold any shares or convertible instruments of the Company in their personal capacity as on 31 March 2018.
- d) Review of Compliance of Laws:** The Company has proper systems to enable the Board to periodically review compliance reports of all laws applicable to the Company, as prepared by the Company as well as steps taken by the Company to rectify instances of non-compliances. The Board reviewed the compliance reports relating to various laws applicable to the Company for the year 2017-18 and noted that there was no instance of non-compliance. There was no significant or material order passed during the year by any regulator or court or tribunal impacting the going concern status and Company's operations in future.
- e) Familiarization/Training of Board Members:** In terms of Regulation 25(7) of the Listing Regulations, Para 3.7 of the DPE Guidelines and applicable provisions of the Companies Act, 2013, a 'Policy on Familiarization / Training Programmes to Board Members' was formulated and approved by the Board of Directors. As per the terms of the said policy, the Board members including Independent Directors are provided with the familiarization programmes on their roles, rights, responsibilities, nature of industry, Company's business model, procedures and practices and also provided with necessary documents and reports to keep the Directors abreast of the necessary information relating to the Company. Further, the Board members participate in various training programmes on corporate governance and other Board related topics from time to time.

**3. MANDATORY COMMITTEES OF THE BOARD:**

The Company has the following four (4) mandatory Committees of the Board functioning as on 31 March 2018:

- A) Audit Committee
- B) Nomination and Remuneration Committee
- C) Stakeholders Relationship Committee
- D) CSR & SD Committee.

Minutes of the Meeting of the Committees are being placed before the Board Meeting held immediately after the committee meetings for noting by the Board. Decisions are being taken by the Committees by majority/unanimous.



## A) AUDIT COMMITTEE:

### a) Terms of Reference

The Audit Committee complies with the terms of reference as enumerated under the applicable provisions under the Companies Act, 2013, Listing Regulations, DPE Guidelines as amended from time to time. Some of the important functions performed by the Audit Committee are as follows:-

- 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;
- recommendation to the Board for fixation of remuneration to the auditors;
- approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- reviewing, with the management, the annual financial statements and auditors' report thereon before submission to the Board for approval, with particular reference to with particular reference as stated in Schedule II Part C of SEBI (LODR) Regulations 2015:
- reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- reviewing and monitoring the auditors independence and performance, and effectiveness of audit process;
- approval or any subsequently modification of transactions of the Company with related parties;
- scrutiny of inter-corporate loans and investments;
- valuation of undertakings or assets of the Company wherever it is necessary;
- reviewing with the management, the performance of the Statutory Auditors and Internal Auditors, adequacy of the internal control systems
- evaluation of internal financial controls and risk management systems
- appointment and removal of Internal Auditors and determining the scope of Internal Audit in consultation with the internal auditors
- reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- discussion with internal auditors and/or auditors of any significant findings and follow up there on;
- reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- review observations of statutory, internal and government auditors and provide recommendations based on the same;
- to review the follow up action on the audit observations of the C&AG audit
- 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;
- to look into the reasons for substantial defaults in the payment of the depositors, debenture holders, shareholders (in case of non-payment of declared dividend and creditors).
- to review the functioning of the whistle blower mechanism
- to review the follow up action taken on the recommendations of the Committee on Public Undertakings (COPU) of the Parliament.
- to review cases of procurement from a single source.

### b) Composition and details of the Members and their attendance:

During the year, the Company reconstituted the Committee on 18 September 2017 in accordance with the SEBI (LODR) Regulations, 2015. Six (6) meetings of the Audit Committee were held on 08 May 2017, 03 August 2017, 18 September 2017, 20 November 2017, 26 December 2017 and 28 February 2017. The composition and the details of attendance of Members for the said Meetings are as follow:

S.No	Name of the Member	Category	No. of Meetings held during the tenure of the respective member	No. of Meetings Attended
1	Smt.Sushama V Dabak, Chairperson	Independent Director	6	6
2	Prof Ajay Pandey Member	Independent Director	6	5
3	Shri V Gurudatta Prasad Member	Director (Production)	6	6
4	Shri Ajay Nath* Member	Independent Director	4	2
5	Shri KS Sampath* Member	Independent Director	4	2
6	Smt.Latha Narasimha Murthy* Member	Independent Director	4	4

\*Appointed w.e.f 13 September 2017

- c) Functional Directors are invited as Permanent Special Invitees and representatives of Statutory Auditor and external Chartered Accountant Firms doing Internal Audit Work may attend by invitation. The Company Secretary acts as the Secretary of the Audit Committee. The Chairperson of the Audit Committee attended the 47<sup>th</sup> Annual General Meeting of the Company.



## B) NOMINATION AND REMUNERATION COMMITTEE:

During the year pursuant to the provisions under Section 178(1) of the Companies Act, 2013 and Regulation 19 of the Listing Regulations, a Committee by the nomenclature "Nomination and Remuneration Committee" has been reconstituted on 18 September 2017 by virtue of induction of new Independent Directors on the Board.

### a) Terms of reference

The terms of reference of the Committee is as follows:

- To identify persons who may be appointed in senior management (i.e., Executive Director) in accordance with the criteria laid down, recommend to the Board their appointment and removal.
- To recommend to the Board a policy, relating to the remuneration for the key managerial personnel and other employees.
- Decide on the annual bonus/ performance pay/variable pay pool and policy for its distribution across the executives.
- Formulation and modification of schemes for providing perks and allowances for Executives.
- Any new scheme of compensation to Executives and Non-Executives as the case may be
- Exercising such other roles as maybe assigned to it by the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other law and their amendments from time to time

### b) Composition and details of the Members and their attendance:

The composition of the Nomination and Remuneration Committee is in line with Section 178 of the Companies Act, 2013 and Regulation 19 of SEBI (LODR) Regulations, 2015. During the year, five (5) meeting of the Nomination and Remuneration Committee meetings were held on 18 September, 2017, 20 November, 2017, 26 December, 2017, 05 March 2018 and 16 March 2018. The Composition of the Committee during the year 2017-18 and details of the Members participation at the Meeting of said committee are as follows :

S. No	Name of the Member	Category	No. of Meetings held during the tenure of the respective member	No. of Meetings Attended
1	Prof Ajay Pandey Chairman	Independent Director	5	3
2	Smt.Sushama V Dabak, Member	Independent Director	5	5
3	Shri Ashwani Kumar Member	Government Nominee Director	5	3
4	Shri Ajay Nath* Member	Independent Director	5	4
5	Shri KS Sampath* Member	Independent Director	5	3
6	Smt.Latha Narasimha Murthy* Member	Independent Director	5	5

\* Appointed w.e.f 13 September 2017

### c) Remuneration Policy /Details of Remuneration to All Directors:

- 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 & Managing Director and other functional directors indicates the detailed terms and conditions of their appointment, including the period of appointment, basic pay, scale of pay, dearness 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.
- 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 up to 5 years or up to the date of superannuation, whichever is earlier. The Part-time Official Directors (i.e.Government Nominee Directors) are generally from the Administrative Ministry and their term is co-terminus with the term of the respective position held by them in Government at the time of appointment on the Company's Board. The Part-time Non-Official Directors (i.e.Independent Directors) are appointed for a period of 3 years or until further orders whichever is earlier.
- For details of the remuneration of Functional Directors paid during the year 2017-18, please refer to extract of Annual Return
- Part-time Official Directors (i.e.Government Nominee Directors) will not be paid any remuneration. They are also not paid sitting fee for attending Board/Committee meetings.
- The Board at its meeting held on 22 November 2013 enhanced the sitting fees payable to the Independent Directors to ₹ 20,000/- per sitting for attending the Board Meetings and retained the sitting fee of ₹ 10,000/- per sitting payable in respect of Board Level Committee Meetings. For details of sitting fee paid to the Independent Directors during the year 2017-18 please refer to extract of Annual Return.

## C) STAKEHOLDERS RELATIONSHIP COMMITTEE

During the year, this Committee was constituted on 20 November 2017 by virtue of Listing requirements of the Company. The composition of the Stakeholders' Relationship Committee is in line with section 178 of the Companies Act, 2013 and Regulation 20 of SEBI (LODR) Regulations 2015.

The Stakeholders' Relationship Committee is comprised of Shri.K.S.Sampath as the Chairman and Shri.S.Piramanayagam, Director (Finance) & CFO and Shri.V.Gurudatta, Director (Production) as members of the Committee.

The terms of reference of the Committee is to consider and resolve the grievances of the security holders of the listed entity including complaints related to transfer of shares, non-receipt of annual report and non-receipt of declared dividends.





The Company has an exclusive e-mail ID investors@bdl-india.in to enable investors for on-line registration of their complaints. The Company endeavour to reply to the complaints within a period of 3 working days. In terms of Regulation 46(2)(j&k) of the Listing Regulations, the said e-mail ID and other relevant details are placed on the Company's web-site www.bdl-india.in. Further, M/s. Alankit Assignments Ltd., the Share Transfer Agent of the Company (STA), is authorized to monitor the on-line complaints placed by SEBI on SCORES.

In terms of Regulation 13(4) of the Listing Regulations, a quarterly statement on investor complaints received and redressal thereof, as submitted with BSE and NSE, are placed before the Board for information. Accordingly, the status of total investor complaints and redressal thereon during the year are as under:

No. of complaints pending beginning of the year:	0
No. of complaints received during the year:	46
No. of complaints resolved during the year:	45
No. of complaints pending resolved at the end of the year:	1*

\* The pending complaint was resolved on 04 April 2018

#### D) CSR & SD COMMITTEE:

Pursuant to the provisions of section 135 of the Companies Act, 2013 and DPE Guidelines, Corporate Social Responsibility Committee has been reconstituted on 18 September 2017 with the induction of new Independent Directors on the Board.

##### a) Terms of reference

The following are the terms of reference of the Corporate Social Responsibility & Sustainability Development Committee:

- To recommend CSR and Sustainability Development policy to the Board.
- To recommend plan of action and projects to be initiated in the short, medium and long term for CSR and Sustainability development.
- To recommend the Annual CSR and Sustainability Development Plan and Budget.
- Periodic review of CSR & Sustainability Development policy, plan and budgets

b) During the year two (2) meetings were held on 08 May 2017 and 16 March 2018. The Composition of the Committee during the year 2017-18 and details of the Members participation at the Meeting of said committee are as follows :

S.No	Name of the Member	Category	No. of Meetings held during the tenure of the respective member	No. of Meetings Attended
1	Shri Ajaynath* Chairman	Independent Director	1	1
2	Smt.Sushama V Dabak, Member	Independent Director	2	2
3	Prof Ajay Pandey Member	Independent Director	2	2
4	Shri K S Sampath* Member	Independent Director	1	0
5	Smt.Latha Narasimha Murthy* Member	Independent Director	1	1
6	Shri.S.Piramanayagam Member	Director (Finance) & CFO	2	2
7	Shri.V.Gurudatta Prasad Member	Director (Production)	2	2

\* Appointed w.e.f 13 September 2017

#### 4) NON-MANDATORY COMMITTEES OF THE BOARD:

The following are the non-mandatory Committees of the Board

##### A) PROCUREMENT COMMITTEE:

The Committee was constituted by the Board on 29 July 2011 to review and sanction new Projects (including R&D Projects) beyond the powers of CMD and upto a maximum limit of ₹ 25 Crore in each case and shall also approve procurement proposals which are beyond the powers of CMD but within the powers of the Board.

Procurement Committee is empowered to review and sanction for placement of Purchase Orders/Award of Contracts as per the limits given below:

Basis	Capital Nature	Revenue nature
Single Tender/Nomination & Proprietary Cases	Upto ₹ 30 Crore	Upto ₹ 30 Crore
Other than Single Tender Cases	Upto ₹ 60 Crore	Upto ₹ 60 Crore
Otherthan Single Tender (works)	Upto ₹ 100 Crore	Upto ₹ 100 Crore

During the year, the Company reconstituted the Committee on 18 September, 2017 with Chairman & Managing Director as Chairman of the Committee and other Functional Directors as Members of the Committee. The Committee met once during the year on 22 March, 2018

##### B) INITIAL PUBLIC OFFER (IPO) COMMITTEE:

During the year, the Board has constituted IPO Committee on 18 September 2017 to look after various matters and approvals relating to Initial Public Offering including assisting the legal counsels and the BRLMs in the preparation of the offer document by providing all relevant information/documents/records of the Company.



The Committee was constituted with Chairman & Managing Director as Chairman of the Committee and other Functional Directors as Members of the Committee. During the year under report, two (2) meetings of the Committee were held on 20 January 2018 and 05 March 2018.

**C) INDEPENDENT DIRECTORS' MEETING**

In terms of the provisions under the Companies Act, 2013 and Regulation 25 of the Listing Regulations, the Independent Directors met on 28 March 2018 and reviewed the quality, quantity and timeliness of flow of information between the management of the Company and the Board of Directors that is necessary for the Board to effectively and reasonably perform their duties. Except one Independent Director, all other Independent Directors have attended the meeting. Minutes of the said Meeting was placed in the subsequent Board Meeting held on 30 May, 2018.

**5) GENERAL BODY MEETINGS:**

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 are as follows:

AGM No.	Financial Year	Date of the Meeting	Time of the Meeting	Venue of the Meeting	No. of Special Resolutions
45	2014-15	28 Sep 2015	15:00 hrs	Registered Office, Kanchanbagh, Hyderabad	NIL
46	2015-16	28 Sep 2016	15:00 hrs		NIL
47	2016-17	26 Sep 2017	12:00 hrs		NIL

No special resolution was put through postal ballot during the year under review. During the year under review before listing of the Company, three Extraordinary General Meetings of the Company were held on 08 May, 2017, 20 September, 2017 and 15 February, 2018 and approved the following special business items

EGM No.	Date of Meeting	Special Business items
8th	15 February 2018	a) Increase Authorised Capital from ₹ 125 Crore to ₹ 200 Crore b) Issue of 91640625 Bonus Shares in the ratio of 1:1 c) Enhancement of Statutory Auditor fee from ₹ 7 lakhs to ₹ 10 lakhs from the financial year 2017-18 onwards
7th	20 September 2017	a) Approval for Buyback of 30546875 equity shares of ₹ 10/- each Shares at a price of ₹ 147.49 per share for an aggregate amount of ₹ 450,53,58,594 (excluding taxes) b) Conversion of Private Limited Company to Public Limited Company and alteration of Articles of Association of the Company
6th	08 May 2017	a) Sub-division of Equity Shares from Face Value of 1 equity share of ₹ 1000/- each into 100 equity shares of ₹ 10/- each b) Alteration of Capital Clause of Memorandum of Association upon Sub-Division of shares

**6) DISCLOSURES:**

- a) The Company has no subsidiaries, Joint Ventures and Associate Companies as on 31 March, 2018
- b) During the year 2017-18 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. The Company has formulated a "Policy on Related Party Transactions" to regulate transactions entered into between the Company and its related parties in terms of Regulation 46(2)(g) of the Listing Regulations, the said policy is placed on the web-site of the Company at www.bdl-india.in.
- c) There were no cases of non-compliance by the Company and no Penalties/Strictures were imposed on the Company by the Stock Exchange or SEBI or any statutory authority on any matter related to capital markets and any guidelines issued by Government during the last three years.
- d) **Whistle Blower Mechanism:**  
The guidelines of Corporate Governance for CPSEs 2010 issued by DPE and provisions of section 177 of the Companies Act, 2013 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 was denied access to the members of the Audit Committee or its Chairman.
- e) All the applicable Accounting Standards are followed except IND-AS-108 relating to Segment reporting keeping in view the nature of business and the sensitive nature of the 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 in this regard.
- f) There were no items of expenditure debited in the books of account, which are not for the purpose of the business.
- g) The Company has not incurred any expenditure which is personal in nature for the Board of Directors and Top management.
- h) Details of Administrative and Office Expenses as a percentage of total expenses vis-a-vis financial expenses are furnished below:

(₹ in Crore)

Sl. No.	Particulars	2016-17	2017-18
1	Total Expenditure (other than Materials)	1382.90	1132.44
2	Administrative & Office Expenses	11.60	16.32
3	Percentage of (2) on (1)	0.84	1.44

**i) Presidential Directives and Guidelines**

The Company has been following the Presidential Directives and guidelines issued by the Govt. of India from time to time regarding reservation for SCs, STs and OBCs in letter and spirit. Officials dealing with the subject were provided necessary training to enable them to update their knowledge on the subject and perform the job effectively.

BDL has implemented the Presidential Directives issued by the Government of India regarding implementation of Executives Pay revision from 01 January 2017.



## 7) 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 (www.bdl-india.in) of the Company. The Company website provides comprehensive information including the details of business, Company's Products, Management, vision, mission, human resources, corporate social responsibility and sustainability, details of Tenders, E-procurement, vigilance, RTI, and other updates and news. The section on 'Investors' informs the shareholders/investors, details about the investor grievance redressal system, presentations made to investors/analysts, Company's code and policies, financial results and annual reports, corporate governance, shareholding pattern including contact details of Share Transfer Agent and other material events or information relating to the Company.

In terms of Listing Regulations, the Quarterly, Half-yearly and Annual financial results of the Company are submitted to NSE and BSE through online platform immediately after the same are approved by the Board. Further, the said results are simultaneously posted on the Company's website www.bdl-india.in. Further, the financial results of the Company are published in English language national daily newspaper circulating in the whole or substantially the whole of India and in one daily newspaper published in Telugu, being the regional language and in Hindi, being the National language.

The performance of the Company is communicated to Administrative Ministry every month.

## 8) GENERAL SHAREHOLDER INFORMATION

(a) The 48<sup>th</sup> Annual General Meeting for the year 2017-18 is scheduled on Thursday, the 27 September, 2018, at 15.00 hours at Hotel Sheraton, Nanakramguda, Gachibowli, Hyderabad-500032

(b) Tentative calendar for declaration of results for 2018-19 is given as below:

For the quarter ending 30.06.2018	On or before 14.08.2018
For the quarter ending 30.09.2018	On or before 15.11.2018
For the quarter ending 31.12.2018	On or before 15.02.2019
For the year ending 31.03.2019	On or before 30.05.2019
49th Annual General Meeting	On or before 30.09.2019

(c) The Register of Members and Share Transfer Books shall remain closed from 21.09.2018 to 27.09.2018 (both days inclusive).

(d) Your Board of Directors has recommended final dividend of ₹ 7.29 per share, i.e., 72.9% on the equity shares of ₹ 10 each (par value) for the year ended 31 March 2018. Dividend, if approved at the 48th Annual General Meeting, will be distributed among the shareholders within the due date.

(e) Company's equity shares are listed on the following stock exchanges:

<b>The BSE Ltd ('BSE')</b> P.J.Towers, 26th Floor, Dalal Street, MUMBAI - 400 001	<b>National Stock Exchange of India Ltd ('NSE')</b> Exchange Plaza, Bandra-Kurla Complex Bandra (East), MUMBAI - 400 051
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The Company has paid listing fees for the financial years 2017-18 and 2018-19 to both the stock exchanges.

(f) The Stock Code assigned to the Company's equity shares by the respective Stock Exchanges and the ISIN number assigned by the Depositories for demat trade of the Company's equity shares are given below:

Stock Exchange	Stock Code
BSE	541143
NSE	BDL
ISIN	INE171Z01018
MCA CIN	L24292TG1970GOI001353

### (g) Reconciliation of share capital audit

The Company obtains a Reconciliation of Share Capital Audit Report from a Practising Company Secretary every quarter to reconcile the total admitted capital with the National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL) and the total issued and listed capital. This Audit Report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL. This Audit Report is forwarded to BSE and NSE where shares are listed.

The Company also obtains a Certificate of Compliance from a practising Company Secretary at half-yearly intervals certifying that transfer requests complete in all respects have been processed and share certificates with transfer endorsements have been issued by the Company within 15 days from the date of lodgement thereof. This Certificate of Compliance is forwarded to BSE and NSE where shares are listed.

The Company has paid annual custody fees for the financial year 2018-19 to both the Depositories, viz, NSDL and CDSL.

### (h) Market Price Data

The Company listed on BSE and NSE w.e.f 23rd March, 2018. The details of high/low market prices of the shares of the Company at BSE Ltd and National Stock Exchange of India Ltd (NSE) are as under:

BDL Share Price on BSE vis-a-vis BSE sensx during March 2018 is as follows:

Month	BSE Sensex Close	BDL Share Price			No. of Shares traded	Turnover (₹ in lakhs)
		High	Low	Close		
		Rs	Rs	Rs		
March, 2018	34047	414	360	393.35	979900	3878.91

Month	NSE Nifty Close	BDL Share Price			No. of Shares traded	Turnover (₹ in lakhs)
		High	Low	Close		
		Rs	Rs	Rs		
March, 2018	10114	414.60	362	396.65	5806314	22956.04



A graphic representation of comparison of closing quotation of the Company's share price on BSE and NSE with the closing position of BSE SENSEX and NIFTY could not be presented since the Company was newly listed on 23 March 2018.

(i) **Registrar & Share Transfer Agent**

Alankit Assignments Ltd., Delhi, a SEBI registered Category I Registrar and Share Transfer Agent is the Company's Registrar and Share Transfer Agent. The RTA's address is given below to forward all share transfer/ transmission/split/consolidation/issue of duplicate certificates/change of address requests as well as all dematerialisation/rematerialisation requests and related matters as well as all dividend related queries and complaints :

**Alankit Assignments Limited**

205-208, Anarkali Complex  
Jhandewalan Extension, New Delhi-110055  
Telephone: +91 11 42541234 ; Facsimile : +91 11 41543474  
Email: bdl\_ipo@alankit.com; Website: www.alankit.com  
Investor Grievance ID: bdl\_igr@alankit.com  
Contact Person: Pankaj Goenka

(j) **Share Transfer System**

With respect to shares transferred in electronic form, after confirmation of sale/purchase transaction from the broker, shareholders should approach their respective depository participant (DP) with a request to debit or credit the account for the transaction. The DP will immediately arrange to complete the transaction by updating the account. There is no need for separate communication to either the Company or STA. For matters regarding shares transferred in physical form, share certificates etc. the shareholders should communicate with the STA/Company.

(k) **Distribution of shareholding as on 31 March 2018**

No. of Equity shares held	No. of Shareholders	%	No. of Shares	%
1-100	145363	93.025	5791189	3.16
101-500	10495	6.716	2332379	1.273
501-1000	153	0.098	109485	0.06
1001-5000	170	0.109	372110	0.203
5001-10000	35	0.022	238482	0.13
10001-20000	11	0.007	130123	0.071
20001-30000	10	0.006	241887	0.132
30001-40000	3	0.002	112910	0.062
40001-50000	5	0.003	231429	0.126
50001-100000	3	0.002	209440	0.114
100001-500000	6	0.004	1451057	0.792
500001 and above	8	0.006	172060759	93.877
<b>TOTAL</b>	<b>156262</b>	<b>100</b>	<b>183281250</b>	<b>100</b>

(l) **Dematerialisation of Shares**

The Company's shares are admitted into both the depositories i.e. National Securities Depository Limited ('NSDL') and Central Depository Services (India) Limited ('CDSL'). As on 31 March 2018, the number of equity shares in electronic form and physical form is as follows:

S.No	Particulars	No. of Shares	%
1	NSDL	180047147	98.24
2	CDSL	3234091	1.76
3	Physical	12	0
	<b>Total</b>	<b>183281250</b>	<b>100</b>

(m) **Outstanding GDRs/ADRs/Warrants**

There are no outstanding GDRs/ADRs/Warrants or any convertible instruments

(n) **Commodity price/Foreign exchange risk and hedging activities**

Relevant information in this regard is disclosed in Notes to Financial Statements

(o) **Plant Locations**

Bharat Dynamics Limited Kanchanbagh Hyderabad-500058 Phone: (040)-24587002 Fax : (040)-24347513	
Bharat Dynamics Limited Bhanur, Patancheruvu Mandal, Sanga Reddy District Hyderabad-502305 Phone: (040)-23469551 Fax : (040)-23469552	Bharat Dynamics Limited "G"- Block, APIIC-IALA VSEZ post Vishakapatnam-530049 Phone : (0891)- 2821500 Fax : (0891)- 2821502



(p) **Address for Correspondence/Corporate Office**

**Bharat Dynamics Limited**  
CIN : L24292TG1970GOI001353  
Corporate Office, Plot No.38-39, TSFC Building,  
Financial District, Gachibowli, Hyderabad-500 032  
Telephone : (040) 23456145 Fax : (040) 23456110  
E-mail : bdlcompsecy@bdl-india.in; investors@bdl-india.in  
**Website : www.bdl-india.in**

**9) DETAILS OF NON-COMPLIANCES**

As on 31<sup>st</sup> March 2018, there is no non-compliance with respect to Corporate Governance.

**10) COMPLIANCE WITH NON-MANDATORY PROVISIONS**

The status on the compliance with the non-mandatory recommendation in the SEBI (LODR) Regulations, 2015 is as under :

- The Company has the position of Chairman & Managing Director (Executive) and there is no Non- executive Chairman.
- The financial statements of the Company are disclosed with unmodified audit opinion.
- Process of communicating with shareholders is effective and the procedure has been explained under “Means of Communication”
- The Dy.General Manager (Internal Audit) administratively reports to Director (Finance) & CFO and is an invitee to the meetings of audit committee.

**11) DETAILS OF SHARES HELD IN UNCLAIMED SUSPENSE ACCOUNT**

Company made Initial Public Offer (IPO) during the last financial year 2017-18 and listed on 23 March, 2018. In the IPO, certain shares could not be delivered/credited to investors due to reasons such as incomplete/wrong/invalid demat account details, incomplete address, etc. In terms of Regulation 39(4) of the Listing Regulations, the following unclaimed shares are kept in a separate Suspense Account and the same will be transferred to the rightful holders as and when they approach the Company/STA. The voting rights on these shares shall remain frozen till the rightful owners of such shares claim the shares ;

Particulars	No.of Shareholders	Equity Shares
Aggregate number of shareholders and the outstanding shares lying in the unclaimed suspense account as on 01 April 2017	-	-
Number of shareholders who approached the Company for transfer of shares from the unclaimed suspense account during the year	-	-
Number of shareholders to whom shares were transferred from the unclaimed suspense account during the year	-	-
Aggregate number of shareholders and the outstanding shares lying in the unclaimed suspense account as on 31 March 2018	<b>3*</b>	<b>105*</b>

**\* The unclaimed shares have been transferred to rightful owners in the month of April, 2018 and May, 2018. As on date there are no unclaimed shares**

**12) CODE FOR PREVENTION OF INSIDER TRADING AND FAIR DISCLOSURE**

In accordance with the SEBI (Prohibition of Insider Trading) Regulations 2015, the Company has put in place a Code of Conduct and Disclosure Procedure to prevent insider trading in the Company’s securities and for transparent/streamlined disclosure/dissemination of information to the investors/ public. The connected persons as defined under the Code should obtain permission from the Competent Authority to deal in securities during the trading window beyond the specified limits. Periodical disclosures are also required to be made as provided under the Code to prevent the instance of insider trading. The Code of Conduct and Fair Disclosure Procedure has been posted in the Company’s website www.bdl-india.in.

**13) CODE OF CONDUCT FOR DIRECTORS AND SENIOR EXECUTIVES:**

A Code of Conduct and Business Ethics as suggested by DPE in its Guidelines on Corporate Governance for CPSEs 2010 and under regulation 17(5) of SEBI (LODR) Regulations 2015 has been adopted by the Company in respect of its Directors and Senior Level Executives. The Code has also been posted on the Company’s website. The Directors and the Senior Executives have given declarations affirming the compliance with the code of conduct during the year 2017-18. A declaration to this effect by the Chairman & Managing Director is given below:

**14) DECLARATION BY CHAIRMAN & MANAGING DIRECTOR:**

It is hereby declared that all Board Members and Senior Management Personnel affirmed compliance with “The Code of Business Conduct & Ethics for Board Members and Senior Management of Bharat Dynamics Limited” for the year ended 31 March 2018.

**For and on behalf of the Board**

**V Udaya Bhaskar**  
**Chairman and Managing Director**  
**DIN: 06669311**

**Place : Visakhapatnam**  
**Date : 20 Jul 2018**



## **CERTIFICATE ON COMPLINACE OF CONDITIONS ON CORPORATE GOVERNANCE**

To  
The Members of  
Bharat Dynamics Limited  
Hyderabad.

I have examined the Compliance of Conditions of Corporate Governance by Bharat Dynamics Limited (the Company) for the financial year ended March 31, 2018, as per the relevant provision of SEBI (Listing Obligations and Disclosure Requirements) 2015 (Listing Regulations) as referred to in Regulation 15(2) and Schedule-V of the listing Regulations and Department of Public Enterprises (DPE) guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs).

The Compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was carried out in accordance with the guidance note on Certification of Corporate Governance and limited to procedures and implementation thereof, adopted by the Company for ensuring the Compliance of Conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing Regulations and DPE Guidelines.

I state that such Compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

I further state that no investor grievances are pending for a period exceeding one month against the Company as per the records.

**Place : Hyderabad**  
**Date : 15 June 2018**

**(Y. Ramesh)**  
**COMAPNY SECRETARY IN PRACTICE**  
**CP.No.: 7929**



# ANNEXURE-6 BUSINESS RESPONSIBILITY REPORT

## Principle-wise (as per NVGs) BR Policy/policies

The 9 principles outlined in the National Voluntary Guidelines (NVGs) are as follows



### Principle 1

Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.



### Principle 2

Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.



### Principle 3

Businesses should promote the well-being of all employees.



### Principle 4

Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.



### Principle 5

Businesses should respect and promote human rights.



### Principle 6

Businesses should respect, protect and make efforts to restore the environment.



### Principle 7

Businesses when engaged in influencing public and regulatory policy, should do so in a responsible manner.



### Principle 8

Businesses should support inclusive growth and equitable development.



### Principle 9

Businesses should engage with and provide value to their customers and consumers in a responsible manner.



## SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. **CORPORATE IDENTITY NUMBER (CIN) OF THE COMPANY**  
L24292TG1970GOI001353
2. **NAME OF THE COMPANY**  
Bharat Dynamics Limited
3. **WEBSITE**  
www.bdl-india.in
4. **E-MAIL ID**  
investors@bdl-india.in
5. **SECTOR(S) THAT THE COMPANY IS ENGAGED IN (INDUSTRIAL ACTIVITY CODE-WISE)**  
Manufacture of Weapon system (2927)
6. **LIST THREE KEY PRODUCTS/SERVICES THAT THE COMPANY MANUFACTURES/PROVIDES (AS IN BALANCE SHEET)**  
Manufacture of Missiles and allied Defence equipments
7. **TOTAL NUMBER OF LOCATIONS WHERE BUSINESS ACTIVITY IS UNDERTAKEN BY THE COMPANY**
  - a. Number of International Locations (Provide details of major 5) Nil
  - b. Number of National Locations - 4
8. **MARKETS SERVED BY THE COMPANY – LOCAL/ STATE/ NATIONAL/ INTERNATIONAL/**  
National/International

## SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. **PAID UP CAPITAL (INR)**  
183,28,12,500
2. **TOTAL TURNOVER (INR)**  
458760 Lakh
3. **TOTAL PROFIT AFTER TAXES (INR)**  
52815 Lakh
4. **TOTAL SPENDING ON CORPORATE SOCIAL RESPONSIBILITY (CSR) (INR)**  
1839.40 Lakh
5. **LIST OF ACTIVITIES IN WHICH EXPENDITURE IN 4 ABOVE HAS BEEN INCURRED.**  
BDL's CSR activities are carried out in the following focus areas:
  - Education & Skill Development
  - Rural Development
  - Sports & Swachh Bharat Projects
  - Drinking water supply & Sanitation and Healthcare initiatives

## SECTION C: OTHER DETAILS

1. **DOES THE COMPANY HAVE ANY SUBSIDIARY COMPANY/ COMPANIES?**  
NO
2. **DO THE SUBSIDIARY COMPANY/ COMPANIES PARTICIPATE IN THE BR INITIATIVES OF THE PARENT COMPANY? IF YES, THEN INDICATE THE NUMBER OF SUCH SUBSIDIARY COMPANY(S)**  
NA

3. **DO ANY OTHER ENTITY/ENTITIES (E.G. SUPPLIERS, DISTRIBUTORS ETC.) THAT THE COMPANY DOES BUSINESS WITH, PARTICIPATE IN THE BR INITIATIVES OF THE COMPANY? IF YES, THEN INDICATE THE PERCENTAGE OF SUCH ENTITY/ENTITIES? [LESS THAN 30%, 30-60%, MORE THAN 60%]**

The Company has adapted well established procedures for outsourcing and procurement activities in order to ensure quality, on time delivery and optimum cost. The Company has panel of vendors with sound integrity. [More than 60%]

## SECTION D: BR INFORMATION

1. **DETAILS OF THE DIRECTOR/ DIRECTORS RESPONSIBLE FOR IMPLEMENTATION OF THE BR POLICY/POLICIES**  
BR function relating to Corporate Social Responsibility and Sustainability is monitored by the Corporate Social Responsibility & Sustainable Development (CSR & SD) Committee of the Board of Directors. The details of the Composition of the CSR & SD Committee are provided in the Corporate Governance Report. The overall Business Responsibility of the company lies with the Chairman & Managing Director who gets them implemented through the respective group heads  
The details of the CMD of BDL is as follows:
2. **DETAILS OF THE BR HEAD**  
DIN: 06669311  
Name: Shri.V Udaya Bhaskar  
Designation: Chairman & Managing Director  
Telephone No.: 040-23456123  
Email ID: cmdbdl@bdl-india.in  
The Board has not assigned responsibilities specifically to any Director to function as the BR head.
3. **PRINCIPLE-WISE (AS PER NVGS) BR POLICY/POLICIES**
  - (a) **Details of compliance (Reply in Y/N) - see table on the next page**
4. **GOVERNANCE RELATED TO BR**
  - (a) **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company.**  
The senior management of the Company reviews BR performance on an on-going basis. The Board/ Committees constituted by it review the same annually.
  - (b) **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**  
This is the first year after the applicability of Regulation 34(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

## SECTION E: PRINCIPLE-WISE PERFORMANCE

### PRINCIPLE 1: BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY

1. **Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs / Others?**  
The Company has well placed Integrity Pact which is signed with bidders to enable them to raise any issues with regard





(a) Details of compliance (Reply in Y/N)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9	
1	Do you have a policy/ policies for BR	Y	Y	Y	Y	Y	Y	Y	Y	Y	
2	Has the policy being formulated in consultation with the relevant stakeholders?	Yes. The Company follows all work practices, procedures and production endeavours pertaining to its area of activities/operations as mandated by Industry, Government and relevant statutory bodies									
3	Does the policy conform to any national / international standards?	Yes. Various policies at BDL conform to different applicable statutes/ guidelines/ rules etc. issued by GOI, and updated from time to time. Industry practices, national/ international standards are generally kept in view while formulating policies.									
4	Has the policy being approved by the Board? Is yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Various policies conforming to the directives of the Government under various applicable laws/statutes/rules/ guidelines etc., are approved by the Board or authority delegated for the same by the Board									
5	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	The Board oversees the compliance and implementation of the policies through its various Committees as detailed in the Corporate Governance Report forming part of the Annual Report.									
6	Indicate the link for the policy to be viewed online?	The policies are available on Company's website: <a href="http://www.bdl-india.in/investors">www.bdl-india.in/investors</a>									
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	The Company policies and operational framework are available on the Company's website as well as its intranet.									
8	Does the company have in-house structure to implement the policy/ policies.	Yes. The Company has well-established in-house infrastructure, manpower pool, documented standard operating procedure and other executive & administrative machineries to implement the given policies in the area of safe and sustainable production of goods and services of the Company.									
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	The Board has set up a Committee named Stakeholder's Relationship Committee to address the grievances of the stakeholders, and other persons holding securities in the Company as required under the Companies Act, 2013 and under the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. In addition, the Company has also set up a vigil mechanism to address the genuine concerns, of any of the directors and employees. Further representations from bidders/ contractors as well as opinion sought by the Company against various tenders are referred to Independent External Monitors (IEM). IEMs discuss the issues with the executives concerned and bidders' representatives wherever felt necessary by IEMs and give their opinion through a speaking order.									
10	Has the company carried out independent evaluation of the working of this policy by an internal or external agency?	The Company is subject to various audits such as Statutory Audit by firm of Chartered Accountants appointed by the Comptroller & Auditor General, Internal Audit, C&AG Audit, Cost Audit, Secretarial Audit, Quality Audit, Safety Audit, Integrated Management Systems Audit etc. These audits ensure compliance to various internal and external policies.									

(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: Not Applicable



to high value tenders of more than ₹ 2 Crore floated from time to time. People of high repute and integrity are appointed as Independent External Monitors to oversee implementation of the said Integrity Pact.

The pact essentially envisages an agreement between the prospective vendors/bidders and BDL committing the Persons/officials of both sides, not to resort to any corrupt practices in any aspect/ stage of the contract. Any violation of the same would entail disqualification of the bidders and exclusion from future business dealings.

**2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?**

During the year under review, no complaints were received.

**PRINCIPLE 2: BUSINESSES SHOULD PROVIDE GOODS AND SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFE CYCLE**

**1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/ or opportunities.**

The Company is engaged in the business of manufacture of various Missiles and allied Defence equipments. As such the Company has only one product, which has been designed to incorporate social or environmental concerns as well as benefit from the available opportunities.

**2 For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) :-**

The Company has implemented various energy conservation measures namely installation of grid connected Solar Power Plant, Electrification with LED lights instead of conventional discharge lamps etc. LED lights are 80% more efficient than conventional lighting. 95% of the energy in LEDs is converted into light and only 5% is wasted as heat. Considering this, the Company has replaced 6000 nos of Tubelights (FTL) with LED lights and expected annual energy saving would be 230400 Kwh.

**3. Does the company have procedures in place for sustainable sourcing (including transportation)?**

The Company has been following approved criteria for the selection of vendors to ensure sustainable sourcing which inter alia includes vendors having ISO 9000 certification, vendors approved by regulatory bodies; various authorized dealers of the manufacturer, ability to provide materials as per laid down specification and other requirements. Ability to supply materials as per stipulated delivery period, annual evaluation of the orders placed on a vendor is completed to decide the average performance.

**4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?**

Being the Company is into Defence sector, the policy of procurement from Micro, small and Medium enterprises is not applicable. However, the Company is striving to promote procurement/avail services, through local and small producers and service providers. As such the Company attended Six Vendor Development Programmes (VDPs) organized by the Dept. of MSME, GOI

**5. Does the company have a mechanism to recycle products and waste?**

Due to the nature of the products of the company and the waste generated, mechanism to recycle is not available. However the wastes are disposed off through agencies dealing in such disposal or recycling and approved by the Environmental authorities.

**PRINCIPLE 3 : BUSINESSES SHOULD PROMOTE THE WELL-BEING OF ALL EMPLOYEES**

**1. Total number of permanent employees as on 31.03.2018.**

3031

**2. Total number of employees hired on temporary/ contractual/ casual basis.**

60

**3. Number of permanent women employees.**

320

**4. Number of permanent employees with disabilities**

103

**5. Employee association**

BDL has three employee associations recognized by Management

**6. What percentage of your permanent employees is members of this recognized employee association?**

97%

**7. Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.**

Nil

**8. Brief details of training Programme held for employees with respect to safety & skill up-gradation training in the last year**

No. of employees trained during 2017-18

(Category-Wise details)

No. of employees trained during 2017-18 (Category-Wise details)					
Particulars	SC	ST	OBC	GEN	Total
JOTNA	212	91	411	474	1188
Non-JOTNA	141	79	206	418	844

**PRINCIPLE 4: BUSINESSES SHOULD RESPECT THE INTERESTS OF AND BE RESPONSIVE TOWARDS ALL STAKEHOLDERS, ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE AND MARGINALIZED**

**1. Has the company mapped its internal and external stakeholders? Yes/No**

YES

**2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.**

BDL's CSR projects aims at benefiting the disadvantaged, vulnerable and marginalised community who are present across Telangana & Andhra Pradesh. Further BDL ensures that the reservation policy as advised by Govt of India is implemented. BDL is also involved in improving the quality of life of persons for whom projects are specially designed. The company has identified (i) SC/ ST (ii) Differently Aabled as disadvantaged, vulnerable and marginalized for employment purpose.

**3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders?**

BDL has made commitments for various projects across Telangana & Andhra Pradesh in its CSR thrust areas, largely catering to disadvantaged, vulnerable and marginalized stakeholder's viz. education, sanitation & skill development, healthcare initiatives, drinking water provision etc.,. The company follows all the GOI regulations regarding reservations for SC / ST and Differently abled.



**PRINCIPLE 5 : BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS.**

**1. Does the policy of the company on human rights cover only the company or extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?**

The Company has no subsidiaries/Joint Ventures/Group etc., The Human resource policies of the Company cover all aspects of human rights of its employees and others associated with it for operation of its business. No complaints have been received in the past financial year on human rights.

The Company is committed to uphold and maintain the dignity of women employees and it has in place a policy which provides for protection against sexual harassment of women at work place and for prevention and redressal of such complaints. During the year under review, no such complaint was received.

**2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

During the year under review, no such complaints were received

**PRINCIPLE 6: BUSINESSES SHOULD RESPECT, PROTECT AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT.**

**1. Does the policy related to Principle 6 cover only the company or extends to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ others.**

Covers the Company as a whole. BDL has no subsidiaries/ Joint Ventures/Group etc.,

**2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.**

All the three units of BDL at Kanchanbagh, Bhanur and Vizag have been certified with ISO 14001:2004 Environmental Management System. Training, documentation, internal audits and upgradation audits to ISO 14001:2015 carried

out and certifying body recommended to ISO 14001:2015 certification for all the three units

**3. Does the company identify and assess potential environmental risks? Y/N**

Yes

**4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?**

No

**5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

BDL has implemented green initiatives such as zero liquid discharge system, hazardous waste disposal system and further various initiatives were undertaken for environmental protection.

Solar energy is one of the most important renewable energy sources. BDL under green energy revised its commitment to set up 10 MW Grid connected Solar PV power plants in the units. Installation of 5 MW Grid connected Solar Power plant at Bhanur has been completed during the year and installation of another 5 MW grid connected Solar Power project at Ibrahimpatnam unit is in progress.

**6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

Yes

**7. Number of show cause/ legal notices received from CPCB/ SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

Nil

**PRINCIPLE 7: BUSINESSES WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER.**

**1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:**

Confederation of Indian Industry (CII)

Society of Defence Technologists

**2. Have you advocated/ lobbied through above associations for the advancement or improvement of public good? Yes/ No; if yes specify the broad areas**

No

**PRINCIPLE 8 : BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT**

**1. Does the company have specified programmes/ initiatives/ projects in pursuit of the policy related to Principle 8?**

As stated in the above sections, BDL's various CSR projects are in pursuit of the socio & economic development across the States where the units are situated. Further, the BDL's Vendor development programs pave the way for achieving the inclusive growth and equitable development.

**2. Are the programmes/ projects undertaken through in-house team/ own foundation/ external NGO/ government structures/ any other organization?**



BDL largely collaborates with various NGOs, foundations, government agencies, and other professional agencies for execution of the project on the ground.

**3. What is your company's direct contribution to community development projects.**

During the financial year 2017-18, the contribution to community development projects was ₹ 1839.40 Lakh. Please refer to the Annual Report on CSR Activities forming part of this Annual Report.

**4. Have you taken steps to ensure that this community development initiative is successfully adopted by the community?**

Yes. BDL conducts Impact assessment for majority of the projects

**PRINCIPLE 9: BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN A RESPONSIBLE MANNER.**

**1. What percentage of customer complaints/consumer cases are pending as on the end of financial year**

Nil

**2. Does the company display product information on the product label, over and above what is mandated as per local laws?**

Not applicable as the Company is into business of Weapon systems

**3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year**

No

**4.. Did your company carry out any consumer survey/ consumer satisfaction trends?**

No, however BDL always obtains customer satisfaction survey and feedback from the customers on regular intervals



# INDEPENDENT AUDITORS' REPORT

## To the Members of Bharat Dynamics Limited

We are issuing this revised report to comply with the observations made by the Comptroller and Auditor General of India with regard to Paragraph 7 (b) of Annexure A to the Independent Auditors' Report i.e., Report under CARO, 2016. This Independent Auditors' Report supersedes our report issued on 30/05/2018.

### 1. Report on the Standalone Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Bharat Dynamics Limited ('the Company'), which comprise the Balance Sheet as at March 31, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and other explanatory information and a summary of the significant accounting policies (herein after referred to as "Standalone Ind AS financial statements").

### 2. Management's responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and the estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### 3. Auditors' Responsibility

Our responsibility is to express an opinion on these Standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Standalone Ind AS financial statements.

### 4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the financial position of the Company as at 31 March 2018, and its financial performance including other comprehensive income, changes in equity and its cash flows for the year ended on that date.

### 5. Emphasis of Matters:

We draw the attention to:

Note number 28 of the standalone Ind AS financial statements which accounting of certain sales, based on acceptance of quality by the Customer and prices by the representative of the customer, awaiting the amendments to the contract.

Our opinion is not modified in respect of the above matter.

### 6. Report on Other Legal and Regulatory Requirements

- (1) As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the **Annexure A**, a statement on the matters specified in the Paragraph 3 and 4 of the Order.
- (2) As required under Section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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, the Statement of Profit and Loss, the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid Standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
  - (e) On the basis of written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act
  - (f) With respect to adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in **Annexure B**;
  - (g) With respect to Directions issued by the Comptroller and Auditor General of India under Section 143 (5) we give our report in **Annexure C**: and



- (h) With respect to other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- (i) The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements vide Note No. 36(6) of Notes to the Ind AS Financial Statements
  - (ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
  - (iii) No amounts are required to be transferred, to the Investor Education and Protection Fund by the Company.

Place : Hyderabad

Date : 04-07-2018



# ANNEXURE-A TO THE INDEPENDENT AUDITORS' REPORT

The Annexure referred to in Paragraph 6 (1) of Independent Auditors' Report to the Members of Bharat Dynamics Limited On the standalone Ind AS financial statements for the year ended on March 31, 2018

1. (a) Subject to sub-clause (c) herein below the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular program of physical verification of its fixed assets by which fixed assets are verified in phased manner over a period of five years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and nature of its business. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. In our opinion, and according to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of records of the Company, the title deeds of immovable properties are held in the name of the Company, except the following properties for which the title is yet to be received by the Company.

Nature of Asset	Amount (₹ In Lakhs)	Reasons
Freehold Land at Kanchanbagh ( including Investment Property valued at 0.97 Lakh)	29.39	Land allotted free of cost by the State Government. No Title Deed is issued. Value is fair value as per Ind AS 16
Freehold Land at Ibrahim Patnam	5831.28	Land is acquired through TSIC. As per their rules Land will be registered only after setting up of the Factory.
Freehold Land at Visakhapatnam	376.13	State Government yet to execute to the title deeds.
Lease hold land at Visakhapatnam	-	Lease Deed is not executed by the Lessor.

2. The Inventory of finished goods, raw materials, stores, spare parts, except those in transit and with third parties have been physically verified by the management during the year. We consider that the frequency of the verification is reasonable, having regard to the nature of business and size of the Company, discrepancies noticed on physical verification are appropriately dealt with in the accounts.
3. According to the information and explanations given to us, the Company has not given unsecured loans to companies/firms/parties covered in the register maintained under section 189 of the Companies Act, 2013, hence other matters relating to the loans and advances to parties listed under Section 189 are not applicable.
4. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees, as applicable.
5. According to the information and explanations given to us, the Company has not accepted any deposits during the year and hence compliance with the provisions of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposit) Rules, 2014, as amended with regard to acceptance of deposits are not applicable to the Company
6. According to the information and explanations given to us, the Company is required to maintain cost records under Section 148 (1) of the Companies Act, 2013. We have broadly reviewed these records and are of the opinion that prima facie, the prescribed accounts and records are made and maintained. We have not, however, made a detailed examination of these records with a view to determine whether they are accurate and complete.
7. According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees State Insurance, Income-tax, and Sales Tax, Service Tax, Value Added Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it to the appropriate authorities. According to the records of the Company and information and explanations given to us none of these undisputed taxes are in arrears as at March 31, 2018 for a period exceeding six month from the date they become payable.
  - (b) According to the records of the Company and information and explanations given to us the following are the particulars of disputed amounts payable in respect Central Sales Tax and Service Tax:

(₹ In Lakh)

Name of the Statute	Nature of Dues	Disputed Amount (₹ in Lakhs)	Paid under Protest/ Adjust-ed as required under law	Balance	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax Act	Central Sales Tax	284.36	71.09	213.27	2007-08	TS VAT AT
Central Sales Tax Act	Central Sales Tax	332.14	166.07	166.07	2010-11	TS VAT AT
Central Sales Tax Act	Central Sales Tax	5550.83	693.85	4856.98	2011-12	Writ pending with High Court at Hyderabad
Central Sales Tax Act	Central Sales Tax	5024.27	0	5024.27	2012-13	Writ pending with High Court at Hyderabad
Central Sales Tax Act	Central Sales Tax	4266.81	0	4266.81	2013-14	Writ pending with High Court at Hyderabad
Central Sales Tax Act	Central Sales Tax	6468.12	0	6468.12	2014-15	Writ pending with High Court at Hyderabad
Finance Act, 1994	Service Tax	2355.51	0	2355.51	2012-13 to 2014-15	Principal Commissioner, Service Tax, Hyderabad
<b>TOTAL</b>		<b>24282.04</b>	<b>931.01</b>	<b>23351.03</b>		



8. According to the information and explanations given to us, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions, banks, government and the Company has not issued any debentures.
9. The Company has not raised any money by way of initial public offer or further public offer or by way of term loans during the year, hence other matter contained in Companies (Auditor's Report) Order, 2016 (CARO) is not applicable.
10. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers has been noticed or reported during the year.
11. Provision of Section 197 of the Companies Act, 2013 is not applicable to the Company.
12. The Company is not NIDHI company hence matter relating to NIDHI company in CARO is not applicable to the Company
13. According to the information and explanations furnished to us, and based on our examination of books and records, we are of the opinion that all transactions with related parties are in compliance with sections 177 and 188 of the Companies Act, 2013 and all the details have been disclosed in the financial statements as per applicable Accounting Standards.
14. The Company has not made any preferential offer of equity shares during the year and accordingly other matters relating to preferential offer are not applicable.
15. In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with them during the year and hence provisions of Section 192 of the Companies Act, 2013 are not applicable
16. The Company is not required to be registered under Section 45-1A of the Reserve Bank of India Act.

Place : Hyderabad

Date : 04-07-2018





## ANNEXURE-B

# TO THE INDEPENDENT AUDITORS' REPORT

*The Annexure referred to in Paragraph 6 (2) (f) of Independent Auditors' Report to the Members of Bharat Dynamics Limited On the standalone Ind AS financial statements for the year ended on March 31, 2018*

### **Report on the Internal Financial Controls over Financial Reporting under clause (i) of sub section 3 of Section 143 of the Companies Act, 2013**

1. We have audited the internal financial controls over financial reporting of Bharat Dynamics Limited (the Company) as at March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### **2. Management's Responsibility:**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal financial control over financial reporting criteria established by the Company considering the essential components of control stated in the "Guidance Note on Audit of Internal Financial Controls Over Financial Reporting" issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **3. Auditor's Responsibility:**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the "Guidance Note on Audit of Internal Financial Controls Over Financial Reporting" (Guidance Note) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143 (10) of the Companies Act, 2013, to the extent applicable to an audit of Internal Financial Controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that material weakness exists, and testing and evaluating the design and operating effectiveness of internal financial control based on assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls over financial reporting.

#### **4. Meaning of Internal Financial Controls Over Financial Reporting:**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditure of the company are being made only in accordance with authorisations of management and directions of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have material effect on the financial statements.

#### **5. Inherent Limitations of Internal Financial Controls Over Financial Reporting:**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial controls over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **6. Opinion:**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

Place : Hyderabad

Date : 04-07-2018



## ANNEXURE-C

# TO THE INDEPENDENT AUDITORS' REPORT

The Annexure referred to in Paragraph 6 (2) (g) of Independent Auditors' Report to the Members of Bharat Dynamics Limited On the standalone financial statements for the year ended on March 31, 2018

### Report on the directions under sub-section 5 of Section 143 of the Companies Act, 2013

According to the information and explanations furnished to us and based on audit of the accounts of the Company, Bharat Dynamics Limited, we report hereunder on the directions given by the Comptroller and Auditor General of India.

Direction	Report	Impact	
1. Whether the Company has clear title/ lease deeds for freehold and leasehold respectively? If not please state the area of freehold and lease hold land for which title/ lease deeds are not available.	The availability of clear title / lease deeds could not be ascertained as title deeds are not available for in respect of following properties		
	Nature of Land		
	Extent of Land		
	1. Freehold Land at Kanchanbagh (Including investment property 5 Acres 1 Gunta)	151 Acres 33 Guntas	Nil
	2. Free hold Land at Visakhapatnam	10 Acres 13 Guntas	
3. Freehold land at Ibrahimpatnam (Sale agreement is available)	597 Acres 22.50 Guntas		
4. Lease Hold Land at Visakhapatnam	3 Acres 25 Guntas		
2. Whether there are any cases of waiver / write off of debts / loans / interest etc. If yes, the reasons for and amount involved.	According to the information and explanations furnished to us and based on our examinations books, we are of the opinion that no advances were written off during the year.	Nil	
3. Whether proper records are maintained for inventories lying with third parties & assets received as gift/grant(s) from the Govt. or other authorities.	Based on the examination of the books and records of the Company, we are of the opinion that proper records were maintained for the inventories lying with third parties. The company did not receive any gift or grant from the Govt. or other authorities during the year.	Nil	

Place : Hyderabad

Date : 04-07-2018



By Speed Post  
Confidential

Insp/BDL A/cs(2017-18)/2018-19/

सं./No.

प्रधान निदेशक वाणिज्यिक लेखापरीक्षा एवं पदेन सदस्य  
लेखापरीक्षा बोर्ड का कार्यालय, बेंगलूर - 560 001.  
OFFICE OF THE PRINCIPAL DIRECTOR OF COMMERCIAL  
AUDIT and Ex-Officio MEMBER, AUDIT BOARD,  
BANGALORE - 560 001.

दिनांक/ DATE.

To

Shri V Udaya Bhaskar  
Chairman and Managing Director,  
M/s. Bharat Dynamics Limited,  
Corporate Office, Plot No.38-39,  
TSFC Building, Financial District,  
Gachibowli, Hyderabad - 500 032

18 July 2018

Sir,

Sub: Comments of the Comptroller and Auditor General of India under section 143(6) (b) of the Companies Act, 2013 on the Financial Statements of **M/s. Bharat Dynamics Limited, Hyderabad** for the year ended 31 March 2018.

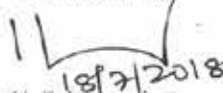
I forward **Nil Comments Certificate** of the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the Financial Statements of **M/s. Bharat Dynamics Limited, Hyderabad** for the year ended 31 March 2018.

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 143(6)(b) of the Companies Act, 2013; 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,

  
18/7/2018  
(N. Subramanian)  
Director (Admin)

Encl: As above.

भारतीय लेखापरीक्षा तथा लेखा विभाग  
INDIAN AUDIT & ACCOUNTS DEPARTMENT  
प्रथम तल, बसव भवन, श्री बसवेश्वर रोड, बेंगलूर - 560 001  
1st Floor, Basava Bhavan, Sri Basaveswara Road, Bangalore - 560 001.

द.भा./Phone : 2226 7646 / 2226 1168  
Email : mabbsngalore@cag.gov.in

फैक्स /Fax : 080-2226 2491



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF M/S. BHARAT DYNAMICS LIMITED, HYDERABAD FOR THE YEAR ENDED 31 MARCH 2018**

The preparation of financial statements of M/s. BHARAT DYNAMICS LIMITED, HYDERABAD for the year ended 31 March 2018 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 30 May 2018 and **revised report dated 04 July 2018**.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6) (a) of the Act of the financial statements of M/s. BHARAT DYNAMICS LIMITED, HYDERABAD for the year ended 31 March 2018. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited to primarily inquiries of the statutory auditor, company personnel and a selective examination of some of the accounting records. *In view of the revisions made in Paragraph 7(b) of Annexure-A of the statutory auditors' report as a result of my audit observations highlighted during supplementary audit*, I have no further comments to offer upon or supplement to the statutory auditors' report under section 143(6)(b) of the Act.

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

  
(Santosh Kumar)

**Pr. Director of Commercial Audit**

Place: Bengaluru

Date: 18 July 2018



स्पीड पोस्ट द्वारा  
शोपनीय

नि./बी.डी.एल.लेखा(2017-18)/2018-19/235  
सं./No.

प्रधान निदेशक वाणिज्यिक लेखापरीक्षा एवं पब्लिक सदस्य  
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: 18 जुलाई 2018

सेवा में,  
श्री वी.उदय भास्कर,  
अध्यक्ष & प्रबंध निदेशक  
मेसर्स भारत डायनामिक्स लिमिटेड,  
कॉर्पोरेट ऑफिस, प्लॉट सं. 38-39,  
टीएसएफसी बिल्डिंग, फिनान्सियल डिस्ट्रिक्ट  
गाछीबावली, हैदराबाद - 500032

महोदय,

विषय: कम्पनी अधिनियम 2013 की धारा 143(6)(b) के तहत भारत के नियंत्रक  
एवं महालेखापरीक्षक की टिप्पणियाँ।

मैं 31 मार्च 2018 को समाप्त वर्ष के मेसर्स - भारत डायनामिक्स लिमिटेड, हैदराबाद के लेखाओं  
पर कम्पनी अधिनियम 2013 की धारा 143(6)(b) के तहत भारत के नियंत्रक एवं महालेखापरीक्षक का  
"निल टिप्पणी प्रमाण पत्र" अंग्रेषित करता हूँ।

कृपया सुनिश्चित करें कि टिप्पणियाँ

1. बिना कोई संशोधन किये पूर्ण रूप से छापी जाये।
2. सूची में उचित संकेत के साथ कम्पनी की वार्षिक रिपोर्ट में सांविधिक लेखापरीक्षकों की  
रिपोर्ट के आगे रखा जाये।
3. कम्पनी अधिनियम 2013 की धारा 143(6)(b) के तहत आवश्यकतानुसार वार्षिक आम  
बैठक में रखा जाये।

कृपया पत्र की पावती भेजें।

भवदीय,

18/7/2018  
(एन. सुब्रमण्यम)  
निदेशक (प्रशासन)

संलग्न: यथोपरि

भारतीय लेखापरीक्षा तथा लेखा विभाग  
INDIAN AUDIT & ACCOUNTS DEPARTMENT  
प्रथम तल, बसव भवन, श्री बसवेश्वर रोड, बंगलूर - 560 001  
1st Floor, Basava Bhavan, Sri Basaveswara Road, Bangalore - 560 001.

टू.फा./Phone: 2226 7646 / 2226 1166  
Email: mabbangalore@cag.gov.in

फैक्स /Fax: 080-2226 2491



# IND AS FINANCIAL STATEMENTS - 31 MARCH 2018

## **Corporate information**

Bharat Dynamics Limited (BDL), a Government of India Enterprise under the Ministry of Defence was established at Hyderabad in the year 1970. It is engaged in the manufacturing of Missiles and allied Defence Equipments. The Company provides majority of its goods and services to the Indian Armed forces and Government of India.

## **Contents:**

Ind AS Financial Statements comprises:

- (a) Balance Sheet
- (b) Statement of Profit and Loss
- (c) Statement of Changes in Equity
- (d) Statement of Cash flows
- (e) Notes, comprising a summary of significant Accounting policies and other explanatory information; and
- (f) Comparative information in respect of the preceding period;

## **Reporting Entity:**

Bharat Dynamics Limited (Government of India Enterprise) is a Listed Company limited by shares, incorporated and domiciled in India.

## **Registered Office :**

Kanchanbagh, Hyderabad - 500058

## **Corporate Office :**

Plot No. 38-39, TSFC Building,  
Financial District, Nanakramguda  
Hyderabad - -500032



# BALANCE SHEET

## AS AT 31 MARCH 2018

(₹ in Lakh)

Particulars	Notes	As at March 31, 2018	As at March 31, 2017
<b>ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Property, Plant and Equipment	1	72,016.16	59,698.53
(b) Capital Work-in-Progress	2	12,984.34	13,475.45
(c) Investment Property	3	0.97	0.97
(d) Intangible Assets	4	14,820.96	16,013.71
(e) Intangible Assets under development	5	-	112.94
(f) Financial Assets			
(i) Investments	6	368.94	294.68
(ii) Loans	7	294.25	322.73
(iii) Other Financial Assets	8	5,030.98	5,020.42
(g) Deferred Tax Assets (net)	27	19,255.98	14,144.71
(h) Other Non-current Assets	9	3,297.25	3,301.62
<b>Total Non - Current Assets</b>		<b>128,069.83</b>	<b>112,385.76</b>
<b>(2) Current Assets</b>			
(a) Inventories	10	192,586.64	224,041.57
(b) Financial Assets			
(i) Investments	11	23,529.92	-
(ii) Trade Receivables	12	52,856.37	15,455.05
(iii) Cash and Cash Equivalents	13	2,998.94	9,310.67
(iv) Bank balances other than (iii) above	14	32,680.00	164,490.00
(v) Loans	15	223.68	289.26
(vi) Other Financial Assets	16	175,800.33	172,873.28
(c) Current tax Assets	27	-	940.39
(d) Other Current Assets	17	51,091.54	138,224.33
<b>Total Current Assets</b>		<b>531,767.42</b>	<b>725,624.55</b>
<b>Total Assets</b>		<b>659,837.25</b>	<b>838,010.31</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
(a) Equity Share Capital	18	18,328.12	12,218.75
(b) Other Equity	19	177,309.87	207,278.84
<b>Total Equity</b>		<b>195,637.99</b>	<b>219,497.59</b>
<b>(1) Non-current Liabilities</b>			
(a) Financial Liabilities			
(i) Other Financial Liabilities	20	5,173.88	5,163.01
(b) Provisions	21	-	1,787.21
(c) Other Non-current Liabilities	22	35,826.18	42,912.46
<b>Total Non-current Liabilities</b>		<b>41,000.06</b>	<b>49,862.68</b>
<b>(2) Current Liabilities</b>			
(a) Financial Liabilities			
(i) Trade Payables	23	101,150.56	152,936.42
(ii) Other Financial Liabilities	24	24,015.89	13,867.26
(b) Other Current Liabilities	25	231,412.47	351,033.05
(c) Provisions	26	63,285.87	50,813.31
(d) Current tax Liabilities, net	27	3,334.41	-
<b>Total Current Liabilities</b>		<b>423,199.20</b>	<b>568,650.04</b>
<b>Total Liabilities</b>		<b>464,199.26</b>	<b>618,512.72</b>
<b>Total Equity and Liabilities</b>		<b>659,837.25</b>	<b>838,010.31</b>

77

Significant Accounting Policies and accompanying Notes form an integral part of the Financial Statements

As per our report of even date.

for **S. R. MOHAN & CO.,**  
Chartered Accountants  
Firm's Registration No.0021115

For and on behalf of the Board

**S. SANDEEP REDDY**  
Partner  
(M.No. 242470)

**S. PIRAMANAYAGAM**  
Director (Finance)  
DIN: 07117827

**V. UDAYA BHASKAR**  
Chairman and Managing Director  
DIN: 06669311

Place : Hyderabad  
Date : 30 May 2018

Place : Hyderabad  
Date: 30 May 2018

**N. NAGARAJA**  
Company Secretary  
(M.No.A19015)



# STATEMENT OF PROFIT AND LOSS

## FOR THE YEAR ENDED 31 ST MARCH 2018

(₹ in Lakh)

Particulars	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>INCOME</b>			
<b>I</b> Revenue from Operations	28	458,759.75	488,661.64
<b>II</b> Other Income	29	17,255.91	29,994.26
<b>III Total Income (I + II)</b>		<b>476,015.66</b>	<b>518,655.90</b>
<b>IV EXPENSES</b>			
Cost of materials consumed	30	290,759.21	312,522.69
Changes in inventories of finished goods and work-in-progress	31	(5,370.00)	(12,438.01)
Employee benefits expense	32	52,933.98	44,838.65
Finance costs	33	327.92	367.75
Depreciation and amortisation expense	34	6,347.75	6,201.58
Other expenses	35	53,634.39	86,881.98
<b>Total expenses (IV)</b>		<b>398,633.25</b>	<b>438,374.64</b>
<b>V Profit/ (Loss) before exceptional items and tax (III-IV)</b>		<b>77,382.41</b>	<b>80,281.26</b>
<b>VI</b> Exceptional Items		-	-
<b>VII Profit before tax (V - VI)</b>		<b>77,382.41</b>	<b>80,281.26</b>
<b>VIII Tax expense</b>			
(1) Current tax	27	29,678.52	31,198.21
(2) Deferred tax	27	(5,111.27)	(3,322.51)
<b>Total Tax expense</b>		<b>24,567.25</b>	<b>27,875.70</b>
<b>IX Profit/ (Loss) for the year (VII - VIII)</b>		<b>52,815.16</b>	<b>52,405.56</b>
<b>X Other comprehensive income</b>			
A Items that will not be reclassified subsequently to profit or loss		-	-
(a) Remeasurement of the defined benefit plans		-	(1,087.41)
(b) Income tax relating to items that will not be reclassified to profit or loss		-	376.33
<b>Total other comprehensive income</b>		-	<b>(711.08)</b>
<b>XI Total comprehensive income for the year (IX + X)</b>		<b>52,815.16</b>	<b>51,694.48</b>
<b>XII Earnings per equity share</b>			
Basic and diluted EPS (in Rupees)	36 (2)	26.65	24.51

Significant Accounting Policies and accompanying Notes form an integral part of the Financial Statements

As per our report of even date.  
for **S. R. MOHAN & CO.,**  
Chartered Accountants  
Firm's Registration No.0021115

For and on behalf of the Board

**S. SANDEEP REDDY**  
Partner  
(M.No. 242470)

**S. PIRAMANAYAGAM**  
Director (Finance)  
DIN: 07117827

**V. UDAYA BHASKAR**  
Chairman and Managing Director  
DIN: 06669311

Place : Hyderabad  
Date : 30 May 2018

Place: Hyderabad  
Date: 30 May 2018

**N. NAGARAJA**  
Company Secretary  
(M.No.A19015)





# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED MARCH 31, 2018

### A. Equity

(₹ in Lakh)

Particulars	Amount
Issued and paidup capital as at April 01, 2016	9,775.00
Changes in equity share capital during the year	2,443.75
Balance as at March 31, 2017	12,218.75
Changes in equity share capital during the year	6,109.37
Balance as at March 31, 2018	<b>18,328.12</b>

### B. Other Equity

(₹ in Lakh)

Particulars	Reserves and Surplus			
	General Reserve	Capital Redemption Reserve	Retained Earnings	Total
<b>Balance as at April 1, 2016</b>	153,717.26	1,725.00	14,784.34	<b>170,226.60</b>
Profit for the year	-	-	52,405.56	52,405.56
Other comprehensive income for the year (net of tax)	-	-	(711.08)	(711.08)
Final dividend and tax thereof	-	-	(12,198.49)	(12,198.49)
Transfer to Capital Redemption Reserve	-	-	-	-
Transfer from Statement of Profit and Loss	35,300.00	-	-	35,300.00
Transfer to General Reserve	-	-	(35,300.00)	(35,300.00)
Issue of Bonus shares	(718.75)	(1,725.00)	-	(2,443.75)
Buyback Premium Written off	-	-	-	-
Depreciation Adjustment	-	-	-	-
Addition towards buy back during the period	-	-	-	-
Tax on Buyback of shares	-	-	-	-
Interim Dividend	-	-	-	-
Tax on Interim Dividend	-	-	-	-
Tax on Proposed Final Dividend (P.Y.)	-	-	-	-
<b>Balance as at March 31, 2017</b>	<b>188,298.51</b>	-	<b>18,980.33</b>	<b>207,278.84</b>

Particulars	Reserves and Surplus			
	General Reserve	Capital Redemption Reserve	Retained Earnings	Total
<b>Balance as at April 1, 2017</b>	188,298.51	-	18,980.33	<b>207,278.84</b>
Profit for the year	-	-	52,815.16	52,815.16
Other comprehensive income for the year (net of tax)	-	-	-	-
Final dividend and tax thereof	-	-	(18,922.23)	(18,922.23)
Transfer to Capital Redemption Reserve	(3,054.69)	-	-	(3,054.69)
Transfer from Statement of Profit and Loss	23,000.00	-	-	23,000.00
Transfer to General Reserve	-	-	(23,000.00)	(23,000.00)
Addition towards buy back during the period	-	3,054.69	-	3,054.69
Buyback Premium Written off	(41,998.90)	-	-	(41,998.90)
Depreciation Adjustment	-	-	-	-
Issue of Bonus shares	(6,109.38)	(3,054.69)	-	(9,164.07)
Tax on Buyback of shares	-	-	(9,689.99)	(9,689.99)
Interim Dividend	-	-	(2,500.00)	(2,500.00)
Tax on Interim Dividend	-	-	(508.94)	(508.94)
Tax on Proposed Final Dividend (P.Y.)	-	-	-	-
<b>Balance as at March 31, 2018</b>	<b>160,135.54</b>	-	<b>17,174.33</b>	<b>177,309.87</b>

As per our report of even date.  
for **S. R. MOHAN & CO.,**  
Chartered Accountants  
Firm's Registration No.0021115

**S. SANDEEP REDDY**  
Partner  
(M.No. 242470)

Place : Hyderabad  
Date : 30 May 2018

**S. PIRAMANAYAGAM**  
Director (Finance)  
DIN: 07117827

Place: Hyderabad  
Date: 30 May 2018

For and on behalf of the Board

**V. UDAYA BHASKAR**  
Chairman and Managing Director  
DIN: 06669311

**N. NAGARAJA**  
Company Secretary  
(M.No.A19015)



# CASH FLOW STATEMENT

## FOR THE YEAR ENDED MARCH 31, 2018

(₹ in Lakh)

Particulars	March 31, 2018	March 31, 2017
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before exceptional items and tax	77,382.41	80,281.26
Adjustments for:		
Depreciation and amortisation expense	6,347.75	6,201.59
Finance costs	327.92	367.74
Interest income	(9,181.75)	(20,166.77)
Profit on Sale of Fixed Assets	-	20.31
Deferred revenue on customer provided Assets	(734.05)	(704.78)
Provisions for expenses	7,153.37	12,571.40
Liabilities / provisions no longer required written back	(120.06)	(4,522.08)
Fair value adjustment to investment carried at fair value through profit and loss	(727.55)	(152.41)
Gain on sale of Financial Assets Measured at Fair value through profit and loss	(26.02)	-
<b>Operating profit before working capital changes</b>	<b>80,422.02</b>	<b>73,896.26</b>
Changes in working capital:		
Adjustments for (increase) / decrease in operating Assets:		
Trade receivables	(37,401.32)	(1,437.34)
Other Bank balances	131,810.00	92,110.00
Loans	94.06	26.73
Other Financial Assets	(6,659.15)	(17,076.14)
Inventories	28,990.28	(18,653.03)
Other Assets	86,998.14	32,744.78
Adjustments for increase / (decrease) in operating Liabilities:		
Trade payables	(51,785.86)	12,666.27
Other Financial Liabilities	10,279.56	9,521.02
Other Liabilities	(125,680.45)	(196,917.56)
Provisions	5,996.62	4,620.49
<b>Cash generated from operations</b>	<b>123,063.90</b>	<b>(8,498.52)</b>
Net income tax paid	(25,403.72)	(33,490.40)
Net cash flow before exceptional items	97,660.18	(41,988.92)
Exceptional items	-	-
<b>Net cash from/ used in operating activities (A)</b>	<b>97,660.18</b>	<b>(41,988.92)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure on fixed Assets	(16,868.58)	(13,635.92)
Proceeds from sale of fixed Assets	-	20.34
Investments made in Mutual funds during the year	(23,026.02)	-
Gain on sale of Financial Assets Measured at Fair value through profit and loss	26.02	-
Interest received	12,760.32	13,883.91
<b>Net cash from/ used in investing activities (B)</b>	<b>(27,108.26)</b>	<b>268.33</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity shares	-	-
Share application money received	-	-
Finance costs	(188.90)	(228.73)
Buyback of shares	(45,053.59)	-
Tax on buy back of shares	(9,689.99)	(4,190.06)
Dividends paid and tax thereon	(21,931.17)	(12,198.49)
<b>Net cash from/ used in financing activities (C)</b>	<b>(76,863.65)</b>	<b>(16,617.28)</b>
<b>Net Increase / (decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(6,311.73)</b>	<b>(58,337.87)</b>
<b>Cash and Cash equivalents at the beginning of the year</b>	<b>9,310.67</b>	<b>67,648.54</b>
<b>Cash and Cash equivalents at the end of the year</b>	<b>2,998.94</b>	<b>9,310.67</b>
<b>(Refer Note (i) below)</b>		
<b>Note (i):</b>		
Cash and Cash equivalents Comprises:		
in current accounts	371.30	4,614.29
in deposit accounts	2,619.22	4,690.79
Cash on hand	8.42	5.59
	<b>2,998.94</b>	<b>9,310.67</b>

As per our report of even date.

for **S. R. MOHAN & CO.,**  
Chartered Accountants  
Firm's Registration No.002111S

For and on behalf of the Board

**S. SANDEEP REDDY**  
Partner  
(M.No. 242470)

**S. PIRAMANAYAGAM**  
Director (Finance)  
DIN: 07117827

**V. UDAYA BHASKAR**  
Chairman and Managing Director  
DIN: 06669311

Place : Hyderabad  
Date : 30 May 2018

Place: Hyderabad  
Date: 30 May 2018

**N. NAGARAJA**  
Company Secretary  
(M.No.A19015)



# ACCOUNTING POLICIES

## 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### 1.1 Compliance with Ind AS:

The financial statements comply in all material aspects with the Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) rules, 2015], as amended from time to time and other relevant provisions of the Act.

### 1.2 Historical cost convention:

The financial statements are prepared under historical cost basis, except for the following:

certain financial assets and liabilities (including derivative instruments) and contingent consideration that is measured at fair value;

defined benefit plans – plan assets measured at fair value

### 1.3 Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in India requires management, where necessary, to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

## 2. FOREIGN CURRENCY TRANSLATION

### 2.1 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Indian rupee (INR), which is Bharat Dynamics Limited's functional and presentation currency.

### 2.2 Transactions and Balances

i) Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognized in profit and loss.

ii) Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

iii) Liability for deferred payments (and receivable from Indian army and ordnance factory) 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. The differences due to fluctuations in the rate of exchange are charged to revenue.

## 3. REVENUE RECOGNITION

### 3.1 Sale of goods:

#### i) Timing of recognition:

The Company recognizes revenue from sale of goods when titles to the goods have been passed on to the customer as per the terms of contract, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### ii) Sales on bill and hold basis:

Revenue is recognised when specified goods are unconditionally appropriated to the contract after prior inspection and acceptance, if required and once the following conditions are met:

- The title is transferred as per the contractual terms
- It is probable that delivery will take place;
- The item is on hand, identified and ready for delivery to the buyer at the time when the sale is recognized;
- The delivery is deferred based on contractual terms; and
- The usual payment terms apply

#### iii) Ex-works Contract:

In case of ex-works contracts revenue is recognised when specified goods are unconditionally appropriated to the contract after prior inspection and acceptance, if required.

#### iv) FOR Contract:

In the case of FOR contracts sale is recognised when the goods are handed over to the carrier for transmission to the buyer after prior inspection and acceptance, if stipulated by the contract.

In the case of FOR destination contracts revenue is recognised once the goods reach the destination.

#### v) Multiple elements:

In cases where the installation and commissioning or any other separately identifiable component is stipulated and price for the same agreed separately, the Company applies the recognition criteria to separately identifiable components of the transaction and allocates the revenue to those separate components.

In case of a bundled contract, where separate fee for installation and commissioning or any other separately identifiable component is not stipulated, the Company applies the recognition criteria to separately



identifiable components of the transaction and allocates the revenue to those separate components based their relative fair values.

vi) Customer financed assets:

The assets received from customers free of cost are recognized initially at fair value. The corresponding revenue will be recognised as follows:

- If only one service is identified, the entity shall recognize revenue when the service is performed
- If more than one separately identifiable service is identified, the fair value of the total consideration received or receivable for the agreement is allocated to each service and the recognition criteria are then applied to each service
- If an ongoing service is identified as part of the agreement, the period over which revenue shall be recognised for that service is generally determined by the terms of the agreement with the customer

vii) Measurement of revenue:

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of excise duty, and net of returns, trade allowance, rebates, but exclusive of value added taxes, service tax, goods and service tax and amounts collected on behalf of third parties.

viii) Construction contract:

Contract revenue includes initial amount agreed in the contract and any variation in contract work, claims and incentive payments, to the extent it is probable that they will result in revenue and can be measured reliably. Contract revenue is recognized in proportion to the stage of completion of the contract. Stage of completion is assessed based on ratio of actuals costs incurred on the contract up to the reporting date to the estimated total costs expected to complete the contract.

If the outcome cannot be estimated reliably and where it is probable that the costs will be recovered, revenue is recognized to the extent costs incurred. An expected loss on construction contract is recognized as an expense immediately when it is probable that the total contract costs will exceed the total contract revenue.

### 3.2 Sale of services:

i) Timing of recognition:

Revenue from services is recognised in the accounting period in which the end of the reporting period as a proportion of the total services to be provided (percentage of completion method).

ii) Measurement of revenue:

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

iii) Price escalation:

In case of contracts where additional considerations is to be determined and approved by the customers, such additional revenue is recognized on receipt of confirmation from customer(s). Where break up prices of sub units are not provided for, the same are estimated.

iv) Interest income:

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

v) Dividend:

Dividend income is recognized when the Company's right to receive the payment is established.

## 4. GOVERNMENT GRANTS

4.1 Grants from the government are recognized at their fair value where there is reasonable assurance that grant will be received and the Company will comply with all attached conditions.

4.2 Government grants relating to income are deferred and recognized in the profit and loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

4.3 Grants related to non-depreciable assets may also require the fulfilment of certain obligations and would then be recognised in profit or loss over the periods that bear the cost of meeting the obligations.

4.4 Government Grants received either as subsidy or otherwise for acquisition of depreciable assets are accounted as deferred income. If the grant/subsidy is absolute, amount corresponding to the depreciation is treated as income over the life of the asset. If the grant/subsidy is attached with any conditions, such as repayment, income is accounted as per the terms of the grant/subsidy.

## 5. INCOME TAX

5.1 The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rates adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

5.2 Current tax:

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5.3 Deferred tax:

i) Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of asset or liability in a transaction other than business combination that at the time of the transaction affects neither accounting profit nor the taxable profit (tax loss). Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax assets is realized or the deferred income tax liability is settled.



- ii) Deferred tax assets are recognized for all deductible temporary differences and unused losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Deferred tax asset is also recognised for the indexation benefit on land available for taxation purpose since it results in a temporary difference.
- iii) Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the liability simultaneously.
- iv) Current and deferred tax is recognized in profit or loss, except to the extent that it relates to the items recognized in other comprehensive income or directly equity. In this case, the tax is also recognized in other comprehensive income or directly equity, respectively.

## 6. LEASES

A lease is classified at the inception date as a finance lease or operating lease.

### 6.1 As a lessee

- i) Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of minimum lease payments. The corresponding rental obligations, net of finance charges, are included in the borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of liability for each period.
- ii) Leases in which a significant portion of risks and rewards of ownership are not transferred to the Company as a lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary costs increases.

### 6.2 As a lessor

Lease income from operating leases where the Company is a lessor is recognized in income on a straight line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary costs increases. The respective leased assets are included in the balance sheet based on their nature.

## 7. INVENTORIES

- 7.1 Inventories are valued at lower of cost and net realizable value. The cost of raw material, components and stores are assigned by using the actual weighted average cost formula and those in transit at cost to date. In the case of stock-in-trade and work-in-progress, cost includes material, labour and related production overheads.
- 7.2 Stationery, uniforms, welfare consumables, medical and canteen stores are charged off to revenue at the time of receipt.
- 7.3 Raw materials, Components, Construction Materials, Loose Tools and Stores and Spare Parts declared surplus/ unserviceable/ redundant are charged to revenue.

- 7.4 Provision for redundancy is made in respect of closing inventory of Raw materials and Components, and Construction Materials 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.

## 8. FINANCIAL INSTRUMENTS

### 8.1 Financial Assets:

All financial assets are recognised on trade date when the purchase of a financial asset is under a contract whose term requires delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets which are classified as at fair value through profit or loss

(FVTPL) at inception. All recognised financial assets are subsequently measured in their entirety at either amortized cost or fair value.

- i) Classification of financial assets:

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

- ii) Measurement:

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

- a) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments as:

- (a)(i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised



in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(a)(ii) Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.

(a)(iii) Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

b) Equity instruments

(b)(i) The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established.

(b)(ii) Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment of financial assets:

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Time barred dues from the government / government departments / government companies are generally not considered as increase in credit risk of such financial asset.

(iv) Derecognition of financial assets

A financial asset is derecognized only when

- The Company has transferred the rights to receive cash flow from the financial asset or

- retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay cash flows to one or more recipients

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

v) Trade receivables:

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected to be collected within a period of 12 months or less from the reporting date (or in the normal operating cycle of the business if longer), they are classified as current assets otherwise as non-current assets.

Trade receivables are measured at their transaction price unless it contains a significant financing component in accordance with Ind AS 18 (or when the entity applies the practical expedient) or pricing adjustments embedded in the contract.

Loss allowance for expected life time credit loss is recognised on initial recognition.

## 8.2 Financial liabilities and equity instruments issued by the Company

Classification

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

i) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

ii) Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

iii) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company. Trade and other



payables are presented as current liabilities if payment is due within 12 months after the reporting period otherwise as non-current. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

iv) Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The derivatives that are not designated as hedges are accounted for at fair value through profit and loss and are included in other gains/ (losses).

a) Embedded derivatives

Derivatives embedded in a host contract that is an asset within the scope of Ind AS 109 are not separated. Financial Assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Derivatives embedded in all other host contract are separated only if economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract and are measured at fair value through profit and loss. Embedded derivatives closely related to the host contract are not separated.

b) Embedded foreign currency derivatives

Embedded foreign currency derivatives are not separated from the host contract if they are closely related. Such embedded derivatives are closely related to the host contract, if the host contract is not leveraged, does not contain any option feature and requires payments in one of the following currencies:

- The functional currency of any substantial party to that contract,
- The currency in which the price of the related good or service that is acquired or delivered is routinely denominated in commercial transactions around the world,
- A currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the transaction takes place (i.e. relatively liquid and stable currency)

Foreign currency embedded derivatives which do not meet the above criteria are separated and the derivative is accounted for at fair value through profit and loss.

### 8.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

## 9. CASH AND CASH EQUIVALENTS:

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid

investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

## 10. FAIR VALUE MEASUREMENT

10.1 The Company measures certain financial instruments, such as derivatives and other items in its financial statements at fair value at each balance sheet date.

10.2 All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. Derived from prices).

Level 3 – Inputs for the assets and liabilities that are not based on observable market data (unobservable inputs).

10.3 For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

## 11. PROPERTY, PLANT AND EQUIPMENT

### 11.1 Measurement

i) Land is capitalised at cost to the Company. Development of land such as levelling, clearing and grading is capitalised along with the cost of building in proportion to the land utilized for construction of buildings and rest of the development expenditure is capitalised 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 cost of land.

ii) All other items of property, plant and equipment are stated at historical cost less depreciation. Historical costs includes expenditure that is directly attributable to the acquisition of items.

iii) Subsequent costs are included in the asset's carrying amount and recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

iv) Where the cost of a part of the asset is significant to the total cost of the asset and useful life of the part is different from the useful life of the remaining asset, useful life of that significant part is determined separately and the significant part is depreciated on straight line method over its estimated useful life.

### 11.2 Depreciation method, estimated useful life and residual value:

i) Depreciation is calculated using the straight line method to allocate their cost, net of residual values, over the estimated useful life.

ii) The useful lives have been determined to be equal to those prescribed in Schedule II to the Companies Act; 2013.



- iii) The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**11.3 Disposal**

Gains and losses on disposal are determined by comparing net sale proceeds with carrying amount. These are included in statement of profit and loss.

**12. INTANGIBLE ASSETS:**

**12.1 Licences**

Separately acquired licences are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses.

**12.2 Computer software**

- a) The cost of software (which is not an integral part of the related hardware) acquired for internal use and resulting in significant future economic benefits, is recognised as an Intangible Asset in the books of accounts when the same is ready for use. Intangible Assets that are not yet ready for their intended use as at the Balance Sheet date are classified as "Intangible Assets under Development.
- b) Cost associated with maintaining of software programs are recognized as an expense as incurred.
- c) Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:
  - It is technically feasible to complete the software so that it will be available for use
  - Management intends to complete the software and use or sell it
  - There is an ability to use or sell the software
  - It can be demonstrated how the software will generate probable future economic benefits
  - Adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
  - The expenditure attributable to the software during its development can be reliably measured.
- d) Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.
- e) Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is available for use.

**12.3 Research and development**

Research expenditure and development expenditure that do not meet the criteria in 12.2(c) above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

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.

**12.4 Amortization methods and periods**

The Company amortizes intangible assets with a finite useful life using the straight-line method over the following periods:

Licences	Useful Life/Production
Computer software	3 years

**13. INVESTMENT PROPERTY:**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is

classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

**14. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS:**

- 14.1 Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and contractual rights under insurance contracts, which are specifically exempt from this requirement.
- 14.2 An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.
- 14.3 Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.
- 14.4 Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.
- 14.5 A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit and loss.

**15. IMPAIRMENT OF ASSETS:**

- 15.1 Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.
- 15.2 The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.





## 16. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

- 16.1 Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.
- 16.2 Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.
- 16.3 Provisions are measured at the present value of the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provisions due to the passage of time is recognized as interest expense.
- 16.4 Warranty: Warranty on goods sold, wherever applicable, commences once the sale is complete and accordingly provision for such warranty is made. The period, terms and conditions of warranty as per the relevant contract are taken into consideration while determining the provision for such sales.
- 16.5 Liquidated damages:
- In case due date and actual date of supply of goods/ services fall in the same accounting period, Liquidated Damages (LD) is accounted for the period of delay, if any, as per the contractual terms.
- In case of slippage of delivery schedule, provision in respect of LD is recognized on such slippage for the period of delay between the due date of supply of goods/ services as per the contractual terms and the expected date of supply of the said goods/ services.
- Contingent Liabilities and Contingent Assets are not recognized but are disclosed in the notes.

## 17. EMPLOYEE BENEFITS

### 17.1 Short-term obligations

Liabilities for wages and salaries, including other monetary and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

### 17.2 Other long term employee benefit obligations

The liability for vacation leave is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

### 17.3 Post-employment obligations

The Company operates the following post-employment schemes:

- a) Defined benefit plans such as Gratuity and contribution towards Provident Fund under the PF Act; and
- b) Defined contribution plans namely Retired Employee Medical Scheme (REMI)/Post Superannuation Medical Benefit (PSMB), Death Relief Fund (DRF), Employee State Insurance Scheme (ESI) and Pension Scheme(s).

#### a) Defined benefit plans

The liability or assets recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Re-measurement gains and losses arising from experience adjustments and change in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost.

#### b) Defined contribution plans

The Company pays contributions to trusts established as per local regulations and also to publicly administered funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company's contribution paid/ payable to Company approved Retired Employee Medical Scheme (REMI)/ Post superannuation Medical Benefit(PSMB), Death Relief Fund (DRF), Employee State Insurance Scheme (ESI) and Pension Scheme are charged to revenue.

### 17.4 Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefit are measured based on the number of employees expected to accept the offer. Termination Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.



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

#### 18. CONTRIBUTED EQUITY

Equity shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### 19. DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### 20. EARNINGS PER SHARE

##### 20.1 Basic earnings per share

Basic earnings per share is calculated by dividing:

The profit attributable to owners of the Company by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares

##### 20.2 Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- The weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

Note 1 to 36 and Accounting Policies attached form part of accounts.

As per our report of even date,

**for S. R. MOHAN & CO.,**  
Chartered Accountants  
Firm's Registration No.002111S

**For and on behalf of the Board**

**S.SANDEEP REDDY**  
Partner  
(M.No.242470)

**S.PIRAMANAYAGAM**  
Director (Finance)  
DIN: 07117827

**V.UDAYA BHASKAR**  
Chairman and  
Managing Director  
DIN: 06669311

Place : Hyderabad  
Date : 30May 2018

Place: Hyderabad  
Date:30May 2018

**N.NAGARAJA**  
Company Secretary  
(M.No. A19015)



# NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Property, Plant and Equipment

(₹ in Lakh)

Particulars	GROSS CARRYING AMOUNT				DEPRECIATION/ AMORTISATION				NET CARRYING AMOUNT
	As at April 1, 2016	Additions during the year	Deductions/ adjustments during the year	As at March 31, 2017	Accumulated depreciation/ amortisation as at April 1, 2016	Depreciation/ amortisation for the year	Deductions/ adjustments during the year	Accumulated depreciation/ amortisation as at March 31, 2017	As at March 31, 2017
Freehold Land	6,173.46	386.94	-	6,560.40	-	-	-	-	6,560.40
Leasehold Land	3,477.17	-	-	3,477.17	37.05	37.05	-	74.10	3,403.07
Buildings	10,178.16	4,659.16	(167.00)	14,670.32	392.08	577.52	(0.16)	969.44	13,700.88
Fencing and Compound Walls	1,033.02	79.11	-	1,112.13	286.18	264.43	-	550.61	561.52
Roads and Drains	847.26	6.17	-	853.43	111.20	111.19	-	222.39	631.04
Water Supply Installations	99.31	43.69	-	143.00	1.76	4.48	-	6.24	136.76
Plant, Machinery and Equipment	30,769.15	2,537.91	(263.71)	33,043.35	1,963.33	2,411.89	(242.63)	4,132.59	28,910.76
Furniture and Equipment	1,712.73	922.68	(59.87)	2,575.54	409.10	502.98	(53.45)	858.63	1,716.91
Transport Vehicles	420.54	119.76	(1.18)	539.12	55.50	78.71	-	134.21	404.91
Special Tools & Equipment	5,170.06	3.20	-	5,173.26	1,248.78	253.74	(1.54)	1,500.98	3,672.28
<b>Total</b>	<b>59,880.86</b>	<b>8,758.62</b>	<b>(491.76)</b>	<b>68,147.72</b>	<b>4,504.98</b>	<b>4,241.99</b>	<b>(297.78)</b>	<b>8,449.19</b>	<b>59,698.53</b>

Particulars	GROSS CARRYING AMOUNT				DEPRECIATION/ AMORTISATION				NET CARRYING AMOUNT
	As at April 1, 2017	Additions during the year	Deductions/ adjustments during the year	As at March 31, 2018	Accumulated depreciation/ amortisation as at April 1, 2017	Depreciation/ amortisation for the year	Deductions/ adjustments during the year	Accumulated depreciation/ amortisation as at March 31, 2018	As at March 31, 2018
Freehold Land	6,560.40	1,868.73	-	8,429.13	-	-	-	-	8,429.13
Leasehold Land	3,477.17	-	-	3,477.17	74.10	37.05	-	111.15	3,366.02
Buildings	14,670.32	5,681.61	15.65	20,367.58	969.44	852.95	15.81	1,838.20	18,529.38
Fencing and Compound Walls	1,112.13	16.38	0.49	1,129.00	550.61	207.35	1.89	759.85	369.15
Roads and Drains	853.43	-	-	853.43	222.39	110.61	-	333.00	520.43
Water Supply Installations	143.00	27.51	1.95	172.46	6.24	5.84	1.95	14.03	158.43
Plant, Machinery and Equipment#	33,043.35	8,522.76	775.03	42,341.14	4,132.59	2,767.88	327.67	7,228.14	35,113.00
Furniture and Equipment*	2,575.54	1,068.77	(641.47)	3,002.84	858.63	447.44	(39.39)	1,266.68	1,736.16
Transport Vehicles	539.12	8.15	(1.24)	546.03	134.21	79.53	(1.23)	212.51	333.52
Special Tools & Equipment	5,173.26	74.79	-	5,248.05	1,500.98	286.13	-	1,787.11	3,460.94
<b>Total</b>	<b>68,147.72</b>	<b>17,268.70</b>	<b>150.41</b>	<b>85,566.83</b>	<b>8,449.19</b>	<b>4,794.78</b>	<b>306.70</b>	<b>13,550.67</b>	<b>72,016.16</b>

# Adjustments include Reclassification ₹ 523.69 lakh (Acc. Dep. ₹ 95.61 lakh)

\* Adjustments include Reclassification of ₹ (718.10) lakh (Acc. Dep. ₹ ( 211.70) lakh)

#### Notes:

#### Freehold Land:

(a) Freehold Land includes

- (i) 2 Acres and 08 Guntas as at March 31, 2018 (March 31, 2017: 2 Acres and 08 Guntas) of land given on permissive possession to a Government of India Organisation and is in their possession.



- (ii) 146 Acres 32 Guntas (March 31, 2017: 146 Acres 32 Guntas) received free of cost from State Government, is valued at ₹ 28.42 Lakh (as at March 31, 2017 ₹ 28.42 Lakh), title to this land is yet to be received.
- (b) In respect of land admeasuring 82 Acres 31 Guntas (as at March 31, 2017: 82 Acres 31 Guntas) acquired by state government for the company for which an amount of ₹ 21.66 Lakh (as at March 31 2017 : ₹ 21.66 Lakh) paid/provided by the company is capitalised
- (c) Title is yet to be received for 10 Acres 13 Guntas (as at March 31, 2017 : 10 Acres 13 Guntas) for which an amount of ₹ 376.13 lakh (as at March 31, 2017: ₹ 376.13 lakh) paid/provided is capitalised.
- (d) Free hold land of 597 Acres 22.50 Guntas (as at March 31, 2017: 597 Acres 22.50 Guntas ) is taken possession on agreement of sale by paying ₹ 5831.28 Lakh (as at March 31, 2017: ₹ 5831.28 lakh) based on tentative fixation of price is capitalised. One of the condition of agreement of sale is, if the unit does not commence commercial production within 2 year from date of agreement or extended time, if allowed, shall be at a penalty based on the cost of land at that time. Execution of sale deed, passing of title is only after commencing commercial production.

#### Leasehold Land :

- (a) Land measuring 3 acres 25 guntas (March 31, 2017: 3 acres 25 guntas) was taken on lease from Government of India at a rental of ₹ 1.00 per acre per annum. As no premium has been paid for the lease, no capital cost is considered.
- (b) Leasehold land measuring 553 Acres 34 Guntas (as at March 31, 2017: 553 Acres 34 Guntas ) at Amravati for which a premium of ₹ 3922.37 lakh was paid is taken on lease on 07/02/2014 with certain conditions attached to it. One of the main condition is, if the factory building and works are not completed within 60 months from the date of allotment, unless the time is extended, the lease agreement may be cancelled and the lessor may take possession of the leasehold land together with all the erections, if any, on the said land, without paying any compensation to the company.

#### Buildings :

- (a) Buildings include ₹ 111.01 Lakh as at March 31, 2018 (March 31, 2017 : ₹ 111.01 Lakh) being the value of buildings constructed on land not belonging to the Company.

(i) The Estimated useful life of various categories of assets (As per schedule II to the companies Act, 2013) is described as follows:

Asset	Useful life
Buildings	30 / 60
Fencing and Compound walls	5
Roads and Drains	10
Water supply installations	30
Plant, Machinery and Equipment	10/ 12/ 15
Furniture and Equipment	3 / 5 / 10
Transport vehicles	8 / 10

#### 2 Capital Work-in-Progress

(₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Civil	9,970.47	10,609.39
Plant & Machinery	2,995.63	2,855.65
Others	18.24	10.41
<b>Total</b>	<b>12,984.34</b>	<b>13,475.45</b>

#### Notes:

- (i) Capital Work-in-Progress includes ₹ 40.09 Lakh as at March 31, 2018 (March 31, 2017: ₹ 40.09 Lakh) of Buildings kept in abeyance. Subsequent to the report of the Dy. Collector and Tahasildar, the Company 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.
- (ii) Refer note 36(6) for capital commitments and Note 36(7) for details relating to short closed projects.

#### 3 Investment Property

(₹ in Lakh)

Particulars	GROSS CARRYING AMOUNT				DEPRECIATION/ AMORTISATION				NET CARRYING AMOUNT
	As at April 1, 2016	Additions during the year	Deductions/ adjustments during the year	As at March 31, 2017	Accumulated depreciation/ amortisation as at April 1, 2016	Depreciation/ amortisation for the year	Deductions/ adjustments during the year	Accumulated depreciation/ amortisation as at March 31, 2017	As at March 31, 2017
Land (held for rentals)	0.97	-	-	0.97	-	-	-	-	0.97

(₹ in Lakh)

Particulars	GROSS CARRYING AMOUNT				DEPRECIATION/ AMORTISATION				NET CARRYING AMOUNT
	As at April 1, 2017	Additions during the year	Deductions/ adjustments during the year	As at March 31, 2018	Accumulated depreciation/ amortisation as at April 1, 2017	Depreciation/ amortisation for the year	Deductions/ adjustments during the year	Accumulated depreciation/ amortisation as at March 31, 2018	As at March 31, 2018
Land (held for rentals)	0.97	-	-	0.97	-	-	-	-	0.97



**(i) Amounts recognised in Profit or Loss for Investment Properties**

Particulars	March 31, 2018	March 31, 2017
Rental income	-	-
<b>Profit from Investment Properties before depreciation</b>	-	-
Depreciation	-	-
<b>Profit from Investment Properties</b>	-	-

**(ii) Contractual obligations**

The Company has no contractual obligations to sell, construct or develop investment property or for its repairs, maintenance or enhancements.

**(iii) Leasing arrangements**

Land admeasuring 5 acres and 1 gunta at Kanchanbagh is leased to Government of India under long-term operating leases with rentals payable yearly. The lease rentals for such property is ₹ 1 per annum per acre. Leasing arrangements are the same for year ended March 31, 2018 and March 31, 2017.

**(iv) Fair value**

Particulars	March 31, 2018	March 31, 2017
Investment properties	1459.26	1459.26

**Significant judgement:**

As the land given to Indian Navy, Government of India Organisation is within the premises of the company and it would not be possible for the company to give the land to a third party, the Registration department value of the land is considered to be the fair value of the land. The fair value arrived at is ₹ 0.06 lakh per square yard as per the Registration department.

(v) Impairment is tested as per the accounting policy 15. the company has assessed that there are no indicators of impairment.

**4 Intangible Assets**

(₹ in Lakh)

Particulars	GROSS CARRYING AMOUNT				DEPRECIATION/ AMORTISATION				NET CARRYING AMOUNT
	As at April 1, 2016	Additions during the year	Deductions/ adjustments during the year	As at March 31, 2017	Accumulated depreciation/ amortisation as at April 1, 2016	Depreciation/ amortisation for the year	Deductions/ adjustments during the year	Accumulated depreciation/ amortisation as at March 31, 2017	As at March 31, 2017
Development Expenditure	2,591.82	1,444.36	-	4,036.18	644.34	1,658.77	-	2,303.11	1,733.07
Computer Software	918.11	168.11	-	1,086.22	200.93	300.83	-	501.76	584.46
License Fee	11,247.00	2,449.18	-	13,696.18	-	-	-	-	13,696.18
<b>Total</b>	<b>14,756.93</b>	<b>4,061.65</b>	<b>-</b>	<b>18,818.58</b>	<b>845.27</b>	<b>1,959.60</b>	<b>-</b>	<b>2,804.87</b>	<b>16,013.71</b>

Particulars	GROSS CARRYING AMOUNT				DEPRECIATION/ AMORTISATION				NET CARRYING AMOUNT
	As at April 1, 2017	Additions during the year	Deductions/ adjustments during the year	As at March 31, 2018	Accumulated depreciation/ amortisation as at April 1, 2017	Depreciation/ amortisation for the Year	Deductions/ adjustments during the year	Accumulated depreciation/ amortisation as at March 31, 2018	As at March 31, 2018
Development Expenditure	4,036.18	426.72	(1,138.80)	3,324.10	2,303.11	714.24	-	3,017.35	306.75
Computer Software #	1,086.22	474.70	195.00	1,755.92	501.76	474.49	116.68	1,092.93	662.99
License Fee	13,696.18	519.28	-	14,215.46	-	364.24	-	364.24	13,851.22
<b>Total</b>	<b>18,818.58</b>	<b>1,420.70</b>	<b>(943.80)</b>	<b>19,295.48</b>	<b>2,804.87</b>	<b>1,552.97</b>	<b>116.68</b>	<b>4,474.52</b>	<b>14,820.96</b>

# Adjustments including Reclassification ₹ 194.41 lakh (Acc. Dep. ₹ 116.09 lakh)

**5. Intangible Assets under development**

(₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Intangible assets under development	-	112.94
<b>Total</b>	<b>-</b>	<b>112.94</b>

**Significant judgement**

The company estimates the useful life of the software to be 3 years based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer than 3 years, depending on technical innovations.



(₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
<b>6 Non-current Investments</b>		
<b>Investment carried at fair value through profit and loss (Unquoted)</b>	368.94	294.68
(i) 9,21,920 (as at March 31,2017 9,21,920) (including 3,85,920 Bonus Shares) fully paid-up Equity shares (Unquoted) of ₹ 10/- each of A.P.Gas Power Corporation Limited		
	<b>368.94</b>	<b>294.68</b>
- Impairment is tested as per the accounting policy 15. the company has assessed that there are no indicators of impairment.		
- Refer note 36 (15): Fair value measurement.		
<b>Significant Judgement:</b>		
Investments in AP Gas Power Corporation Limited have been designated as fair value through profit and loss. Fair value is considered based on Net worth of investee as the shares are unquoted and the company does not have a significant influence in the investee.		
<b>7 Non current Loans</b>		
- Secured, considered good	249.58	297.13
- Unsecured, considered good	44.67	25.60
	<b>294.25</b>	<b>322.73</b>
Refer note 36 (15): Fair value measurement.		
<b>8 Other Non-current Financial Assets</b>		
- Deferred Debts	5,030.98	5,020.42
	<b>5,030.98</b>	<b>5,020.42</b>
Refer note 36(15): Fair value measurement.		
<b>Significant Judgement:</b>		
<b>Deferred Debts:</b>		
Deferred debts are receivables from the Indian Army and Ordnance factory. The receivable is denominated in Indian Rupees (INR) and receivable in equal instalments over 45 years. As per the agreement, the receivable is adjusted on the basis of rates of Special Drawing Rights (SDR), issued by the International Monetary Fund (IMF). As such the receivable does not satisfy the Solely Payment of Principal and Interest (SPPI) criteria as set out in the standard. Hence, the receivable is measured at fair value through profit and loss. Deferred debt is discounted at 8% to arrive at the fair value on initial recognition and the difference between the fair value and the total deferred debt is considered as deferred expense. Subsequently this is carried at fair value through profit and loss.		
<b>9 Other Non-current Assets</b>		
Capital advances	794.95	660.30
Deferred expense*	2,502.30	2,641.32
	<b>3,297.25</b>	<b>3,301.62</b>
* Refer the significant judgement on Deferred Debts in Note No. 8		

(₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
<b>10 INVENTORIES *</b>		
Raw Materials and Components	131,489.68	141213.13
Less: Provision	(4,532.64)	(1,772.47)
GIT of Raw Materials and Components	2,404.65	25856.32
	<b>129,361.69</b>	<b>165,296.98</b>
Work-in-progress#	61,497.48	56128.62
Less: Provision	(462.42)	(121.16)
	<b>61,035.06</b>	<b>56,007.46</b>
Finished Goods	626.02	624.88
Less: Provision	(190.38)	(147.24)
GIT of Finished Goods	-	-
	<b>435.64</b>	<b>477.64</b>
Stores and Spare Parts	1,059.90	1522.14
Less:Provision	(135.25)	(170.43)
GIT of Stores and Spare Parts	-	7.09
	<b>924.65</b>	<b>1,358.80</b>
Loose Tools	1,055.24	1060.23
Less:Provision	(254.68)	(189.31)
GIT of Loose Tools	0.89	1.40
	<b>801.45</b>	<b>872.32</b>
Construction Materials		-
Stores & Equipment - Welfare	294.07	288.49
Less: Amortisation	(293.56)	(287.76)
	<b>0.51</b>	<b>0.73</b>
Miscellaneous Stores	27.64	27.64
	<b>192,586.64</b>	<b>224,041.57</b>
# Includes Inventory with Customers	9.20	82.94
* Include Material issued to Sub-contractors/Others	13,497.30	22,799.18
- Out of ₹ 13497.30 lakh (as at March 31,2017 ₹ 22799.18 Lakh), material lying with sub contractors of ₹ 11,325.55 lakh (as at March 31,2017 ₹12419.41Lakh) were physically verified and balance is confirmed by the vendors.		
- Valuation of Inventories has been made as per Company's Accounting Policy No. 7.		
- Refer note 36(7): Details of short closed projects.		



(₹ in Lakh)

Particulars		As at March 31, 2018	As at March 31, 2017
<b>11</b>	<b>Current Investments</b>		
	Investment at Fair Value through Profit and loss		
	Investment in Mutual Funds (Quoted)		
	SBI Premier Liquid Fund-Regular Plan-Growth : No. of Units:74818.404 (31 March 2017:NIL)	2,031.76	-
	SBI Ultra short term-Debt Fund -Direct Plan-Growth : No. of Units:455024.513 (31 March 2017:NIL)	10,246.46	-
	SBI short term-Debt Fund -Direct Plan-Growth : No. of Units:49751986.348 (31 March 2017:NIL)	10,199.60	-
	SBI Premier Liquid Fund-Direct Plan-Growth : No. of Units:38617.679 (31 March 2017:NIL)	1,052.10	-
		<b>23,529.92</b>	-
	Refer note 36 (15): Fair value measurement		
	<b>Aggregate of Market value of quoted Investments</b>	23,529.92	-
<b>12</b>	<b>Trade Receivables</b>		
	Secured	-	-
	Unsecured, considered good	52,856.37	15,455.05
	Doubtful	-	-
	Less: Allowance for doubtful debts (expected credit loss allowance)	-	-
		<b>52,856.37</b>	<b>15,455.05</b>
	Refer note 36 (1): Offsetting Financial Assets and Financial Liabilities; 36 (15): Fair value measurement; 36 (12) Charges registered.		
<b>13</b>	<b>Cash and Cash Equivalents</b>		
	Balances with Banks		
	- in current accounts	371.30	4,614.29
	- in deposit accounts (less than 3 months)	2,619.22	4,690.79
	Cash on hand*	8.42	5.59
	Remittances in transit	-	-
		<b>2,998.94</b>	<b>9,310.67</b>
	<b>Cash and Cash Equivalents as per Statement of Cash flows</b>	<b>2,998.94</b>	<b>9,310.67</b>
	*There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior periods.		
	* Cash in hand includes cash held with imprest holders		
	Refer note 36 (15): Fair value measurement.		
<b>14</b>	<b>Other Bank balances</b>		
	Bank deposits other than margin money (Maturity period more than 3 months but less than 12 months)	32,680.00	164,490.00
		<b>32,680.00</b>	<b>164,490.00</b>
	- The company has been sanctioned an overdraft facility of ₹ 1,500.00 lakhs against which the company had provided deposits worth ₹ 1,700.00 lakhs as security.		
	- There are no bank deposits with maturity beyond 12 months.		
	<b>Reconciliation of Cash and Bank balances:</b>		
	Cash and Cash Equivalents (as per the above)	2,998.94	9,310.67
	Bank Balance (as per the above)	32,680.00	164,490.00
	<b>Total Cash and Bank balances</b>	<b>35,678.94</b>	<b>173,800.67</b>

(₹ in Lakh)

Particulars		As at March 31, 2018	As at March 31, 2017
<b>15</b>	<b>Current Loans</b>		
	Loans to Employees		
	- Secured, considered good	113.08	124.89
	- Unsecured, considered good	110.60	164.37
	Total Current Loans	<b>223.68</b>	<b>289.26</b>
	Also refer note 36 (15): Fair value measurement.		
<b>16</b>	<b>Other Current Financial Assets</b>		
	Claims/Refunds receivable	6,854.09	10,092.65
	Less: Provision for doubtful claims	(21.47)	(21.47)
	Deferred Debts*	358.85	347.85
	Unbilled Revenue	167,957.09	158,080.94
	Interest accrued on Deposits	633.74	4,355.90
	Interest accrued - Others	18.03	17.41
	Total Other Current Financial Assets	<b>175,800.33</b>	<b>172,873.28</b>
	Also refer note 36 (15): Fair value measurement.		
	* Refer the significant judgement on Deferred Debts in Note No. 8		
<b>17</b>	<b>Other Current Assets</b>		
	Advances other than capital advances:		
	Advances to vendors		
	- Secured, considered good	17,828.33	22,650.46
	- Unsecured, considered good	24,535.31	112,431.83
	- Unsecured, considered doubtful	3.19	3.19
	Less: Provision for doubtful advances	(3.19)	(3.19)
	Prepaid expenses	169.53	130.03
	Deposits	1,421.62	1,459.11
	Advance Service Tax & GST	6,997.73	1,413.88
	Deferred Expense*	139.02	139.02
	Total Current Assets	<b>51,091.54</b>	<b>138,224.33</b>
	Refer note 36(7): Details of short closed projects.		
	* Refer the significant judgement on Deferred Debts in Note No. 8		



## 18 Equity Share Capital:

(₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
<b>Authorised</b>		
20,00,00,000 Equity Shares of ₹ 10/- each	20,000.00	12,500.00
12,50,000 Equity shares of ₹ 1,000/- each (P.Y)		
<b>Issued, Subscribed and paid up</b>		
18,32,81,250 Equity Shares of ₹ 10/- each fully paid	18,328.12	12,218.75
12,21,875 Equity Shares of ₹ 1,000/- each fully paid (P.Y)		
	<b>18,328.12</b>	<b>12,218.75</b>

### Notes:

Equity shares have a par value of ₹ 10 (2016-17 and before: ₹ 1000). They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

### (A) Reconciliation of the number of Shares outstanding:

(₹ in Lakh)

Particulars	Number of Shares	Amount
<b>Balance as at March 31, 2016</b>	977,500	9,775.00
Bonus issue during the year	244,375	2,443.75
<b>Balance as at March 31, 2017</b>	<b>1,221,875</b>	<b>12,218.75</b>
Splitting of shares during the year	<b>122,187,500</b>	<b>12,218.75</b>
Buy back during the year	(30,546,875)	(3,054.69)
Bonus issue during the year	91,640,625	9,164.06
<b>Balance as at March 31, 2018</b>	<b>183,281,250</b>	<b>18,328.12</b>

### (B) Details of shares held by each shareholder holding more than 5% shares

Particulars	As at March 31, 2018		As at March 31, 2017	
	Number of shares held	% holding of equity shares	Number of shares held	% holding of equity shares
<b>Fully paid equity shares</b>				
Government of India	160,829,297	87.75%	1,221,875	100%

### (C) Details of the buyback for the last 5 years immediately preceding the Current year

(₹ in Lakh)

Particulars	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
Number of shares bought back (nos.)	30,546,875	-	172,500	-	-	-
Face value of each share bought back (in ₹)	10.00	-	1,000.00	-	-	-
Total Face value of shares bought back	3,054.69	-	1,725.00	-	-	-
Total Premium paid on shares bought back	41,998.90	-	18,160.80	-	-	-
Consideration paid towards buy back	45,053.59	-	19,885.80	-	-	-
Share capital reduction	3,054.69	-	1,725.00	-	-	-
Share premium utilised	-	-	-	-	-	-
General reserve utilised	45,053.59	-	19,885.80	-	-	-
Amount transferred to Capital redemption reserve	3,054.69	-	1,725.00	-	-	-

The face value of equity shares of ₹ 1000/- each was split into face value of ₹ 10/- each and accordingly no. of equity shares increased by 100 times with effect from 8th May 2017 .

- In accordance with Sec 68,69 and 70 of the Companies Act, 2013, the company initiated and completed buy back of shares from Government of India during the year ended 31 March 2018 and during the year 2015-16 .

### (D) Details of the Bonus shares issued for the last 5 years immediately preceding the current year .

Particulars	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
No. of Bonus Shares issued (nos.)	91640625	244375	-	-	-	-
Value of Bonus Shares issued (₹ in lakh)	9164.06	2443.75	-	-	-	-





(₹ in Lakh)

	Particulars	As at March 31, 2018	As at March 31, 2017
<b>19</b>	<b>Other Equity</b>		
	General Reserve	160,135.54	188,298.51
	Capital redemption Reserve	-	-
	Retained Earnings	17,174.33	18,980.33
	<b>Balance at end of year</b>	<b>177,309.87</b>	<b>207,278.84</b>
	<b>A. General Reserve</b>		
	Balance at beginning of year	188,298.51	153,717.26
	Transfer to Capital Redemption Reserve	(3,054.69)	-
	Buyback Premium Written off	(41,998.90)	-
	Depreciation Adjustment	-	-
	Transfer from Statement of Profit and Loss	23,000.00	35,300.00
	Bonus shares issued	(6,109.38)	(718.75)
	<b>Balance at end of year</b>	<b>160,135.54</b>	<b>188,298.51</b>
	The general reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.		
	<b>B. Capital Redemption Reserve</b>		
	Balance at beginning of year	-	1,725.00
	Transfer from General reserve	3,054.69	-
	Utilised against issue of bonus shares	(3,054.69)	(1,725.00)
	<b>Balance at end of year</b>	<b>-</b>	<b>-</b>
	Reduction in nominal value of share capital on account of buy-back of shares is recorded as capital redemption reserve.		
	<b>C. Retained Earnings</b>		
	Balance at beginning of year	18,980.33	14,784.34
	Profit for the year	52,815.16	52,405.56
	Final dividend and tax thereof	(18,922.23)	(12,198.49)
	Tax on Buyback of shares	(9,689.99)	-
	Interim Dividend	(2,500.00)	-
	Tax on Interim Dividend	(508.94)	-
	Transfer to General Reserve	(23,000.00)	(35,300.00)
	Other comprehensive income (net of tax)	-	(711.08)
	<b>Balance at end of year</b>	<b>17,174.33</b>	<b>18,980.33</b>
<b>20</b>	<b>Other Non - Current Financial Liabilities</b>		
	Deferred Credit	1,878.42	1,920.38
	Embedded derivative liability (Deferred liability)	3,295.46	3,242.63
		<b>5,173.88</b>	<b>5,163.01</b>
	Also refer note 36 (15): Fair value measurement.		
	<b>Significant judgements:</b>		
	1) Deferred credit: Deferred credit represents the principal credit portion (at the base rate) of the 45 years deferred credit provided by the Russian government. The deferred credit is a financial liability, therefore shall be recognised at fair value. The fair value is ascertained by discounting the future cash outflows at the rate of 8%. The company considers 8% to be the cost of capital.		
	2) Embedded derivative: The increase in liability due to movement in SDR rates is assessed to be an embedded derivative. The embedded derivative is accounted at the fair value on each reporting date through Profit and loss. The fair value is considered to be the adjusted rupee value of the SDR unit as on the reporting date according to the agreement.		

(₹ in Lakh)

	Particulars	As at March 31, 2018	As at March 31, 2017
<b>21</b>	<b>Non-current Provisions</b>		
	Employee benefits		
	Accrued Leave	-	711.05
	Gratuity	-	1,076.16
		-	<b>1,787.21</b>
<b>22</b>	<b>Other Non - Current Liabilities</b>		
	Advances from Customers-		
	MoD	21,181.70	29,943.30
	Others	1,050.00	1,061.22
	Deferred Income*	2,573.37	2,716.34
	Deferred Revenue	11,021.11	9,191.60
		<b>35,826.18</b>	<b>42,912.46</b>
	* Refer the significant judgement on Deferred Credit in note No.20		
	Also Refer note 36 (19) : Grant for solar plant		



(₹ in Lakh)

<b>23 Trade Payables</b>		
Trade Payables - Current:		
Dues to micro enterprises and small enterprises	3,725.68	1,601.71
Dues to creditors other than micro, small and medium enterprises	97,424.88	151,334.71
	<b>101,150.56</b>	<b>152,936.42</b>
<b>Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006</b>		
(i) Principal amount and interest due thereon remaining unpaid to any supplier as at the end of the accounting year		
- Principal	3,524.81	1,400.39
- Interest	200.87	201.32
(ii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day		-
(iii) The amount of interest due and payable for the year	25.94	9.99
(iv) The amount of interest accrued and remaining unpaid at the end of the accounting year	200.87	201.32
(v) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-
- Dues to Micro, Small and Medium Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the Auditors.		
<b>24 Other Current Financial Liabilities</b>		
Current maturities of Deferred credit*	369.04	357.73
Deposits	1,405.73	1,530.09
Creditors for expenses	5,085.67	3,628.26
Employee benefits payable	9,681.17	5,664.65
Others	2,496.90	199.67
Capital works	4,977.38	2,486.86
	<b>24,015.89</b>	<b>13,867.26</b>
Refer note 36 (1): Offsetting Financial Assets and Financial Liabilities		
Also refer note 36 (15): Fair value measurement.		
* Refer the significant judgement on Deferred Credit in note No.20		
<b>25 Other Current Liabilities</b>		
Advances from Customers:		
- MoD	140,816.49	313,058.89
- Others	52,812.16	7,421.19
Deferred Income*	142.97	142.97
Deferred Revenue	1,989.46	704.79
Statutory remittances	35,651.39	29,705.21
	<b>231,412.47</b>	<b>351,033.05</b>
Refer note 36(7): Details of short closed projects.		
* Refer the significant judgement on deferred credit in note No. 20		

(₹ in Lakh)

	Particulars	As at March 31, 2018	As at March 31, 2017
<b>26</b>	<b>Current Provisions</b>		
	Employee benefits		
	- Gratuity	5733.97	249.45
	- Accrued leave	153.25	-
	Warranty	4990.22	4,589.84
	Liquidated Damages	27123.41	24,000.45
	Onerous contract	950.96	39.00
	CSR & Sustainable development	958.93	1,225.74
	Future charges	13509.46	10,843.16
	Others	9865.67	9,865.67
		<b>63,285.87</b>	<b>50,813.31</b>

**Movement in provisions**

Other Provisions	Employee benefits	Warranty	Liquidated Damages	Onerous Contract	CSR & Sustainable Development	Future Charges	Others
<b>Balance as at March 31, 2017</b>	<b>249.45</b>	<b>4,589.84</b>	<b>24,000.45</b>	<b>39.00</b>	<b>1,225.74</b>	<b>10,843.16</b>	<b>9,865.67</b>
Additional provisions recognised	5,887.22	1,647.69	20,366.29	950.96	1,509.54	2,974.03	-
Reductions arising from payments/ other sacrifices of future economic benefits	(249.45)	(1,247.31)	(17,243.33)	(39.00)	(1,776.35)	(307.73)	
<b>Balance as at March 31, 2018</b>	<b>5,887.22</b>	<b>4,990.22</b>	<b>27,123.41</b>	<b>950.96</b>	<b>958.93</b>	<b>13,509.46</b>	<b>9,865.67</b>



<b>Warranties:</b>
Warranty estimates are established using historical information on the nature, frequency and average cost of warranty claims and also management estimates regarding possible future outflow on servicing the customers for any corrective action in respect of product failure which is generally expected to be settled within a period of 1 to 2 years from the date of supply.
<b>Liquidated damages:</b>
Liquidity damages are established using historical information on the scheduled delivery period and the trend of delays and also management estimates regarding possible future outflow on delay of delivery of goods or services to the customers.
<b>Onerous contract:</b>
Provision for onerous contract represents the loss assessed by the company on its executory sale contracts. Such loss will be provided as and when the assessment is made, by the company during the course of execution of such contracts.
<b>CSR &amp; Sustainable development:</b>
CSR & Sustainable development expenses are recognised based on the expenditure incurred / to be incurred as per the provisions of Companies Act, 2013.
<b>Future charges:</b>
Provision for future charges represents the estimated liability on account of revised ancillary/ packing material accepted to be delivered in line of ancillary/ packing material originally stipulated in the contract terms for the sales effected earlier.

(₹ in Lakh)

	Particulars	As at March 31, 2018	As at March 31, 2017
<b>27</b>	<b>Income Taxes</b>		
	<b>A. Deferred Tax Balance</b>		
	Deferred Tax Assets	25,814.49	19,016.39
	Deferred Tax Liabilities	6,558.51	4,871.68
	<b>Total</b>	<b>19,255.98</b>	<b>14,144.71</b>
	<b>Breakup of Deferred Tax balances</b>		
	<b>Deferred Tax Assets</b>		
	Freehold Land	1,542.74	1,364.26
	Provisions	23,840.02	17,351.81
	Fair value adjustment to Deferred credit	431.73	300.32
	<b>Sub-Total</b>	<b>25,814.49</b>	<b>19,016.39</b>
	<b>Deferred Tax Liabilities</b>		
	Property plant and Equipment	3,568.85	2,561.41
	Intangible Assets	2,322.70	1,785.19
	Fair value of investments		
	- Equity Shares in unlisted Company	72.76	55.62
	- Mutual Funds	174.39	-
	Fair value adjustment to Deferred debts	419.81	292.03
	Others	-	177.43
	<b>Sub-Total</b>	<b>6,558.51</b>	<b>4,871.68</b>
	<b>Net Deferred Tax Asset/(Liability)</b>	<b>19,255.98</b>	<b>14,144.71</b>

97

**Reconciliation of Deferred Tax Balances:  
For 2016-17**

(₹ in Lakh)

Particulars	Opening Balance	Recognised in statement of Profit and loss	Recognised in Other comprehensive income	Closing Balance
<b>Deferred Tax Assets pertaining to :</b>				
Freehold Land	1,220.61	143.65	-	1,364.26
Provisions	12,476.75	4,498.73	376.33	17,351.81
Fair value adjustment to Deferred credit	295.56	4.76	-	300.32
<b>Sub total</b>	<b>13,992.92</b>	<b>4,647.14</b>	<b>376.33</b>	<b>19,016.39</b>
<b>Deferred Tax Liabilities pertaining to :</b>				
Property plant and Equipment	1,473.28	1,088.13	-	2,561.41
Intangible Assets	1,674.39	110.80	-	1,785.19
Fair value of investments				
- Equity Shares in unlisted Company	55.62			55.62
- Mutual Funds				-
Fair value adjustment to Deferred debts	287.39	4.64	-	292.03
Others	56.36	121.07	-	177.43
<b>Sub total</b>	<b>3,547.04</b>	<b>1,324.64</b>	<b>-</b>	<b>4,871.68</b>
<b>Total</b>	<b>10,445.88</b>	<b>3,322.50</b>	<b>376.33</b>	<b>14,144.71</b>



**Reconciliation of Deferred Tax Balances:  
For 2017-18**

(₹ in Lakh)

Particulars	Opening Balance	Recognised in statement of Profit and loss	Recognised in Other comprehensive income	Closing Balance
<b>Deferred Tax Assets pertaining to :</b>				
Freehold Land	1,364.26	178.48	-	1,542.74
Provisions	17,351.81	6,488.21	-	23,840.02
Fair value adjustment to Deferred credit	300.32	131.41	-	431.73
<b>Sub total</b>	<b>19,016.39</b>	<b>6,798.10</b>	-	<b>25,814.49</b>
<b>Deferred Tax Liabilities pertaining to :</b>				
Property plant and Equipment	2,561.41	1,007.44	-	3,568.85
Intangible Assets	1,785.19	537.51	-	2,322.70
Fair value of investments			-	-
- Equity Shares in unlisted Company	55.62	17.14		72.76
- Mutual Funds		174.39		174.39
Fair value of Deferred Debt	292.03	127.78	-	419.81
Others	177.43	(177.43)	-	-
<b>Sub total</b>	<b>4,871.68</b>	<b>1,686.83</b>	-	<b>6,558.51</b>
<b>Total</b>	<b>14,144.71</b>	<b>5,111.27</b>	-	<b>19,255.98</b>

(₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
<b>B. Current Tax Assets and Liabilities</b>		
Current Tax Assets	-	940.39
	-	940.39
<b>Current Tax Liabilities</b>		
Income tax payable	3,334.41	-
<b>Total Current Tax Liabilities</b>	<b>3,334.41</b>	-

(₹ in Lakh)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>C. Tax Expense</b>		
<b>i) Recognised in the Statement of Profit and Loss</b>		
<b>Current Tax</b>		
In respect of the current year	29,130.44	30,711.73
In respect of prior years	548.08	486.48
<b>Total</b>	<b>29,678.52</b>	<b>31,198.21</b>
<b>Deferred Tax</b>		
In respect of the current year	(5,111.27)	(3,322.51)
<b>Total</b>	<b>(5,111.27)</b>	<b>(3,322.51)</b>
<b>ii) Recognised in Other comprehensive income</b>		
<b>Deferred Tax</b>		
In respect of the current year	-	(376.33)
<b>Total</b>	-	<b>(376.33)</b>



The Income Tax expense for the year can be reconciled to the accounting profit as follows

(₹ in Lakh)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Profit before tax from continuing operations	77,382.41	80,281.26
<b>Tax expense of amounts which are not deductible (taxable) in calculating taxable income</b>		
Income tax expense calculated at 34.608%(FY 2017-18 : 34.608%)	26,780.50	27,783.74
Donations made during the year	0.09	0.17
Amount towards CSR activities	522.42	455.22
Interest due to MSME's	11.84	23.61
Foreign exchange capitalised	-	-
Others	2,425.04	-
Interest payable u/s 234A, 234B, 234C	86.56	114.68
<b>Tax expense of amounts on which weighted deduction is available in calculating taxable income</b>		
Weighted deduction on research and development expenditure	(696.00)	(1,198.50)
Depreciation	-	-
Investment Allowance u/s 32(AC)	-	-
VL Encashment	-	-
Impact of deferred tax on indexation of land	-	(143.65)
Impact of deferred tax AY 2018-19	(5,111.27)	-
Adjustment for current tax of previous years	-	(253.14)
Adjustments recognised in the current year in relation to the earlier year AY 2014-15	1.02	195.31
Adjustments recognised in the current year in relation to the earlier year AY 2016-17	(1.09)	-
Adjustments recognised in the current year in relation to the earlier year AY 2017-18	548.15	-
Adjustments recognised in the current year in relation to the current tax of prior years	-	486.48
Adjustments recognised in the current year in relation to the deferred tax of prior years (change in tax rates)	-	35.45
Income tax relating to items that will not be reclassified to profit/loss	-	376.33
<b>Income tax expense recognised in profit or loss</b>	<b>24,567.25</b>	<b>27,875.70</b>

(₹ in Lakh)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>28 Revenue from Operations</b>		
<b>Sale of products</b>		
Finished Goods	309,548.27	393,007.87
Spares	84,442.62	36,092.58
Excise Duty	1,134.10	35,083.84
Miscellaneous	22,994.48	3,432.40
<b>Sale of services</b>		
Repairs and Overhauls	6,636.87	150.43
Training	402.91	-
Job Works	6,644.50	6,858.27
<b>Other operating revenue</b>		
Construction Contracts	8,712.96	12,945.16
Sale of Scrap	1.26	40.16
Deferred revenue on customer provided assets	734.05	704.78
Other Claims	17,507.73	346.15
<b>Total</b>	<b>458,759.75</b>	<b>488,661.64</b>
- Refer note 36(4): Construction Contracts		
- Sale of Finished goods includes ₹ NIL (₹ 8544.88 lakh previous year) and sale of Spares includes ₹ 75221.63 lakh (₹ 24773.86 lakh previous year) accounted based on Customer acceptance and Prices accepted by representative of the customer for which contract amendment is under consideration by the customer. The Company is confident of its realisation of these amounts.		
<b>Significant judgement:</b>		
Revenue:		
- The company recognizes service revenue on the basis of percentage of completion method.		
- The percentage of completion is determined as proportion of cost incurred for the work performed up to the reporting date to the total estimated cost.		
- An expected loss is recognized immediately when it is probable that the total cost will exceed the total revenue.		



(₹ in Lakh)

	Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>29</b>	<b>Other Income</b>		
	<b>Interest income on financial assets carried at amortised cost</b>		
	Bank deposits	8,173.83	18,918.12
	Interest income from related parties	-	-
	Others	1,007.92	1,248.65
		<b>9,181.75</b>	<b>20,166.77</b>
	<b>Other non-operating income</b>		
	Liabilities no longer required, written back	120.06	4,407.22
	Provisions no longer required, written back	-	73.28
	Liquidated Damages recovered from suppliers	7,321.94	5,220.92
	Miscellaneous income ( net)	433.34	727.12
		<b>7,875.34</b>	<b>10,428.54</b>
	<b>Other gains and losses</b>		
	Net foreign exchange gain / (Loss)	(554.75)	(773.77)
	Fair value gain/(loss) on financial assets measured at Fair value through profit and loss	727.55	152.41
	Gain on disposal of property, plant and equipment	-	20.31
	Gain on sale of Financial Assets Measured at Fair value through profit and loss	26.02	
		<b>198.82</b>	<b>(601.05)</b>
	<b>Total</b>	<b>17,255.91</b>	<b>29,994.26</b>

(₹ in Lakh)

	Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>30</b>	<b>Cost of Materials consumed</b>		
	Cost of materials consumed	273,816.22	311,923.75
	Direct expenses	16,942.99	598.94
		<b>290,759.21</b>	<b>312,522.69</b>
<b>31</b>	<b>Changes in Inventories of Finished Goods and Work-in-progress</b>		
	<b>Opening Stock:</b>		
	Finished goods	624.88	1,545.39
	Work-in-progress	56,128.62	42,770.10
		<b>56,753.50</b>	<b>44,315.49</b>
	<b>Closing Stock:</b>		
	Finished goods	626.02	624.88
	Work-in-progress	61,497.48	56,128.62
		<b>62,123.50</b>	<b>56,753.50</b>
	<b>Net (Increase) / Decrease</b>	<b>(5,370.00)</b>	<b>(12,438.01)</b>
<b>32</b>	<b>Employee Benefits Expense</b>		
	Salaries and wages, including bonus	38,325.96	33,585.65
	Contribution to provident and other funds	12,880.19	9,416.05
	Staff welfare expenses	1,727.83	1,836.95
	<b>Total</b>	<b>52,933.98</b>	<b>44,838.65</b>
	Refer note 36(3): Employee Benefit obligations and 36(8) Related party transactions		
<b>33</b>	<b>Finance Costs</b>		
	Interest expense	188.90	228.73
	Other finance costs	139.02	139.02
	<b>Total</b>	<b>327.92</b>	<b>367.75</b>
<b>34</b>	<b>Depreciation and Amortisation expense</b>		
	Depreciation of property, plant and equipment	4,794.78	4,241.98
	Amortisation of intangible assets	1,552.97	1,959.60
	<b>Total</b>	<b>6,347.75</b>	<b>6,201.58</b>



(₹ in Lakh)

	Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>35</b>	<b>Other Expenses</b>		
	Shop Supplies	448.03	267.06
	Excise duty on sale of goods	1,088.83	35,129.11
	Power and Fuel	2,092.51	1,947.55
	Water Charges	640.73	486.46
	Travelling #	1,345.41	1,583.28
	Repairs:		
	Buildings	1,481.53	1,250.94
	Plant, Machinery and Equipment	633.47	855.78
	Furniture and Equipment	82.53	97.08
	Vehicles	10.16	9.09
	Others	80.79	108.79
	Vehicle Expenses - Petrol and Diesel	125.62	54.85
	Loose Tools and Equipment	132.15	129.88
	Insurance	467.37	553.47
	Rates and Taxes	735.00	719.31
	Postage, Telegrams, Telex and Telephones	184.25	168.72
	Printing and Stationery	88.43	51.98
	Publicity	653.28	274.23
	Advertisement	150.98	129.70
	Bank Charges	92.13	81.71
	Legal Expenses	30.48	9.60
	Donations	5.50	15.50
	Chargeoff-others	1,138.60	-
	Write off - Others	-	1.12
	Auditors' Remuneration: (refer note (i) below)	10.90	13.42
	Loss on Sale of Assets (Net)	-	-
	Security Arrangements	3,528.93	3,593.63
	Liquidated Damages Expenditure	18,019.56	15,300.81
	Provision for Liquidated Damages	20,366.29	18,172.26
	Less: Provision for Liquidated damages created earlier written back	(17,243.33)	(14,470.29)
	Computer Software and Development	0.08	12.42
	Entertainment	0.68	1.13
	Courtesy	112.48	154.98
	Sitting Fee paid to Directors	11.82	6.40
	Sitting Fee paid to Independent External Monitors	0.40	0.48
	CSR & Sustainable Development Expenditure	1,509.54	1,315.36
	Replacement and other charges, Warranty and Batch Rejections	400.37	273.84
	Redundancy Provision	2,464.64	418.58
	Provision for Future Charges	2,666.30	2,426.20
	Provision for Onerous Contract	911.95	39.00
	Provision Others	710.11	9,413.78
	Miscellaneous Operating Expenses	8,659.19	6,515.64
	Less: Expenses capitalised	-	-
	Intangible Assets (DRE)	(203.30)	(231.45)
	Tools and Jigs	-	-
	Others	-	0.58
	<b>Total</b>	<b>53,634.39</b>	<b>86,881.98</b>
	# Includes Directors' Travelling Expenses	78.78	101.75
	<b>Notes:</b>		
	<b>i) Auditors' Remuneration comprises Fee:</b>		
	<b>Particulars</b>		
	For Statutory Audit	10.00	12.08
	For Tax Audit	0.59	1.21
	For other services	0.31	0.13
	<b>Total Auditors' remuneration</b>	<b>10.90</b>	<b>13.42</b>
	In addition to the above Auditors are paid ₹ 5.75 Lakh by Government of India in connection with offer for sale of company shares from its holdings.		
	ii) Refer note 36(5): Expenditure relating to Research and Development.		
	iii) Refer note 36 (8): Related party transactions		



**36: General Notes:**

**Statement of Compliances:**

The financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) [as notified under the section 133 of Companies Act, 2013 (the "Act") read with Rule 3 of Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

**36(1) Offsetting Financial Assets and Financial Liabilities**

The following table presents the recognised financial instruments that are offset as at March 31 2018, March 31 2017. The column "net amount" shows the impact on the Company's Balance Sheet if all offset rights are exercised.

(₹ in Lakh)

Particulars	Effects of offsetting on the Balance Sheet		
	Gross Amounts	Gross Amounts offset in the Balance Sheet	Net amount presented in the Balance Sheet
<b>As on March 31, 2018</b>			
Trade receivables	77,040.62	(24,184.25)	52,856.37
LD levied by customers	(24,184.25)	(24,184.25)	-
<b>As on March 31, 2017</b>			
Trade receivables	29,744.23	(14,289.18)	15,455.05
LD levied by customers	(14,289.18)	(14,289.18)	-

**36(2) Earnings per share**

**(i) For continuing operations:**

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Profit after tax	52,815.16	52,405.56
<b>Basic:</b>		
Number of shares outstanding at the end of the year	183,281,250	122,187,500
Weighted average number of equity shares*	198,178,082	213,828,125
Earnings per share (INR)	26.65	24.51
<b>Diluted:</b>		
Effect of potential equity shares on employee stock options outstanding	-	-
Weighted average number of equity shares outstanding	198,178,082	213,828,125
Earnings per share (INR)	26.65	24.51

Note: EPS is calculated based on profits excluding the other comprehensive income. EPS for previous year is adjusted for Bonus issue made during the year.

\* Since there is a splitting of shares during the year, the previous year figures are revised accordingly

**(ii) For discontinuing operations:**

There are no discontinuing operations.

**(iii) For continuing and discontinuing operations:**

Refer to the table (i)





### 36 (3) Employment Benefit obligations

#### (i) Post-employment obligations- Gratuity

The company provides for gratuity for employees in India as per the payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 day's salary multiplied for the number of years of service. The gratuity plan is a funded plan and the Company makes contributions to recognized funds in India. The company does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected gratuity payments.

#### Gratuity

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

(₹ in Lakh)

Particulars	Gratuity			Provident fund		
	Present Value of obligation	Fair Value of Plan Assets	Net amount	Present Value of obligation	Fair Value of Plan Assets	Net amount
<b>01-Apr-17</b>	12,509.75	11,184.15	1,325.60	35,753.78	35,753.78	-
Current service cost	5,662.78		5,662.78	2,964.72	-	2,964.72
Interest expense/(income)	1,000.78	929.59	71.19	3,055.06	3,055.06	-
<b>Total amount recognized in profit or loss</b>	<b>6,663.56</b>	<b>929.59</b>	<b>5,733.97</b>	<b>6,019.78</b>	<b>3,055.06</b>	<b>2,964.72</b>
Remeasurements						
Return on plan assets, excluding amounts included in interest expense/(income)					28.08	(28.08)
(Gain)/loss from change in demographic assumptions						-
(Gain)/loss from change in financial assumptions						-
Experience (gains)/loss			-	28.08		28.08
<b>Total amount recognized in other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28.08</b>	<b>28.08</b>	<b>-</b>
Employer contributions		1,325.60	(1,325.60)	-	2,964.72	(2,964.72)
Benefit payments	(619.41)	(619.41)	-	(1,997.30)	(1,997.30)	-
<b>31-Mar-18</b>	<b>18,553.90</b>	<b>12,819.93</b>	<b>5,733.97</b>	<b>39,804.34</b>	<b>39,804.34</b>	<b>-</b>

The net liability disclosed above relates to funded and unfunded plans are as follows:

Particulars	Gratuity		Provident fund	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Present value of funded obligations	18,553.90	12,509.75	39,804.34	35,753.78
Fair value of plan assets	12,819.93	11,184.15	39,804.34	35,753.78
Deficit of funded plans	5,733.97	1,325.60	-	-

Significant estimates: Actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

Particulars	Gratuity		Provident fund	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Discount rate	8.00%	8.00%	8.60%	8.65%
Salary escalation	6.00%	6.00%	6.00%	6.00%
Attrition rate	1.90%	3.40%	0.51%	0.51%

#### Sensitivity analysis

Particulars	Gratuity		Provident Fund	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Defined Benefit Obligation	18,553.90	12,509.75	39,804.37	35,753.78
Discount rate:(% change compared to base due to sensitivity)				
Increase : +1%	17,330.24	11,750.98	33,645.49	30,221.65
Decrease: -1%	19,940.16	13,364.04	43,332.09	38,922.51
Salary Growth rate:(% change compared to base due to sensitivity)				
Increase : +1%	19,093.30	12,893.38	44,678.73	40,132.12
Decrease: -1%	18,018.19	12,143.70	36,979.37	33,216.42
Attrition rate: (% change compared to base due to sensitivity)				
Increase : 1%	17,330.24	11,750.98	33,645.49	30,221.65
Decrease: 1%	19,940.16	13,364.04	43,332.09	38,922.51



The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

The major categories of plans assets are as follows:

(₹ in Lakh)

Particulars	Gratuity		Provident fund	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Central government security	3,384.46	2,364.33	5,366.70	6,642.40
State government security	4,719.02	4,589.97	4,025.00	4,600.00
NCD/ Bonds	3,204.97	3,503.99	25,366.73	20,846.73
Equity	989.70	232.63	2,244.78	1,644.77
Fixed deposit	280.76	484.27	-	-
CBLO	83.33	8.95	2,801.17	2,019.88
Loans	3.85	-	-	-
Other approved security	153.84	-	-	-
	<b>12,819.93</b>	<b>11,184.14</b>	<b>39,804.38</b>	<b>35,753.78</b>

#### Defined benefit liability and employer contributions

The Company has purchased insurance policy to provide for payment of gratuity to the employees. Every year, the insurance company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company. The company considers that the contribution rate set at the last valuation date is sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs will not increase significantly.

The expected cash flows over the next years is as follows:.

(₹ in Lakh)

Particulars	Less than a year	Between 2-3 years	Between 4-5 years	Total
<b>31-Mar-18</b>				
Defined benefit obligation-gratuity	1,197.60	2,479.02	1,244.40	4,921.02
Defined benefit obligation- Provident fund	2,393.56	5,234.60	7,699.34	15,327.50

#### Risk exposure

Through its defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below:

**Interest Rate Risk:** The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase.

**Salary Inflation risk :** Higher than expected increases in salary will increase the defined benefit obligation.

**Demographic Risk:** This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

#### (ii) Defined Contribution plans

**Employer's Contribution to State Insurance Scheme:** Contributions are made to State Insurance Scheme for employees at the rate of 4.75%. The Contributions are made to Employee State Insurance Corporation (ESI) to the respective State Governments of the Company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation.

#### (iii) Compensated absences

The leave obligations cover the company's liability for earned leave.

The company maintains a funded plan for the purpose of compensated absences. The company recognises the obligations net of planned assets as per the actuarial valuation. A summary of employee benefit obligation and planned assets is presented below:

Particulars	March 31, 2018	March 31, 2017
The Actuarial Liability of Accumulated absences of the employees of the Company	9362.85	8952.49
Less: Plan assets	9209.60	(8241.44)
Net obligation	153.25	711.05
<b>Significant assumptions:</b>		
Discounting Rate	8.00% P.A.	8.00% P.A.
Salary escalation Rate	6.00%	6.00%
Retirement Age	60 YEARS	60 YEARS

#### (iii) Post Retirement Medical Scheme

Particulars	March 31, 2018	March 31, 2017
a) Contributions made to Post Superannuation Medical Benefits for the Executives retired after 01 Jan 2007-PSMB-II	277.95	238.26
b) Contributions made to Post Superannuation Medical Benefits for the Non-Executives retired after 01 Jan 2007-PSMB-III	384.94	2342.00
c) Contributions made towards old scheme of Retired Employees Medical Insurance (REMI)	-	7.23



#### 36(4) Construction contracts:

Following disclosures are made relating to Revenue Recognition of Construction Contracts.

##### Methods of recognising contract revenue:

Percentage of completion method is used to determine the contract revenue recognised in the period.

##### Method used to determine stage of completion of contract:

Proportion of contract costs incurred for work performed to the estimated total cost of contracts is used to determine the stage of completion.

(₹ in Lakh)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Contract Revenue recognised during the year	8,712.96	12,945.16
Aggregate amount of cost incurred	40,875.34	31,176.34
Profit Recognised	4,737.17	5,723.18
Amount of retention money due	-	-
Amount of advance received and outstanding	-	1,807.09

#### 36(5) Expenditure relating to Research and Development:

Expenditure relating to Research and Development including product improvement financed by the Company during the year charged to natural heads of account :

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Being in the nature of Revenue expenditure	3351.12	3115.99
Being in the nature of Capital expenditure (Assets Capitalised)	671.05	355.03

#### 36(6) Contingent Liabilities & Contractual Commitments:

Contingent Liabilities Not Provided for:	For the year ended March 31, 2018	For the year ended March 31, 2017
Outstanding Letters of Credit and Guarantees:		
(i) Letters of Credit	4,456.52	1,977.77
(ii) Guarantees and Counter Guarantees	6,250.51	42.92
<b>Total</b>	<b>10,707.03</b>	<b>2,020.69</b>
Claims / Demands against the Company not acknowledged as Debt:		
(i) PSUs	-	-
(ii) Sales Tax	20,995.51	15,468.71
(iii) Service Tax	2,355.51	-
(iv) Others	347.39	331.87
<b>Total</b>	<b>23,698.41</b>	<b>15,800.58</b>
<b>Contractual Commitments:</b>		
Estimated amount of contracts remaining to be executed (A) on Capital Account and not provided for, is		
(i) Property, Plant & Equipment	8,262.69	9,143.29
(ii) Investment Property	-	-
(iii) Intangible Assets	-	-
(B) Contractual commitment for Repair and Maintenance or enhancement of Investment Property	-	-
<b>Total</b>	<b>8,262.69</b>	<b>9,143.29</b>

#### Notes:

- In case of a supplier, the Company initiated legal action for recovery of advance amount of ₹ 17.19 lakh 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.
- In case of another supplier, the Company has initiated legal action for recovery of advance amount of ₹ 4.45 lakh with interest, being amount paid towards material purchases, which were subsequently rejected and taken back by the supplier but failed to supply the correct material. The case was decreed in favour of M/S BDL(ex-parte) and has to be executed.

#### 36(7) Details of short closed projects:

Out of the advances of ₹ 38456.42 Lakh (as at March 31,2017 ₹ 39272.87 Lakh) received from the customers, in respect of four contracts/ indents and one LOI which are short closed, the Company has made payments to suppliers for procurement of Special Tools and Equipment and Inventory. Against these payments, Special Tools and Equipment (Note 1) include an amount of ₹ 114.05 Lakh (as at March 31,2017 ₹114.05 Lakh), Current Assets (Note 10-16) include an amount of ₹ 11271.64 Lakh (as at March 31,2017 ₹ 11271.64 Lakh) in Advances to vendors and ₹ 7903.45 Lakh (as at March 31,2017 ₹ 8025.31 Lakh) in Inventories, total amounting to ₹19289.14 Lakh (as at March 31,2017 ₹ 19411.00 Lakh). As these assets had been acquired/expenditure had been incurred by the company based on firm orders/ LOI 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 short closed Indents/contracts/LOI, the company approached the customers for compensation of ₹3590.00 Lakh (as at March 31,2017 ₹ 5525.00 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.



### 36(8) Related party transactions

#### Name of Key managerial personnel

Shri V Udaya Bhaskar, CMD	Shri K Divakar, Dir (Technical) (wef 01.07.2016)
Shri S Piramanayagam, Dir (Finance)	Shri Air Vice Marshal N B Singh, Dir (Technical) (up to 30.06.2016)
Shri V Gurudatta Prasad, Dir (Production)	Shri N Nagaraja, Company Secretary

(₹ in Lakh)

Key management personnel compensation	March 31, 2018	March 31, 2017
Short - term employee benefits	230.03	208.44
Post - employment benefits	41.54	11.45
Long - term employee benefits	-	-
Total compensation	<b>271.57</b>	<b>219.89</b>

### 36(9) Capital Management

#### a) Risk management:

The Company has equity capital and other reserves attributable to shareholders as only source of capital and the company doesn't have borrowings or debts.

#### b) Dividends

(₹ in Lakh)

Particulars	March 31, 2018	March 31, 2017
(i) Interim dividend for the year ended March 31, 2018 of ₹ 1.36 (March 31,2017 of ₹ NIL) per fully paid equity share	2,500.00	NIL
(ii) Dividends not recognised at the end of reporting period: As at the year end March 31, 2018 the directors have recommended the payment of a final dividend of ₹ 7.29 per fully paid equity share (March 31, 2017 : ₹ 1286 (Face value of share ₹1000/-)). The proposed dividend is subject to the approval in shareholders in the ensuing annual general meeting.	13,361.20	15,721.67

#### Events occurring after the reporting period:

Refer above note for the final dividend recommended by the directors which is subject to the approval of shareholders in the ensuing annual general meeting.

#### 36(10) Confirmation of Balances:

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.

#### 36(11) Retention Sales:

The value of the retention sales (i.e, goods retained with the company at the customers' request and at their risk) included in gross turnover during the year is ₹ 2,75,981.41 lakh (2016-17 ₹ 2,62,524.61 lakh)

#### 36(12) Charges registered:

Company has registered floating charge with State Bank of India and Andhra Bank to the extent of ₹ 41,010.00 lakh (as at March 31,2017 ₹ 31,010.00 lakh) on book debts.

#### 36(13) Operating Cycle:

As per the requirement of Schedule III to the Companies Act, 2013, the operating cycle has been determined at the product level as applicable.

#### 36(14) Contingent Assets:

Particulars	March 31, 2018	March 31,2017
Contingent Assets	-	-



### 36(15) Fair Value Measurement

(₹ in Lakh)

Particulars	Fair value hierarchy Level	Notes	As at March 31, 2018			As at March 31, 2017		
			Cost	Amortised Cost	FVTPL	Cost	Amortised Cost	FVTPL
<b>A. Financial Assets</b>								
<b>a) Measured at amortised cost</b>								
i) Cash and cash equivalents	3	13	2,998.94	2,998.94	-	9,310.67	9,310.67	
ii) Other bank balances	3	14	32,680.00	32,680.00	-	164,490.00	164,490.00	
iii) Loans	3	7, 15	517.93	517.93	-	611.99	611.99	
iv) Other financial assets	3	8, 16	175,441.48	175,441.48	-	172,525.43	172,525.43	
iv) Trade receivables	3	12	52,856.37	52,856.37	-	15,455.05	15,455.05	
<b>Sub - total</b>			<b>264,494.72</b>	<b>264,494.72</b>	<b>-</b>	<b>362,393.14</b>	<b>362,393.14</b>	<b>-</b>
<b>b) Mandatorily measured at fair value through profit or loss</b>								
i) Investment in equity instruments in other companies	3	6	53.60	-	368.94	53.60		294.68
ii) Deferred receivable	3	8, 16	3613.67	-	5,389.83	3,803.86		5,368.27
iii) Investment in Mutual Funds	1	11	23026.02		23,529.92	-		-
<b>Sub - total</b>			<b>26,693.29</b>	<b>-</b>	<b>29,288.69</b>	<b>3,857.46</b>	<b>-</b>	<b>5,662.95</b>
<b>Total Financial Assets</b>			<b>291,188.01</b>	<b>264,494.72</b>	<b>29,288.69</b>	<b>366,250.60</b>	<b>362,393.14</b>	<b>5,662.95</b>
<b>B. Financial Liabilities</b>								
<b>a) Measured at amortised cost</b>								
i) Trade payables	3	23	101,150.56	101,150.56	-	152,936.42	152,936.42	
ii) Other financial liabilities	3	20, 24	25,525.27	25,525.27	-	15,429.91	15,429.91	
<b>Sub - total</b>			<b>126,675.83</b>	<b>126,675.83</b>	<b>-</b>	<b>168,366.33</b>	<b>168,366.33</b>	<b>-</b>
<b>b) Mandatorily measured at fair value through profit or loss</b>								
i) Embedded Derivative financial liability	3	20	-	-	3,664.50	-		3,600.36
<b>Sub - total</b>			<b>-</b>	<b>-</b>	<b>3,664.50</b>	<b>-</b>	<b>-</b>	<b>3,600.36</b>
<b>Total Financial Liabilities</b>			<b>126,675.83</b>	<b>126,675.83</b>	<b>3,664.50</b>	<b>168,366.33</b>	<b>168,366.33</b>	<b>3,600.36</b>

#### Fair Value Hierarchy

The following table presents the fair value hierarchy of assets and liabilities:

(₹ in Lakh)

Particulars	Level	March 31, 2018	March 31, 2017
<b>Financial Assets:</b>			
a) Measured at fair value through profit or loss			
i) Investment in equity instruments in other companies	3	368.94	294.68
ii) Deferred receivable	3	5,389.83	5,368.27
iii) Investment in Mutual Funds	1	23,529.92	-
<b>Financial liabilities:</b>			
a) Measured at fair value through profit or loss			
i) Embedded Derivative financial liability	3	3,664.50	3,600.36

#### Fair value hierarchy:

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted price including within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

Valuation technique used to determine fair value:

Specific valuation techniques used to value financial instruments include:

- The fair value of unquoted equity instrument are determined with respect to the net worth of the company.
- The fair value of 45 years deferred credit and receivables is determined using foreign exchange rates as per the contract.

The resulting fair value estimates are included in level 3.



Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year ended 31 March 2018 :

(₹ in Lakh)

Particulars	Unlisted equity shares	Deferred receivable	Embedded derivative liability
<b>As at 31 March 2017</b>	294.68	5,368.27	3,600.36
Gain/loss recognised in profit and loss	74.26	21.56	(61.58)
<b>As at 31 March 2018</b>	368.94	5,389.83	3,538.78

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Particulars	Fair value as at		Significant unobservable inputs	Sensitivity
	March 31 2018	March 31, 2017		
Unquoted equity shares	368.94	294.68	Fair value of the company	A 1% increase in the fair value of the company would increase the non current investment by ₹ 3.68 lakh with a corresponding impact on profit and loss; a decrease in the fair value of the company would decrease the non current investment by ₹ 3.68 lakh with a corresponding impact on profit and loss.
Deferred receivable	5,389.83	5,368.27	Rupee rate per Special Drawings Right (SDR Unit)	A ₹ 1 increase in the SDR rate would increase the fair value by ₹ 72.56 lakh with a corresponding impact on profit and loss; a ₹ 1 decrease in SDR rate would decrease the fair value by ₹ 72.56 lakh with a corresponding impact on profit and loss.
Embedded derivative liability	3,538.78	3,600.36	Rupee rate per Special Drawings Right (SDR Unit)	A ₹ 1 increase in the SDR rate would increase the fair value by ₹ 74.62 lakh with a corresponding impact on profit and loss; a ₹ 1 decrease in SDR rate would decrease the fair value by ₹ 74.62 lakh with a corresponding impact on profit and loss.

108

### 36(16) Financial Risk Management:

The Company's activities expose it to market risk, liquidity risk and credit risk. The analysis of each risk is as follows:

#### A) Credit risk

Credit risk arises from cash and cash equivalents, instruments carried at amortised cost and deposits with banks, as well as credit exposures to customers including outstanding receivables.

##### (i) Credit risk management

A. Credit risk on cash and cash equivalents is limited as the Company generally invest in deposits with banks with high credit ratings assigned by external agencies.

B. Credit risk on claims/refunds receivables, trade receivables and unbilled revenues are evaluated as follows:

#### (i) Year ended March 31, 2018:

##### (a) Expected credit loss for financial assets where general model is applied

(₹ in Lakh)

Particulars	Asset group	Estimated gross carrying amount at default	Expected probability of default	Expected credit loss	Carrying amount net of provision
Financial assets for which credit risk has not increased significantly since initial recognition	Claims/ refunds receivable	6854.09	0.31%	(21.47)	6,832.62
- Loss allowance measured at 12 month expected credit losses	Loans	517.93	-	-	517.93

##### (b) Expected credit loss for trade receivables and unbilled revenue under simplified approach

Particulars	Less than or equal to 6 months	More than 6 months	Total
Gross carrying amount	207473.41	13340.05	220813.46
Expected credit loss rate	0%	0%	0%
Expected credit loss (loss allowance provision)	-	-	-
Carrying amount of trade receivables	207473.41	13340.05	220813.46



**(ii) Year ended March 31, 2017:**

(a) Expected credit loss for financial assets where general model is applied

Particulars	Asset group	Estimated gross carrying amount at default	Expected probability of default	Expected credit loss	Carrying amount net of provision
Financial assets for which credit risk has not increased significantly since initial recognition	Claims/ refunds receivable	10092.65	0.21%	(21.47)	10,071.18
- Loss allowance measured at 12 month expected credit losses	Loans	611.99	-	-	611.99

(b) Expected credit loss for trade receivables and unbilled revenue under simplified approach

Particulars	Less than or equal to 6 months	More than 6 months	Total
Gross carrying amount	165710.57	7825.42	173535.99
Expected credit loss rate	0%	0%	0%
Expected credit loss (loss allowance provision)	-	-	-
Carrying amount of trade receivables	165710.57	7825.42	173535.99

**(iii) Reconciliation of loss allowance:**

(₹ in Lakh)

Particulars	Trade receivables and unbilled revenue	Claims/refunds receivable
Loss allowance as at March 31, 2017	-	(21.47)
Add/less	-	-
Loss allowance as at March 31, 2018	-	(21.47)

**(iv) Significant estimates and judgements:**

Impairment of financial assets:

The impairment provisions for financial assets disclosed above are based on assumptions about risk of default and expected loss rates. The company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

**B) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to meet obligations when due and to close out market positions. Company's treasury maintains flexibility in funding by maintaining availability under deposits in banks. Management monitors cash and cash equivalents on the basis of expected cash flows.

**(i) Financing arrangements**

The company has access to the following undrawn borrowing facilities at the end of the reporting period:

Particulars	March 31, 2018	March 31, 2017
Expiring within one year (bank overdraft and other facilities)	1500.00	1500.00

**(ii) Maturities of financial liabilities**

Contractual maturities of financial liabilities as at March 31, 2017	Less than 12 months	Between 1 and 2 years	Between 2 year and 5 years	Above 5 years	Total
Non-derivative					
Deferred Credit towards 45 years Component	195.60	181.11	466.73	1,076.95	1920.38
Deposits	1530.09	-	-	-	1530.09
Creditors for expenses	3628.26	-	-	-	3628.26
Employee benefits payable	5664.65	-	-	-	5664.65
Others	199.67				
Capital works	2486.86				
Derivative					
Embedded derivative liability (Deferred liability)	357.73	162.13	486.39	2594.10	3600.35

Contractual maturities of financial liabilities as at March 31, 2018	Less than 12 months	Between 1 and 2 years	Between 2 year and 5 years	Above 5 years	Total
Non-derivative					
Deferred Credit towards 45 years Component	195.60	181.11	466.73	1,034.99	1878.42
Deposits	1405.73	-	-	-	1405.73
Creditors for expenses	5085.67	-	-	-	5085.67
Employee benefits payable	9681.17	-	-	-	9681.17
Others	2496.90				
Capital works	4977.38				
Derivative					
Embedded derivative liability (Deferred liability)	369.04	173.45	520.35	2601.65	3664.49



### C) Market risk

#### (i) Foreign currency risk

The company operates in a business that exposes it to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD, Euro, GBP, CHF and SEK. Foreign exchange risk arises from future commercial transactions and recognised liabilities denominated in a currency that is not the company's functional currency (INR). The risk is measured through a forecast of highly probable foreign currency cash flows. As per the sales contract, the company is eligible for exchange rate variation upon settlement of foreign exchange liabilities. Hence, the company is protected against the foreign currency risk.

(Figures in Lakh)

Particulars	March 31, 2018				
	USD	EURO	GBP	CHF	SEK
Foreign currency liabilities					
- Payables	83.16	15.09	0.03	0	107.59

Particulars	March 31, 2017				
	USD	EURO	GBP	CHF	SEK
Foreign currency liabilities					
- Payables	175.14	5.14	0.02	0.82	8.89

#### (ii) Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments and from foreign forward exchange contracts:

(₹ in Lakh)

Particulars	Impact on Profit	
	March 31, 2018	March 31, 2017
<b>Sensitivity</b>		
INR/USD – Increase by 1%	54.27	115.54
INR/USD – Decrease by 1%	(54.27)	(115.54)
INR/EURO – Increase by 1%	12.26	3.72
INR/EURO – Decrease by 1%	(12.26)	(3.72)
INR/GBP – Increase by 1%	0.03	0.02
INR/GBP – Decrease by 1%	(0.03)	(0.02)
INR/CHF – Increase by 1%	-	0.54
INR/CHF – Decrease by 1%	-	(0.54)
INR/SEK – Increase by 1%	8.51	0.66
INR/SEK – Decrease by 1%	(8.51)	(0.66)

#### 36(17) Segment information:

As the Company is engaged in defence production, exemption was granted from applicability of Accounting standard on Segment reporting under Sec 129 of Companies Act 2013 vide Notification dated 23rd February 2018 of Ministry of Corporate Affairs.

#### 36(18) Foreign Exchange Exposure:

Pursuant to the announcement of ICAI requiring the disclosure of "Foreign Exchange Exposure", the major currency-wise exposure as on 31 March 2018 (As at 31 March, 2017 are shown in brackets) given below.

(₹ in Lakh)

Currency	Payables		Receivables		Contingent Liability	
	Foreign Currency	Indian Rupee Equivalent	Foreign Currency	Indian Rupee Equivalent	Foreign Currency	Indian Rupee Equivalent
USD	83.16	5426.75	-	-	63.08	4150.77
	(175.14)	(11,553.68)	-	-	(1.40)	(90.76)
EURO	15.09	1226.44	-	-	3.76	305.75
	(5.14)	(371.73)	-	-	(25.58)	(1,803.10)
GBP	0.03	2.57	-	-	-	-
	(0.02)	(2.07)	-	-	-	-
CHF	-	-	-	-	-	-
	(0.82)	(53.94)	-	-	(0.76)	(50.04)
SEK	107.59	851.04	-	-	-	-
	(8.89)	(65.50)	-	-	(4.66)	(33.87)
<b>Total (₹)</b>		<b>7506.80</b>	-	-		<b>4456.52</b>
		<b>(12,046.92)</b>	-	-		<b>(1,977.77)</b>





**36 (19)** 5MW solar plant was installed during 2017-18 at Bhanur Unit under Jawaharlal Nehru National Solar Mission (JNNSM) scheme. As per JNNSM scheme, Company is eligible for Viability Gap Fund (VGF) for commissioning of solar plant. The VGF is accounted based on the project cost as per the contract. It is being maintained under Deferred Revenue in compliance with the laid down conditions of the scheme. VGF amount of ₹ 995.89 Lakh is accounted as Deferred Revenue. 4% of Deferred Revenue is to be recognised as revenue each year. A sum of ₹ 23.24Lakh (being proportionate amount from September,2017) is recognised as revenue during the year.

**36 (20) Accounting Standards issued but not yet effective:**

Ministry of Corporate Affairs, Government of India, has issued notification vide GSR.....(E) dated 28/03/2018 prescribing Ind AS 115 and withdrawing Ind AS 11 and Ind AS 18 and also incorporating the consequential changes in some other Indian Accounting Standards, effective from April 01, 2018. The effect of Ind AS 115 and consequential changes in other Accounting Standards are being evaluated.

**36 (21)** Previous year figures have been regrouped or rearranged wherever necessary. Negative figures are indicated in parenthesis.

Significant Accounting Policies and accompanying Notes form an integral part of the Financial Statements

As per our report of even date.

**for S. R. MOHAN & CO.,**  
**Chartered Accountants**  
**Firm's Registration No.002111S**

**For and on behalf of the Board**

**S. SANDEEP REDDY**  
Partner  
(M.No. 242470)

**S. PIRAMANAYAGAM**  
Director (Finance)  
DIN: 07117827

**V. UDAYA BHASKAR**  
Chairman and Managing Director  
DIN: 06669311

Place : Hyderabad  
Date : 30 May 2018

Place: Hyderabad  
Date: 30 May 2018

**N. NAGARAJA**  
Company Secretary  
(M.No.A19015)



**BHARAT DYNAMICS LIMITED**

**Corporate Identity Number (CIN): L24292TG1970GOI001353**

**Corporate Office:** Plot No. 38 & 39, TSFC Building, Near ICICI Towers, Financial District, Gachibowli, Hyderabad - 500032.

**Registered Office:** Kanchanbagh, Hyderabad-500058

**Tel. No:** 040-23456145 **Fax No:** 040-23456110

**Email:** investors@bdl-india.in **Website:** www.bdl-india.in

## NOTICE

Notice is hereby given that the 48<sup>th</sup> Annual General Meeting of the Members of BHARAT DYNAMICS LIMITED will be held at **15:00 hrs on Thursday, 27 September 2018** at **Hotel Sheraton, Nanakramguda, Gachibowli, Hyderabad-500032**, to transact the following businesses:

### Ordinary Business

- 1) To receive, consider and adopt audited financial statements of the Company for the financial year ended 31<sup>st</sup> March 2018, together with the Reports of the Board of Directors' and Auditors' thereon;
- 2) To confirm payment of interim dividend and declare final dividend for the financial year ended 31<sup>st</sup> March 2018.
- 3) To appoint a Director in place of Shri.S.Piramanayagam (DIN: 07117827), who retires by rotation and being eligible, offers himself for re-appointment.

### Special Business

- 4) To consider and if thought fit, to pass with or without modification(s), the following resolution as **ordinary resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 148(3) of the Companies Act, 2013 and the rules made there under, consent of the Company be and is hereby accorded for the payment of remuneration of Rs 150000/- plus applicable taxes (excluding out of pocket expenses) to the Cost Auditor as appointed by the Board of Directors of the Company to conduct the audit of cost records of the Company for the Financial Year 2018-19".

**"RESOLVED FURTHER THAT** the Chairman & Managing Director or any one of the directors of the Board of Directors and the Company Secretary of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

**By the Order of the Board**

**N.Nagaraja**  
Company Secretary

**Hyderabad**  
**16 August,2018**

### Notes:

1. The statement pursuant to Sec. 102(1) of the Companies Act, 2013 with respect to the special business set out in the Notice is annexed.
2. **A member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy, duly completed, stamped and signed, should however, be deposited at the Corporate Office of the Company not less than forty-eight hours before the commencement of the Meeting. Proxies submitted on behalf of limited companies, societies etc. must be supported by an appropriate resolution/authority, as applicable.**
3. **Pursuant to the provisions of section 105 of the Act, a person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share**

**capital of the company carrying voting rights. In case a proxy is proposed to be appointed by a member holding more than ten percent of the total share capital of the company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.**

4. Brief profile of the Directors seeking appointment/re-appointment as mandated under regulation 36(3) of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 with the Stock Exchanges forms part of the Notice.
5. In terms of Section 101 of the Act and Rule 18 of the Companies (Management and Administration) Rules, 2014, the Notice of AGM and other documents including the Annual Report are being sent in electronic mode by e-mail to those shareholders who have furnished their e-mail address in their demat accounts. However, Members may please note that they will be entitled to a hard copy of the Annual Report of the company and all attachments thereto upon receipt of a requisition, free of cost. Members interested to receive the documents in physical form may please give the intimation to the Company's Registrar Alankit Assignments Ltd at the earliest, duly quoting the Demat A/c details. Alternatively, the request, duly quoting the Demat A/c details, may be sent by email at email id bdl\_igr@alankit.com.
6. The Register of Members and the Share Transfer Books of the Company will be closed from **Friday, 21 September, 2018 to Thursday, 27 September, 2018** (both days inclusive).
7. The Board has recommended a final dividend of ₹ 7.29 per equity share of ₹ 10/- each. The dividend, if declared by the Members at the AGM, will be paid within 30 days from the date of declaration to those persons
  - whose names appear as beneficial owners at the end of the business hours on **Thursday, 20 September, 2018** in the list of beneficial owners to be furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in respect of the shares held in electronic form; and
  - whose names appear as members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company/ Registrar and Share Transfer Agents on or before **Thursday, 20 September, 2018**.
8. Company will be making the dividend payment by electronic mode wherever possible and by dividend warrant/ Bank demand drafts in other cases. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership details furnished by the Depositories (NSDL & CDSL) as at the close of business hours on **September 20, 2018** for this purpose. Members holding shares in electronic form may note that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the members holding shares in electronic form for any change of bank particulars or bank mandate. Such changes are to be advised only to the Depository Participant of the Members. Members who have changed their bank account after opening the Depository Account and want to receive dividend in an account other than the one specified while opening the Depository Account, are requested to change/correct their bank account details (including the nine-digit



Bank code) with their Depository Participant, before **September 20, 2018**.

9. Members are hereby informed that under the Companies Act, 2013, the Company is obliged to transfer any money lying in the Unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the Unpaid Dividend Account, to the credit of the Investor Education and Protection Fund ('the Fund') established by the Central Government. Further, pursuant to the provisions of section 124 of the Companies Act, 2013, read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended ('IEPF Rules'), all the shares on which dividend remain unpaid/unclaimed for a period of seven consecutive years or more shall be transferred to the demat account of the IEPF Authority as notified by the Ministry of Corporate Affairs. Hence, the Company urges all the shareholders to encash/claim their respective dividend during the prescribed period.
10. Members are requested to:-
  - i. note that copies of Annual Report will not be distributed at the Annual General Meeting.
  - ii. bring their copies of Annual Report, Notice and Attendance Slip duly completed and signed at the meeting.
  - iii. note that the attendance slip/ proxy form should be signed as per the specimen signature registered with the Alankit Assignments Limited, Registrar & Transfer Agent (RTA)/ Depository Participant (DP).
  - iv. deliver duly completed and signed Attendance Slip at the entrance of the meeting venue as entry to the Hall will be strictly on the basis of the entry slip available at the counters at the venue to be exchanged with the attendance slip.
  - v. note that in case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
  - vi. Intimate to their DP in respect of shares held in dematerialized form, and to the Company/Company's Registrar & Share Transfer Agent in respect of physical shares, changes if any, in their respective addresses along with the pin code number at an early date.
  - vii. quote their Folio / Client ID & DP ID Nos. in all correspondence.
  - viii. In case of multiple folio consolidate holdings into one folio in case of multiple folios with names in identical orders.
  - ix. note that no gifts/coupons will be distributed at the Annual General Meeting.
8. Members desirous of getting any information on any items of business of this Meeting are requested to address their queries to Company Secretary of the Company at the Corporate Office of the company at least ten days prior to the date of the meeting, so that the information required can be made readily available at the meeting.
9. Members may also note that the Annual Report for the FY 2017-18 will also be available on the Company's website [www.bdl-india.in](http://www.bdl-india.in) for their download.
10. **Members who have not registered their e-mail addresses so far or who want to update their e-mail address, are requested to approach their respective DP (for electronic holding) or with R&TA/ Company (for physical holding), for receiving all communication including Annual Report, Notices, Circulars, NECS intimation etc. for the Company electronically.**
11. Members are requested to send all communications relating to shares to our Registrar & Share Transfer Agent at the following address:  
**Alankit Assignments Limited**  
SEBI Registration Number: INR000002532  
Address:- 205-208, Anarkali Complex  
Jhandewalan Extension, New Delhi-110055  
Telephone: +91 11 42541234; Facsimile: +91 11 41543474  
Email: [bdl\\_igr@alankit.com](mailto:bdl_igr@alankit.com); Website: [www.alankit.com](http://www.alankit.com)

12. In terms of Section 72 of the Companies Act, 2013, nomination facility is available to individual shareholders. Members holding shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Members who hold shares in individual name are advised to avail of the nomination facility by filing Form No. SH- 13 in their own interest. Blank form can be obtained from RTA on request. Members holding shares in dematerialized form may contact their respective DPs for registration of nomination.
13. None of the Directors of the Company is in any way related to each other
14. Route Map for the venue of the meeting is enclosed
15. In compliance with the provisions of section 108 of the Act, the Rules made thereunder and Regulation 44 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through e-voting services provided by RTA through Central Depository Services (India) Ltd, on all resolutions set forth in this Notice. The instructions for e-voting are hereunder

#### **Instructions for Voting through electronic mode**

- a) In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015, the members are provided with the facility to exercise their right to vote electronically, through the e-voting services provided by CDSL, i.e. facility of casting the votes by the members using an electronic voting system from a place other than the venue of AGM (remote e-voting) on all the resolutions set forth in this Notice.
- b) The voting period begins on **Monday, 24 September, 2018 (09.00 a.m.)** and ends on **Wednesday, 26 September 2018 (5.00 p.m.)**. During this period, members of the Company holding shares either in physical form or in dematerialized form, as on the cut-off date, **Thursday, 20 September, 2018**, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the Member, he shall not be allowed to change it subsequently. A person who is not a Member as on the cut-off date should treat this Notice for information purposes only.
- c) The voting rights of Members shall be in proportion to their share of the paid up equity share capital of the Company as on the cut-off date i.e. **Thursday, 20 September, 2018**
- d) The Company has appointed Mr.Y.Ramesh, Practising Company Secretary to act as Scrutinizer to conduct and scrutinize the electronic voting process and poll at the Annual General Meeting in a fair and transparent manner.
- e) A Member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.
- f) The facility of voting through by ballot paper shall be made available at the meeting and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting. Members can opt for only one mode of voting, i.e., either by Poll at the venue of AGM or e-voting. In case Members cast their votes through both the modes, voting done by e-voting shall prevail and votes cast through Poll will be treated as invalid.
- g) The Scrutinizer shall immediately after the conclusion of voting at the AGM count the votes cast at the AGM and thereafter, unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company. The Scrutinizer shall submit a consolidated Scrutinizer Report of the Total votes cast in favour of or against, if any, not later than three working



days from the conclusion of the AGM to the Chairman of the Company. The Chairman or any other person authorised by the Chairman shall declare the result of the voting forthwith. The results declared along with the Scrutinizer's Report, will be placed in the website of the Company [www.bdl-india.in](http://www.bdl-india.in) and on the website of CDSL [www.cdslindia.com](http://www.cdslindia.com) immediately after the declaration of results by the Chairman or a person authorised by him in writing. The results shall also be immediately forwarded to the Stock Exchanges where the Company's shares are listed viz., Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

**h) PROCEDURE FOR E-VOTING:**

- a) Instructions for members for voting electronically are as under: A. In case of members receiving e-mail (for members whose e-mail address are registered with the Company/Registrars)
- (i) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
  - (ii) Click on "Shareholders" tab.
  - (iii) Now Enter your User ID
    - For CDSL: 16 digits beneficiary ID,
    - For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
    - Members holding shares in Physical Form should enter Folio Number registered with the Company.
  - (iv) Next enter the Image Verification as displayed and Click on Login.
  - (v) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
  - (vi) If you are a first time user, follow the steps given below:

**For Members holding shares in Demat Form and Physical Form**

PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)
	Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Ex.If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
Dividend Bank Details or Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Company records in order to login. If both the details are not recorded with the depository or Company, please enter the member ID/ folio number in the Dividend Bank details field as mentioned in instruction (iii) above.

- (vii) After entering these details appropriately, click on "SUBMIT" tab.
- (viii) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting the resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential
- (ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (x) Click on the EVSN for the relevant Company, i.e., Bharat Dynamics Limited on which you choose to vote.
- (xi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiii) After selecting the resolution, you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote
- (xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote
- (xv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvi) If Demat account holder has forgotten the same password, then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system
- (xvii) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile
- (xviii) **Note for Non – Individual Shareholders and Custodians**
  - Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporate.
  - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com)



- After receiving the login details a compliance user should be created using the admin login and password. The compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- (b) In case of members receiving the physical copy of notice of 48th Annual General meeting by Registered Parcel (for members whose e-mail ids are not registered with the Company/Depositories): Please follow all the steps from S.No.(i) to S.No. (xvii) to cast vote

## EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

### Item No.4

In pursuance of Section 148 of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the Company is required to appoint a Cost Auditor to audit the cost records of the applicable products of the Company.

On the recommendation of the Audit Committee, the Board at its 249th meeting held on 14 August 2018 has considered and approved the appointment of M/s Narasimha Murthy & Co., Cost Accountants as the cost auditor for the financial year 2018-19 and recommended remuneration of ₹ 150000/- per annum plus applicable tax. As per section 148(3) of the Companies Act, 2013, the remuneration of Cost Auditor is required to be approved by the shareholders.

The Board recommends the resolution set out in item No. 4 of the accompanying Notice for the approval of the members of the Company by way of an Ordinary Resolution. None of the Directors/Key Managerial Personnel of the Company/their relatives are in anyway, concerned or interested, financially or otherwise, in the resolution at item No.4 of the accompanying Notice.

By the Order of the Board

N.Nagaraja  
Company Secretary

Hyderabad  
16 August, 2018

## DETAILS OF DIRECTOR SEEKING REAPPOINTMENT AT THE AGM PURSUANT TO REGULATION 36(3) OF LISTING REGULATIONS AND SECRETARIAL STANDARD – 2 ON GENERAL MEETINGS:

Name of the Director	Shri S.Piramanayagam
DIN	07117827
Date of Birth	June 05, 1960
Date of first appointment on the Board	January 1, 2015
Qualifications	He holds a bachelor's degree in Science from Madurai Kamraj University and is an associate member of the Institute of Chartered Accountants of India
Expertise in specific functional areas	Shri Piramanayagam has more than 30 years of work experience with financial management, Internal Audit, strategic planning, risk management, forex management, budgeting and cost control.
Terms and conditions of appointment or reappointment	He was appointed on January 1, 2015 pursuant to Ministry of Defence Government of India bearing reference number H- 62011/4/2013-D (BDL) dated July 01, 2015. The current terms and conditions of his employment were prescribed by Ministry of Defence in the above Order
Details of remuneration last drawn (FY 2017-18)	₹ 46,61,224
Directorships in other Public Limited Companies (excluding foreign companies, private companies & section 8 companies)	Nil
Membership of Committees/ Chairmanship in other Public Limited Companies	Nil
No. of Board Meetings attended during the Financial Year 2017-18	11
No. of shares held in the Company:	
(a) Own	NIL
(b) For other persons on a beneficial basis	Nil

Note: Shri S.Piramanayagam is not related to any other Director or Key Managerial Personnel.





**BHARAT DYNAMICS LIMITED**

**Corporate Identity Number (CIN): L24292TG1970GOI001353**

**Corporate Office:** Plot No. 38 & 39, TSFC Building, Near ICICI Towers, Financial District, Gachibowli, Hyderabad - 500032.

**Registered Office:** Kanchanbagh, Hyderabad-500058

**Tel. No:** 040-23456145 **Fax No:** 040-23456110

**Email:** investors@bdl-india.in **Website:** www.bdl-india.in

**ATTENDANCE SLIP**

**48TH ANNUAL GENERAL MEETING ON THURSDAY, 27 SEPTEMBER, 2018 AT 15:00 HRS**

Folio No.:	DP ID No.:	Client ID No.:
No. of Shares Held:		

I/We hereby record my/our presence at the 48th Annual General Meeting of the company at Hotel Sheraton, Nanakramguda, Gachibowli, Hyderabad-500032 at 15:00 hrs on Thursday, 27 September 2018.

Name of the Member	Signature
_____	_____
Name of the Proxyholder	Signature
_____	_____

**Notes:**

1. Only Member/Proxyholder can attend the Meeting
2. Please completely fill this attendance slip and hand over, duly signed, at the attendance verification counter at the entrance of the meeting hall.
3. Authorised Representatives of Corporate members shall produce proper authorisation issued in their favour.
4. Electronic copy of the Annual Report for 2017-18 and Notice of Annual General Meeting (AGM) along with attendance slip and proxy form is being sent to all the members whose email address is registered with the Company/Depository Participant unless any member has requested for a hard copy of the same. Members receiving electronic copy and attending the AGM can print copy of this Attendance Slip.
5. Member/Proxyholder attending the meeting should bring copy of Annual Report for reference at the meeting.







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**PROXY FORM**

**[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]**

Name of the member(s) : .....

Registered address : .....

Email ID: .....

Folio No. / Client ID No. : ..... DP Id : .....

I/We, being the member (s) of ..... shares of Bharat Dynamics Limited, hereby appoint:

1. Name : ..... E-mail Id : .....

Address : .....

.....Signature : ....., or failing him/her;

2. Name : ..... E-mail Id : .....

Address : .....

.....Signature : ....., or failing him/her;

3. Name : ..... E-mail Id : .....

Address : .....

.....Signature : ....., or failing him/her;



as my/our Proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Forty Eighth Annual General Meeting of the company, to be held on Thursday, 27 September 2018 at 15:00 hrs at **Hotel Sheraton**, Nanakramguda, Gachibowli, Financial District, Hyderabad-500032, and at any adjournment thereof in respect of such resolutions as are indicated below:

\* I wish my above Proxy to vote in the manner as indicated in the box below:

Sl. No.	Resolutions	For	Against
<b>ORDINARY BUSINESS</b>			
1	To receive, consider and adopt audited financial statements of the Company for the financial year ended 31 <sup>st</sup> March 2018, together with the Reports of the Board of Directors' and Auditors' thereon;		
2	To confirm payment of interim dividend and declare final dividend for the financial year ended 31 <sup>st</sup> March 2018.		
3	To appoint a Director in place of Shri.S.Piramanayagam (DIN: 07117827), who retires by rotation and being eligible, offers himself for re-appointment.		
<b>SPECIAL BUSINESS</b>			
4	To ratify the remuneration of the Cost Auditors for the financial year ending 31st March, 2019.		

Signed this..... day of ..... 2018



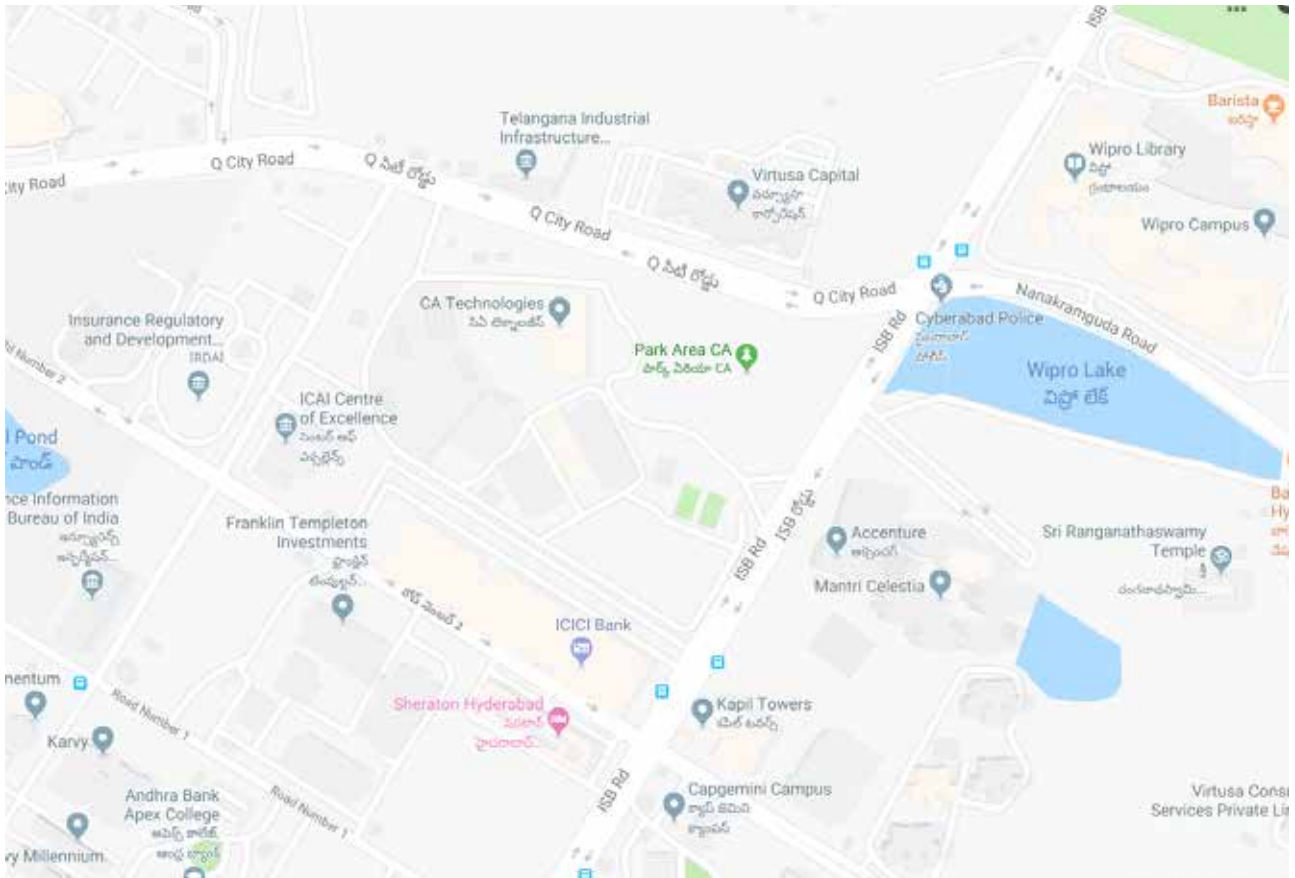
Signature of Member ..... Signature of Proxyholder(s).....

**Notes:**

- This form of proxy in order to be effective should be duly filled, stamped, signed and deposited at the Corporate Office of the Company at Plot No. 38 & 39, TSFC Building, Near ICICI Towers, Financial District, Gachibowli, Hyderabad - 500032. not less than 48 hours before the commencement of the Meeting.**
- A proxy need not be a member of the Company.
- This is only optional. Please put a '✓' in the appropriate column against the resolutions indicated in the box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
- For the resolutions, Explanatory Statement and Notes, please refer to the Notice of the Forty Eighth Annual General Meeting of the Company.



## ROUTE MAP TO AGM VENUE



**AGM Venue:** Hotel Sheraton, Nanakramguda, Gachibowli, Financial District, Hyderabad-500032







# MILESTONES

- 2018** Initial Public Offer and listing of the company
- 2017** LRSAM handed over to Indian Navy
- 2016** Completed buy back of shares
- 2015** Handed over Akash weapon systems to the Indian Army
- 2014** BDL pays its highest ever dividend to Govt of India
- 2013** Third manufacturing unit of BDL inaugurated at Visakhapatnam
- 2011** Hon'ble President of India, Smt. Pratibha Devi Singh Patil lays the foundation stone for BDL's unit at Amravati, Maharashtra
- 2010** Foundation stone laid for third manufacturing unit of BDL Visakhapatnam
- 2008** Production Agency for Long Range SAM & Heavy Weight Torpedo
- 2007** Production of Anti Torpedo Decoy System
- 2004** Production of Naval Version of Strategic Missile
- 2003** Production of 2nd Generation ATGM
- 2001** Light Weight Torpedo Production
- 2000** Categorized as Mini Ratna-1 Company
- 1994** Strategic Missile Production
- 1992** Upgraded to Schedule B
- 1989** Production of Strategic ATGM
- 1986** Upgraded to Schedule C
- 1985** Production of 2nd Generation ATGM
- 1983** Prime Production Agency for IGMDP
- 1971** Production of 1st Generation ATGM
- 1970** Established as PSU under Ministry of Defence



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