



BHARAT EARTH MOVERS LIMITED

(Incorporated as a private limited company as 'Bharat Earth Movers Limited' vide certificate of incorporation on May 11, 1964 under the Companies Act, 1956 and was subsequently converted to a public limited company on February 21, 1992 and has been allocated CIN L35202KA1964PLC001530)

Registered Office: BEML Soudha, No. 23/1, 4th Main Road, Sampangiramanagar, Bangalore – 560 027

(For details of changes in our Registered Office, please refer section titled "History and Other Corporate Matters" beginning on page 89 of this Red Herring Prospectus)

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Contact Person: Mr. K.C. Medapa, Company Secretary and Compliance Officer

PUBLIC ISSUE OF 49,00,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING RS. [●] LAKH (THE "ISSUE"), INCLUDING A RESERVATION FOR ELIGIBLE EMPLOYEES OF 4,90,000 EQUITY SHARES (THE "EMPLOYEE RESERVATION PORTION") AND A NET ISSUE TO THE PUBLIC OF 44,10,000 EQUITY SHARES (THE "NET ISSUE") BY BHARAT EARTH MOVERS LIMITED ("COMPANY")/"ISSUER"). THE ISSUE WOULD CONSTITUTE 11.77% OF THE FULLY DILUTED POST ISSUE PAID-UP EQUITY CAPITAL OF OUR COMPANY.

PRICE BAND: Rs. [●] TO Rs. [●] PER EQUITY SHARE OF FACE VALUE Rs. 10/-

THE ISSUE PRICE IS [●] TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND [●] TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND. THE PRICE BAND FOR THE ISSUE WILL BE DECIDED BY US IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGER AND ADVERTISED AT LEAST ONE DAY PRIOR TO THE BID / ISSUE OPENING DATE.

In case of revision in the Price Band, the Bidding Period will be extended for three additional days after revision of the Price Band subject to the Bidding Period/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the National Stock Exchange of India Limited ("NSE"), the Bombay Stock Exchange Limited ("BSE") and the Bangalore Stock Exchange ("BgSE"), by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Manager and at the terminals of the Syndicate. The Price Band will be decided by us in consultation with the Book Running Lead Manager ("BRLM") and announced and advertised at least one day prior to the Bid / Issue Opening Date in Business Standard, an English language newspaper of wide circulation, Pratahkal, a Hindi language newspaper of wide circulation and Udayawani, a Kannada language newspaper. In the meantime, with regard to the Price Band, bidders may be guided by the price of our Equity Shares listed on BSE, NSE and BgSE.

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers, of which 5% shall be available for Allocation on a proportionate basis to Mutual Funds only. Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price. Further, 4,90,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO THE ISSUE

The Face Value of the Equity Shares is Rs. 10 and the Floor Price is [●] times of the Face Value and the Cap Price is [●] times of the Face Value. The Issue price (as determined by the Company in consultation with the BRLM on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/ or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the section "Risk Factors" beginning on page no ix of this Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of our Company are listed on the Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) and the Bangalore Stock Exchange (BgSE). The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the BSE, NSE and the BgSE. We have received in-principle approval from the BSE pursuant to letter dated April 24, 2007, NSE pursuant to letter dated May 7, 2007 and the BgSE pursuant to letter dated April 17, 2007 for the listing of our Equity Shares. BSE shall be the Designated Stock Exchange for this Issue.

BOOK RUNNING LEAD MANAGER



ICICI Securities Primary Dealership Limited

ICICI Centre, H.T. Parekh Marg,
Churchgate, Mumbai – 400 020.

Tel: +91 22 2288 2460

Fax: +91 22 2282 6580

E-mail: beml_fpo@isecltd.com

Contact Person: Mr. Saurabh Vijayvergia

Website: www.icicisecurities.com

REGISTRAR TO THE ISSUE



Karvy Computershare Private Limited

Plot No. 17-24, Vitthal Rao Nagar,
Madhapur, Hyderabad – 500 081.

Tel: + 91 40 2342 0818

Fax: + 91 40 2342 0814

E-mail: einward.ris@karvy.com

Contact Person: Mr. Murali Krishna

Website: http://kcp1.karvy.com

ISSUE PROGRAMME

BID/ ISSUE OPENS ON : WEDNESDAY, JUNE 27, 2007

BID/ ISSUE CLOSES ON : TUESDAY, JULY 03, 2007

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DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Term	Description
“BEML” or “the Company” or “our Company” or “Bharat Earth Movers Limited”	Unless the context otherwise requires, refers to Bharat Earth Movers Limited, a public limited company incorporated under the Companies Act, 1956 having its registered office at BEML Soudha, 23/ 1, 4 th Main, Sampangiramanagar, Bangalore – 560 027.
“Subsidiary”	Unless the context otherwise requires, refers to our subsidiary Vignyan Industries Limited
“we” or “us” and “our”	Refers to Bharat Earth Movers Limited and, where the context requires, its subsidiary, namely Vignyan Industries Limited.

Issue Related Terms

Term	Description
Allotment	Unless the context otherwise requires, the issue of Equity Shares, pursuant to this Issue.
Article/Articles of Association	Articles of Association of our Company.
Auditors	The statutory auditors of our Company, being M/s. Rao Associates, Chartered Accountants.
Bankers to the Company	Banks who have provided working capital facilities to the Company, in this case being State Bank of India, State Bank of Mysore, State Bank of Saurashtra, Bank of India, Canara Bank, Punjab National Bank, State Bank of Patiala, State Bank of Bikaner and Jaipur, State Bank of Hyderabad, Bank of Baroda and Union Bank of India.
Banker(s) to the Issue	ICICI Bank Limited, UTI Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, State Bank of India.
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid/Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper and Hindi national newspaper and a newspaper in the regional language with wide circulation.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for issue of the Equity Shares pursuant to the terms of the Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form.
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Bid / Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper and a newspaper in the regional language with wide circulation.
BgSE	Bangalore Stock Exchange
Board of Directors/Board	The board of directors of our Company or a committee constituted thereof.
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made.

Term	Description
BRLM/ Book Running Lead Manager	Book Running Lead Manager to the Issue, in this case being ICICI Securities Primary Dealership Limited having its office at ICICI Centre, 163, Backbay Reclamation, H.T. Parekh Marg, Mumbai - 400020.
BSE	The Bombay Stock Exchange Limited
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Companies Act	The Companies Act, 1956 as amended from time to time.
Cut-off Price	Any price within the Price Band finalised by us in consultation with the BRLM. A Bid submitted at the Cut-off Price by a Retail Individual Bidder and Eligible Employees under the Employee Reservation Portion is a valid Bid at all price levels within the Price Band.
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Issue Account after the Prospectus is filed with the RoC, following which the Allotment will be made to successful Bidders.
Designated Stock Exchange	Bombay Stock Exchange Limited
Director(s)	Director(s) of Bharat Earth Movers Limited, unless otherwise specified.
Draft Red Herring Prospectus	Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/Issue Opening Date. It will become a Prospectus upon filing with RoC after the pricing of Equity Shares.
Eligible Employee/ Employees (in the Employee Reservation Portion)	The term “Eligible Employee”, as used in the context of the Employee Reservation Portion, means a permanent employee of our Company who is an Indian national, based in India and physically present in India on the date of submission of the Bid-cum-Application Form. Also, such person should be a permanent employee of our Company on the Bid/Issue Opening Date. “Eligible Employee”, if any, who is a person resident outside India within the meaning of FEMA, is not eligible to invest in the Issue.
Employee Reservation Portion	The portion of this Issue being a maximum of 4,90,000 Equity Shares available for Allocation to Eligible Employees.
Equity Shares	Equity shares of our Company of Rs. 10/- each unless otherwise specified in the context thereof.
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement entered into amongst the, our Company, the Registrar, the Escrow Collection Bank(s), the BRLM and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account will be opened in this case being ICICI Bank Limited, UTI Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, State Bank of India.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder.
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India.

Term	Description
Financial Year /fiscal / FY	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
FIPB Approval Letter	The FIPB Approval Letter as mentioned in the section titled “Regulations and Policies” beginning on Page 87 of the Red Herring Prospectus.
GoI/Government	The Government of India.
GoK	The Government of Karnataka.
Indian GAAP	Generally accepted accounting principles in India.
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
Issue / FPO/ Follow-on public offering	Public issue of 49,00,000 Equity Shares at the Issue Price pursuant to the Red Herring Prospectus.
Issue Price	The final price at which Equity Shares will be allotted in terms of this Red Herring Prospectus, as determined by us in consultation with the BRLM, on the Pricing Date.
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% or 100% of the Bid Amount, as applicable.
Memorandum / Memorandum of Association	The Memorandum of Association of our Company.
MoD	Ministry of Defence, Government of India
Mutual Fund Portion	5% of the QIB Portion of the Issue, being not less than 1,10,250 Equity Shares of Rs. 10/- each available for allocation on proportionate basis to the Mutual Funds only.
Mutual Funds	Mutual Funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
NSE	The National Stock Exchange of India Limited.
Net Issue	The Issue other than the Employee Reservation Portion, in this case, being 44,10,000 Equity Shares.
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue or Retail Individual Bidders and who have bid for an amount more than Rs. 100,000/-. However, Bids by Non-Institutional Bidders who are persons resident outside India, otherwise eligible to invest in the Issue, would be allowed only if and to the extent permitted by the FIPB. Our Company has applied to the FIPB vide its letter dated March 31, 2007, and the same has been approved by the FIPB. For details in relation to the FIPB application and the FIPB approval, please refer to section titled “Regulations and Policies” beginning on page 87 of this Red Herring Prospectus.
Non-Institutional Portion	The portion of the Issue being not less than 6,61,500 Equity Shares of Rs. 10/- each available for allocation to Non-Institutional Bidders on a proportionate basis.
Non Residents	Non-Resident is a person resident outside India, as defined under FEMA..
NRI / Non-Resident Indian	Non-Resident Indian, is a person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time. Pursuant to the existing regulations, OCBs are not eligible to participate in this Issue.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders, as applicable.
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the

Term	Description
	period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires.
Price Band	The price band with a minimum price (Floor Price) of Rs. [●] and the maximum price (Cap Price) of Rs [●] including revisions thereof.
Pricing Date	The date on which our Company in consultation with the BRLM finalise the Issue Price.
Prospectus	The Prospectus, filed with the RoC containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 lakh and pension funds with minimum corpus of Rs. 2500 lakh. However, Bids by QIB's, who are persons resident outside India, otherwise eligible to invest in the Issue, would be allowed only if and to the extent permitted by the FIPB. Our Company has applied to the FIPB vide its letter dated March 31, 2007 and the same has been approved by the FIPB. For details in relation to the FIPB application and the FIPB approval, please refer to section titled "Regulations and Policies" beginning on page 87 of this Red Herring Prospectus.
QIB Portion	The portion of the Issue being 22,05,000 Equity Shares of Rs. 10 each at the Issue Price, available for proportionate allocation to QIBs.
Registered Office	The registered office of our Company located at BEML Soudha, No. 23/1, 4 th Main, Sampangiramanagar, Bangalore – 560027, Karnataka
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being Karvy Computershare Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have bid for Equity Shares for an amount less than or equal to Rs. 1,00,000/-, in any of the bidding options in the Issue. However, Bids by Retail Individual Bidders who are persons resident outside India, otherwise eligible to invest in the Issue, would be allowed only if and to the extent permitted by the FIPB. Our Company has applied to the FIPB vide its letter dated March 31, 2007 and the same has been approved by the FIPB. For details in relation to the FIPB application and the FIPB approval, please refer to section titled "Regulations and Policies" beginning on page 87 of this Red Herring Prospectus.
Retail Portion	The portion of the Issue being not less than 15,43,500 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	Means the document issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus which will be filed with the RoC at least 3 days before the Bid/Issue Opening Date and will become a Prospectus after filing with the RoC after pricing and allocation.
RoC	Registrar of Companies, Bangalore, Karnataka

Term	Description
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time.
Stock Exchanges	BSE, BgSE and NSE.
Syndicate	The BRLM and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into among our Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Member	ICICI Securities Limited
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid.
U.S. GAAP	Generally accepted accounting principles in the United States of America.
Underwriters	ICICI Securities Primary Dealership Limited and ICICI Securities Limited
Underwriting Agreement	The Agreement among the members of the Syndicate to be entered into on or after the Pricing Date.

ABBREVIATIONS

Abbreviation	Full Form
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CIN	Company Identification Number
CQA	Controllerate of Quality Assurance
DIN	Director Identification Number
EGM	Extraordinary General Meeting
EPS	Earnings per share
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999
FIPB	Foreign Investment Promotion Board
GIR Number	General Index Registry Number
I-Sec	ICICI Securities Primary Dealership Limited
KGF	Plant at Kolar Gold Fields
LC	Letters of credit
NAV	Net Asset Value
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited.
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit after tax
PBDIT/ PBIDT/ EBIDTA	Profit before depreciation, amortisation and interest
PBT	Profit before tax
Plan/ Five Year Plan	Development Plans prepared by the Planning Commission covering a period of five years
PSU	Public Sector Undertaking
RBI	The Reserve Bank of India
RONW	Return on Net Worth

Supreme Court	The Hon'ble Supreme Court of India
TIN	Tax payers Identification Number
VIL	Vignyan Industries Limited

INDUSTRY RELATED TERMS

ADB	Asian Development Bank
ARV	Armoured Recovery Vehicles
BOOT	Build, Own, Operate and Transfer
BOT	Build Operate and Transfer
CAD	Computer Aided Design
CAE	Computer Aided Engineering
CAM	Computer Aided Manufacturing
CCC	Companhia Comercio E Construcoes
CIL	Coal India Limited
CKD	Completely Knocked Down
DDP	Department of Defence Production
DEMU	Diesel Electric Multiple Units
DMRC	Delhi Metro Rail Corporation
DRDO	Defence Research and Development Organization
EMU	Electric Multiple Units
IFC	International Finance Corporation
IR	Indian Railways
MEMU	Main Line Electric Multiple Units
NICMAR	National Institute of Construction Management and Research
NSEW	North South East West
NTPC	NTPC Limited (earlier known as National Thermal Power Corporation Ltd)
OTR	Off-the-road
RUP	Recommendation-for-User-Profit
SAIL	Steel Authority of India Limited
SKD	Semi-knocked Down
USD or US\$	United States Dollar

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our restated unconsolidated financial statements prepared in accordance with Indian GAAP and included elsewhere in this Red Herring Prospectus. Unless stated otherwise, the operational data in this Red Herring Prospectus is presented on a consolidated basis and includes the operations of our Company and our subsidiary. Our fiscal year commences on April 1 and ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by Persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

All references to "India" contained in this Red Herring Prospectus are to the Republic of India. All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. Rs. lakh means Rs. 1,00,000. All references to "US\$"; "U.S. Dollar" or "US Dollars" are to United States Dollars, the official currency of the United States of America.

For additional definitions, please see the section titled "Definitions and Abbreviations" on page i of this Red Herring Prospectus.

Unless stated otherwise, industry data used throughout this Red Herring Prospectus has been obtained from industry publications and publicly available Government documents. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Similarly, while information contained in publicly available Government documents relied upon for the purposes of this Red Herring Prospectus is believed to be complete and reliable, but there can be no assurance of the same.

As used in this Red Herring Prospectus, the terms, "Ninth Plan", "Tenth Plan" and "Eleventh Plan" refer to the Five Year Plans of the Government, and mean the Ninth Five Year Plan covering the period fiscal 1998-2002, the Tenth Five Year Plan covering the period fiscal 2003-2007 and the Eleventh Five Year Plan covering the period fiscal 2008-2012, respectively.

SECTION II – RISK FACTORS

FORWARD-LOOKING STATEMENTS

We have included statements in this Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes relating to the mining & construction sector, defence sector and railways & metro sector in India and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, including our ability to complete our expansion plans, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” beginning on page ix of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the members of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

An investment in equity securities involves a high degree of risk. You should carefully consider all of the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. Any of the following risks as well as the other risks and uncertainties discussed in this Red Herring Prospectus could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline, which could result in the loss of all or part of your investment.

Internal Risks

Risks related to Objects of the Issue

- 1. We have not placed orders for approximately 54% of the total plant, machinery and other equipments proposed to be purchased by us as part of the objects of the Issue. We may face time and cost overruns in relation to the same.***

We have not yet entered into any definitive agreements or placed orders for machinery and equipment amounting Rs. 14,127 lakhs out of total plant and machinery and civil works of Rs. 25,926 lakhs required for our Project. We are subject to risks on account of inflation in the price of machinery and other equipment that we require for the Project. Further, in respect of the machinery/equipment/other project related services that we propose to import/procure from overseas, we may be subject to the risks arising out of currency rate fluctuations. These factors may increase the overall cost of our Project, and we may have to raise additional funds by way of additional debt or equity placement to complete the objects of this Issue, which may have an adverse effect on our business and results of operations.

- 2. We have not commissioned an independent appraisal by any bank or financial institution for the objects of this Issue and the fund requirements are based primarily on management estimates. Further, there is no monitoring agency appointed to monitor the use of proceeds of this Issue. There can be no assurances that we will be able to implement the projects forming part of the objects of this Issue at the cost and as per the schedule estimated by us and this could result in cost over run or delays.***

The purposes for which we intend to use the Issue proceeds, as mentioned in section titled “Objects of the Issue” beginning on page 22 of this Red Herring Prospectus, has not been independently appraised by any bank or financial institution. Further, appointment of monitoring agency is not mandatory for the Issue in terms of Clause 8.17 of the SEBI Guidelines, and we have not opted for appointment of any monitoring agency for monitoring the use of proceeds of the Issue.

- 3. We have not identified alternate sources of financing the objects of this Issue and any delay on our part to raise money through this Issue or to arrange financing from alternate sources may delay the proposed implementation of our plans***

The total requirement of funds, as proposed in the section titled “Objects of the Issue”, is proposed to be funded completely by proceeds from this Issue. We have not identified alternate sources of financing for the same. Any shortfall in the proceeds of the Issue would be met with internal accruals of our Company. Our profit after tax for the nine months ended December 31, 2006 was Rs. 11,142 lakhs and our reserves and surplus as on that date was Rs. 93,194.42 lakhs. However, there can be no assurance that our present and future internal accruals will be adequate to cover such shortfall. Any delay on our part to raise money through this Issue or to arrange financing from alternate sources, including our internal accruals may delay the proposed implementation of our plans. For details, please refer to section titled “Objects of this Issue” beginning on page 22 of this Red Herring Prospectus.

4. ***Funding for the R&D Centre of Excellence for Metro Coaches, a society registered under the Karnataka Societies Registration Act, 1960, is to be received by way of Government grants. The same are yet to be received.***

One of the objects of this issue is contribution of an amount of Rs. 900 lakhs towards the R&D Centre of Excellence for Metro Coaches. The R&D Centre of Excellence for Metro Coaches has been set up as a society under the Karnataka Societies Registration Act, 1960. The setting up of this centre depends substantially on funding by way of government grants. There are no alternate financing plans for funding of the R&D Centre of Excellence for Metro Coaches and if the Government grants are not received in a timely manner, or not received at all, it may adversely affect the setting up and the operations of the R&D Centre of Excellence for Metro Coaches. For further details please refer to page 30 of this Red Herring Prospectus.

5. ***The implementation of the activities required pursuant to the objects of this Issue is dependent on performance of external agencies. Any shortfall in the performance of these external agencies may adversely affect our expansion plans.***

The implementation of the activities required pursuant to the objects of this Issue is dependent on performance of external agencies, which are responsible for construction of buildings, installation and commissioning of plant and machinery and supply and testing of equipment. We cannot assure that the performance of external agencies will meet the required specifications or performance parameters. If the performance of these agencies is inadequate in terms of the requirements, this may result in incremental cost and time overruns, which in turn may adversely affect our expansion plans.

6. ***The plant & machinery proposed to be purchased from the Issue proceeds include those, which need to be imported and any fluctuation in the exchange rate may have an adverse impact on the cost of the same.***

We have placed or intent to place orders for purchase of equipment with certain foreign companies and the same would be imported into India for our proposed project. An amount of Rs. 28,742 lacs is proposed to be utilized out of the Issue proceeds for purchase of plant and machinery and civil work. Of this orders worth Rs. 1180 lacs have been placed with overseas suppliers. Orders for plant and machinery and civil work aggregating to Rs. 18,510 lacs have not yet been placed. In case such orders are placed with overseas suppliers then 69% of the plant and machinery and civil work being purchased out of the Issue proceeds could be exposed to foreign exchange fluctuations. A downward fluctuation in the exchange rate could negatively affect the cost of the said machinery.

7. ***Any delay in the commencement of operations as scheduled as per the proposed expansion plan for the projects being set up by us as part of objects of the Issue may affect our profitability.***

We have embarked on setting up the metro coach manufacturing facility at Bangalore, modernisation and upgradation of existing infrastructure including implementation of enterprise resource planning and setting up of 5MW Windmill for captive consumption. Delay in the timely commencement of commercial operations at these projects may result in cost over runs and have a critical bearing on our financial performance and may adversely affect the market price of the Equity Shares.

Business Related Risks

8. ***A major proportion of our revenues historically have been dependent on the sale of earthmoving and construction equipment to various core sectors of the industry. A substantial decrease in the orders or the selling price for such equipment may adversely impact our revenues and profitability.***

Our earthmoving and construction equipment business contributed 63% of total revenues for the year ended March 31, 2006. The mining, irrigation, infrastructure, energy, steel and cement industries are major users of our earthmoving and construction equipment. Decisions to purchase our equipments are

dependent upon performance of these industries. Prices of commodities in these industries are frequently volatile and change in response to economic growth, commodity inventories and any disruptions in production. Commodity prices lower than those assumed have the potential to negatively impact our sales. In case the demand of output in these industries decreases, then the demand for our products could also decrease. The rates of infrastructure spending, residential housing and commercial construction play a significant role in our results. Our products are an integral component of these activities, and as these activities increase or decrease, demand for our products may be significantly impacted.

9. *We depend significantly on a small number of customers for sale of defence equipments and railway products. A substantial decrease in the orders placed on us by these customers or a decrease in the selling price of these products may adversely impact our revenues and profitability.*

The Ministry of Defence is our largest customer for defence products. Similarly, a substantial proportion of our sale of railway products is currently made and is expected to be made to a small number of customers such as Indian Railways, Delhi Metro Railway Corporation and other metro rail transit agencies. For the year ended March 31, 2006, 32 % of our total revenue was derived from sale of defence products to GoI. Further, 5% of our total revenues for the year ended March 31, 2006 was derived from sale of railway and metro products to GoI and DMRC. The loss of GoI as our customer would have a material adverse effect on financial statement of our Company. The number and value of defence and railway products that we supply is likely to vary from year to year depending on the government policies and budgets for defence and railway / metro transport. Further, in the past, our entire revenue from supply of metro rail components has come out of supply to equipment to DMRC for the phase I of the Delhi metro project. DMRC has recently floated tenders for phase III of the Metro project and the same is open even to foreign companies. In the event that we are unable to procure such contracts, it will affect our revenues and profitability.

Due to any future changes to government policies or budgets, the demand for our defence products and railway products may reduce. In addition, there are a number of factors, other than our performance, that are not predictable and could adversely affect our revenues from sale of defence products or railway products.

10. *The demand for our railway products such as passenger coaches and Metro coaches will depend on the implementation schedule of metro and railway projects and growth of passenger traffic in railways and metro rail transit system.*

We manufacture and supply passenger coaches to Indian Railways and metro coaches to various metro rail transit systems. The demand for passenger coaches and metro coaches will be dependent on implementation schedule of metro and railway projects and the growth of passenger traffic in the railway and the metro rail transit system. Passenger traffic in railways faces competition from other means of transport such as road transport as well as from low-budget airlines. The metro rail transit system in India is slowly evolving and its implementation could be delayed on account of project cost, delays in land acquisition, etc. Our revenues from sale of railway products would depend on the growth of the passenger traffic in railways and metro rail transit system and a lesser than expected growth could adversely affect the demand for our railway products.

11. *Our business of manufacture and sale of railway products has been yielding negative operating profit margins. Further, this business segment has contributed less than 25% of our revenues in the last three fiscal years.*

We have been manufacturing and supplying railway products on a regular basis over past several years. This business segment has contributed 1%, 6%, 5% and 3% of our revenues during FY2004, FY2005, FY2006 and nine months ended December 31, 2006 respectively. The operating profit margin for this sub-segment of business has been negative during the past 5 years mainly due to limited discretion in the fixation of selling price and unavailability of raw material supplies at competitive prices which is adversely affecting our operations. For the FY 2006, our business segment of railway

and metro products contributed Rs. 10,582 lakhs i.e. about 5% of total revenues out of which Rs. 7,606 lakhs i.e. about 72% was contributed by railway products. For FY 2006, the segment result from railway and metro products was Rs. (-)1,512 lakhs or (-)14% of the total revenue from this segment. If the business conditions for railway products remain unfavourable for us, it shall continue to affect our business adversely. For details, please refer the section titled Management Discussion and Analysis on page 173 of this Red Herring Prospectus.

12. Our dependence on outside agencies / companies for the supply of technology and equipment for the manufacture of earth moving equipments, defence equipment, railway equipments and mining activities is substantial. Any constraint in our business relations with these agencies / companies would affect our business and financial conditions adversely.

We have entered into agreements with foreign companies wherein these companies provide us with timely updates on the latest technology and also supply essential components for the earth moving equipments, defence equipment, railway equipments manufactured by us and our mining activities. Please refer to page 92 of this Red Herring Prospectus for brief details on such agreements entered into by our Company. Should there be any constraint in our relation with these companies in the future, our business and financial conditions could be adversely affected.

13. Our Company had a negative cash flow in certain years during the last five fiscal years and the nine months ended December 31, 2006.

Our Company had a negative cash flow from operations of Rs. 13,015.47 lacs and Rs. 14,062.69 lacs for the period of nine months ended December 31, 2006 and for FY2005 respectively. Similarly, our Company had a negative cash flow from operations, investing and financing activities of Rs. 11,219.55 lacs, Rs. 1691.61 lacs, Rs. 11,103.07 lacs and Rs. 5747.04 lacs for the period of nine months ended December 31, 2006, FY2006, FY2005 and FY2003 respectively. For details please refer to the section titled “Auditor’s report to the restated unconsolidated and consolidated financial statements” on page 112 of this Red Herring Prospectus.

14. The shortage of various raw materials and manufactured components can adversely affect our results of operations.

We rely on various suppliers to secure raw materials such as steel, manufactured components, sub-assemblies and other inputs like tyres, batteries, glass windows, etc., required for the manufacture of our products. A disruption in timely deliveries from our suppliers or decrease in availability of such components could have an adverse affect on our ability to meet our commitments to customers or increase our operating costs. While we believe that our source of supply of raw materials and components will be generally sufficient for our needs in the foreseeable future, our results of operations or financial condition could be negatively impacted should the supply turn out to be insufficient for our operations. There may be instances of delay in delivery of raw materials and manufactured components, which may hamper our production schedule and lead to delays, which may result in orders being cancelled, delays in revenue recognition and we may even be required to pay liquidated damages to our customers.

15. Increases in the cost of raw materials and components or an increase in labour costs can put pressure on our margins and may adversely impact our financial condition and results of operations.

Our business is subject to the risk of price increases and fluctuations. Our operations require substantial amounts of steel and other components such as tyres, batteries, glass windows, etc. We do not typically enter into long term contracts for the supply of raw materials or components and are hence exposed to fluctuations in the price and demand for such components, which may be driven by governmental regulations, import duties, manufacturing costs, etc. To the extent our contracts do not include price variation clauses we are exposed to price fluctuations in procuring high value

components and raw materials for our customers. In the event the cost of raw materials and components increases after we enter into contracts with our customers and we are not able to pass on such price increase to our customers, we would be forced to absorb such increases. Any such absorption of increased costs would cause a material adverse impact on our financial position.

Further, steel based raw materials are principal inputs in manufacturing metro coaches, railway coaches, bridges and heavy engineering equipment. The prices at which we purchase steel plates and steel beams are significantly dependent on steel prices in the international markets. The prices of steel are highly volatile and cyclical in nature. As such, any price fluctuations in the prices of steel will adversely affect our business and financial conditions.

16. If we are unable to adapt to technological changes, our business could suffer.

Our future success will depend in part on our ability to respond to technological advances in the businesses in which we operate, on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. We cannot assure you that we will successfully implement new technologies effectively. If we are unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, our business, financial performance and the trading price of our Equity Shares could be adversely affected.

17. The level of our order book may not necessarily indicate what our future sales will be and our actual sales may fall short of the estimated sales value attributed to our order book.

We define our order book as the sales value of products or services for which our customers have placed orders on us and which are pending execution from our end. We consider the order book to be an indicator of future sales. Customer orders may be subject to cancellation, inspection delays and other customary industry terms, and delivery dates maybe subject to delay, thereby extending the date on which we will deliver the products and realize revenues. Furthermore, we cannot guarantee that all contracts included in our reported order book that actually generates sales would be as profitable as they have been in the past. Therefore, our current levels of reported order book may not necessarily represent the level of sales that we may generate in any future period.

18. We are subject to risks of assuming performance guarantees and product warranty costs due to unforeseen defects in our products and liquidated damages for delays in delivery at times, due to circumstances beyond our control, which could generate adverse publicity and affect our business, results of operations and financial condition.

Certain clauses in our contracts at times, expose us to warranty claims. Certain of our supply contracts provide for warranty periods varying from 12 months to 24 months against manufacturing defects. Although, third party supplied items are covered under warranties provided by certain of our vendors, we may not always be able to strictly enforce the same. In defending any such claim, we could incur certain costs and receive adverse publicity. Management resources could be diverted away from our business towards defending such claims. In addition, certain contracts also require us to provide performance guarantees, valid for the duration of the warranty period, which can be encashed against us, in the event there are manufacturing defects that are not rectified by us in time. Our contracts are generally time bound and may provide for liquidated damages to be paid in the event there is a delay in delivery, beyond the stipulated time lines in the contract. The nature of damages usually incurred in case performance guarantee and product warranties are invoked include forfeiture of performance guarantees, costs associated with replacement of relevant part(s)/entire machine in a timely manner and servicing costs, if the liability is accepted by the Company, in absence of legal proceedings. In case of institution of legal proceedings finally decided against the Company, these costs may also include legal fees and expenses, liquidated damages/costs of litigation, compensation for loss of business and profits of the customer, compensation/ costs for mental harassment, by whatever name or description claimed, to the extent awarded by the Court. Any one or more of the aforesaid could have an adverse effect on our business, results of operations and financial conditions.

19. *We may face increased competition and our market share could decline.*

We compete on the basis of price, product performance and quality, warranty and commercial terms and customer service. There can be no assurance that our products will be able to compete successfully with the products of other companies. Thus, our share of industry sales could be reduced due to aggressive pricing or product strategies pursued by competitors or our failure to price our products competitively. The defence sector has been opened up for entry to public and private sectors and we could face increased competition from other manufacturers both in India and outside. We face competition from various companies including Larsen and Toubro, Mahindra and Mahindra, Tractors India Ltd. (TIL), Automotive Coaches and Components, etc. for full-fledged manufacture and supply of defence equipment.

We may face increased competition in earthmoving equipment and railway products due to liberalization of imports as well as from domestic manufacturers. We face competition from various international and domestic companies including Hitachi, Caterpillar, Komatsu, Terex, Volvo, Larsen and Toubro, Tractors India Limited, Action Construction Limited, etc. The main competitor in our railways EMU and wagons business are Jessop and Company Limited, Kolkata, Texmaco Limited, Titagarh Wagons Limited, BESCO Limited, Braithwaite and Co. Limited, Modern Industries Limited, etc. The major global players competing for the Metro coach orders in DMRC Phase-III as well as other Metro projects across the country include Bombardier (Canada), Alstom (France), Siemens (Germany), CAF (Spain) and Kawasaki (Japan).

In addition, our competitors may foresee the course of market development more accurately than we do, develop new products that are superior to ours or adapt more quickly than we do to new technologies or evolving regulatory, industry or customer requirements. As a result we might not be able to compete effectively with them. Some of our competitors are companies, or divisions, units or subsidiaries of companies that are larger and have greater financial and other resources than we do.

20. *Our inability to effectively manage our growth or to successfully implement our business plan and growth strategy could have a material adverse effect on our operations, results of operations and financial condition.*

We have experienced considerable growth over the last few years. From FY 2002 through FY 2006, our total sales revenue on a consolidated basis has grown at a compound annual growth rate of 11%, from Rs. 135,104 lakh in FY2002 to Rs. 206,016 lakh in FY 2006. Our future prospects will depend upon our ability to grow our business and operations further. The development of such future business could be affected by many factors, including general political and economic conditions in India, government policies or strategies in respect of specific industries, prevailing interest rates, price of equipment and construction materials, fuel supply and currency exchange. In order to manage growth effectively, we must continuously implement improved operational systems, procedures and internal controls on timely basis. If we fail to implement these systems, procedures and controls successfully on timely basis, or if there are weaknesses in our internal controls we may not be able to meet our customers' needs, pursue our future strategies or operate our business effectively. There can be no assurance that our existing management, operational and financial systems, procedures and controls will be adequate to support future operations or establish or develop business relationships beneficial to future operations. Failure to manage growth effectively could have a material adverse effect on our business, results of operations and financial condition.

21. *We are entering into new businesses and activities namely, contract mining and trading business and operating a captive windmill power plant and we cannot assure you that the new businesses will be successful.*

We plan to diversify our operations, either on our own or through joint ventures/associates, by taking advantage of opportunities created by regulatory and economic reforms. We plan to enter into contract mining, trading business. We have also entered into an MoU to enter into a joint venture with a

construction equipment company based in Brazil. We intend to set up and operate a captive windmill power plant to meet a portion of our energy requirements. These new ventures and the regulatory environment may pose significant challenges to our administrative, financial and operational resources. We do not have significant experience in these new businesses and activities, and they may involve risks and difficulties with which we are not familiar. They may require capital and other resources, as well as management attention, which could place a burden on our resources and abilities. An amount of Rs. 2700 lakhs out of the Issue proceeds will be utilised for setting up the captive windmill power plant and we could also finance the other new businesses namely, contract mining and trading business as a part of the general corporate purposes which amounts to Rs.[•]. We may not be successful in these businesses and activities and cannot provide you with any assurances as to the timing and amount of any returns or benefits that we may receive from these new businesses or any other new businesses we may enter into.

22. *Our business is dependent on our manufacturing facilities. The loss of or shutdown of operations at any of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.*

Our principal manufacturing facilities at Bangalore, Mysore and Kolar Gold Field are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs continued availability of services of our external contractors, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results.

23. *Our success depends in large part upon our Directors and key managerial personnel and our ability to attract and retain them. Our inability to do so may have a material adverse effect on our business, results of operations and financial condition.*

We are highly dependant on the expertise and services of our Directors and key managerial personnel. If we lose any of these key personnel, we may find it difficult to find replacements with similar knowledge and experience, especially in relation to our business and our Company, and integrate them into our organisation. As a result, our business and financial condition could be adversely affected. If we are unable to attract highly skilled professionals, fail to integrate them into our organisation, or fail to retain them after we have invested resources in their training, our ability to compete and our results of operations may be adversely affected.

Legal, Regulatory and other risks

24. *There are legal and regulatory proceedings which our Company is involved in, which if determined against us can have a material adverse impact on us.*

Our Company is involved in various legal proceedings which are pending at various stages of adjudication before the Supreme Court, High Court, City Courts, Tribunals and various other authorities. If a claim is determined against us and we are required to pay all or any portion of the disputed amount, it could have a material adverse impact on our cash flows, results of operations and financial condition. For further information regarding outstanding litigations we are involved in, please refer section titled “Outstanding Litigations, Material Developments and Other Disclosures” beginning on page 190 of this Red Herring Prospectus. The following table lays down a summary of the litigations in which our Company is a party to, involving potential cash outflow, and estimates of the amounts involved in such matters:

(Rs. in lakhs)

Matters pending	Number of cases pending	Amounts involved*
Tax litigation at assessment stage	Demands and penalties for various assessment years involving our Company and our regional/district offices	620.73

Civil Cases	42	92.71
Matters pending	Number of cases pending	Amounts involved*
Consumer Cases	8	29.62
Motor accident claims	1	Not quantifiable
Excise matters and service tax	5	208.62
Labour disputes	12	Not quantifiable
Customs cases	2	5269.86
Criminal Cases	1	Not quantifiable
Property	2	Not quantifiable
Arbitration	1	76.94
Automobile Cess	5	26.76

* The amount involved is the amount expressly claimed against our Company, being the liability and/or financial impact which may be incurred if we are unsuccessful in legal proceedings. However, it does not include those penalties, interests, costs and other amounts, if any, which may have been pleaded but not expressly quantified in the course of legal proceedings, or which the Court/Tribunal otherwise has the discretion to impose. Such liability, if any, would crystallize only on the order of the Court / Tribunal where the case is pending.

25. There are legal and regulatory proceedings which our subsidiary Vignyan Industries Limited is involved in, which if determined against us can have a material adverse impact on us on a consolidated basis.

Our subsidiary VIL is involved in various legal proceedings, if a claim is determined against VIL and if they are required to pay all or any portion of the disputed amount, it could have a material adverse impact on VIL's cash flows, results of operations and financial condition, and would consequently affect our consolidated financial results. VIL is involved in 6 cases wherein the amounts involved in these cases are not quantifiable. For further details please refer to page 229 of this Red Herring Prospectus

26. We have contingent liabilities under Indian Accounting Standards, which may adversely affect our financial condition.

The contingent liabilities of our Company as on December 31, 2006 are as follows:

		(Rs. in Lakhs)
a	Estimated amount of Contracts remaining to be executed on capital accounts and not provided for	2,078.12
b	On account of Letter of credit issued by Banks on behalf of the Company	14,270.36
c	(i)Counter Guarantees given to Banks for guarantees issued by the Banks on behalf of the Company	11,191.58
	(ii)Corporate Guarantees given to Banks for credit extended to subsidiary and to customers for performance guarantee	100.00
d	Claims against the Company not acknowledged as debts:	8,494.94
	(i) Disputed statutory demands like sales tax, service tax, etc.	1,335.47
	(ii) Others	7,159.47

27. There is a substantial amount of money that is outstanding to our creditors which includes small scale undertakings for a period of more than one month and an amount of more than Rs. 1 lakh to each of them.

As on March 20, 2007 there is an amount of Rs. 7,302 lakh outstanding to our creditors which include small scale undertakings for a period of more than one month. The amount outstanding to each one of them is either Rs. 1 lakh or more.

- 28. *We have to renew or maintain our statutory and regulatory permits and approvals as required to operate our business and any delay or inability to obtain the same may have a material adverse effect on our business. Further, we have not applied for, or obtained, any statutory or regulatory approvals in relation to the objects of the Issue.***

We require certain statutory and regulatory permits and approvals to operate our business. Some of these approvals are granted for fixed periods of time and need renewal from time to time. Following are details of the applications made for the licenses whose validity has expired:

- Application dated December 5, 2006 for Renewal of the Registration and Licensing of the factory under the Factories Act, 1948 for our factory located at our Regional office in Kolkata.
- Application dated May 30, 2007 made for renewal of Sales Tax Registration under the Bihar Sales Tax Act for our regional office at Ranchi which will expire on May 31, 2007.

Further, we have not applied for, or obtained, any statutory or regulatory approvals in relation to the objects of the Issue. Any failure or delay in applying for or obtaining the same may lead to delay/deferment in the implementation of the relevant object(s),

- 29. *Sale deeds for some of our properties have not been registered and any claim or liability arising from non-registration or dispossession of the same from us can adversely affect our business***

Of the eight freehold properties that we have, three of the sale deeds are not registered. Any claim or liability arising from non-registration or dispossession of the same from us can adversely affect our business. For more detail of the same, please refer section titled “Our Business” beginning on page 54 of this Red Herring Prospectus.

- 30. *We have entered into various lease Deeds for carrying on our business activities in various parts of the country, which have expired and the said lease deeds have not been renewed yet but are in the process.***

We have entered into various lease deeds for our regional / district offices in different parts of India for carrying on business activities. The tenure of the lease deeds in respect of our offices at Kolkata, Ranchi, and Bilaspur have expired, the renewal of the same is in process. Pending finalisation of the same, any claims that may arise from the said properties can have an adverse impact on our business.

- 31. *We may be adversely affected by restrictive covenants in certain joint venture agreements to which we are a party.***

We have entered into various long term agreements / MoU's/ JV agreements with companies/ entities in India and abroad. These agreements have restrictive covenants with respect to exclusivity. For example, as per the terms of these agreements / MoU's, we are bound by exclusivity clauses wherein we cannot use raw material, equipment components manufactured by other companies. These may hamper our future prospects in the event we are able to identify other companies / firms either within India or abroad who could supply the same equipment on better terms. Breach of any of the confidentiality/secretcy and other material clauses of these agreements/MoUs/JV agreements may form a ground for termination of the same or make us liable for penalties/other actions arising from the breach of contract.

- 32. *There was a shortfall in the actual performance as compared to the projections made in the offer documents in respect of our previous issues.***

We made a public issue of 60,00,000 12.50% Secured Redeemable Partly Convertible Debentures of Rs. 195/- each for cash at par in the financial year 1994-1995 and rights issue of 10,00,000 12.50% Secured Redeemable Partly Convertible Debentures of Rs. 180/- each for cash at par in the financial

year 1994-1995. The projections in respect of the major heads made in the prospectus (for the public issue) and the letter of offer (for the rights issue) and actual performance is as follows:

(Rs. in Lakhs)						
For the year		Particulars				
		Sales	PBIDT	PBT	PAT	Dividend
1994-1995	Projected	100,200	17,300	4,900	2,700	15%
	Actual	102,113	13,064	1,450	1,050	15%
	Shortfall	-	4,236	3,450	1,650	-
1995-1996	Projected	108,200	18,700	6,600	4,300	15%
	Actual	101,110	15,030	2,245	1,245	15%
	Shortfall	7,090	3,670	4,355	3,055	-
1996-1997	Projected	109,600	21,100	8,400	4,900	20%
	Actual	116,979	16,661	3,116	1,616	20%
	Shortfall	-	4,439	5,284	3,284	-
1997-1998	Projected	111,200	22,000	9,700	5,800	20%
	Actual	125,971	14,137	1,626	1,065	20%
	Shortfall	-	7,863	8,074	4,735	-

For further details, please refer section titled “Other Regulatory and Statutory Disclosures” beginning on page 241 of this Red Herring Prospectus.

33. *We will continue to be controlled by the GoI following this Issue, and our other shareholders may be unable to affect the outcome of shareholder voting.*

After the completion of this Issue, the Government will own nearly 54.03% of our paid-up capital. Consequently, the Government, acting through the Ministry of Defence, will continue to control us and will have the power to elect and remove our directors and therefore determine the outcome of most proposals for corporate action requiring approval of our Board of Directors or shareholders, such as proposed annual and five-year plans, revenue budgets, capital expenditure, dividend policy, transactions with the Government and Government-controlled corporations (who are our largest customers) or the assertion of claims against such companies and other public sector companies. Further, the Government of India (through the President of India) has special rights in terms of Article 119 and certain other articles under our Articles. For further details on our Articles of Association, see the section titled “Main Provisions of Articles of Association of Our Company” on page 287 of this Red Herring Prospectus. The interests of the Government may be different from our interests or the interests of our other shareholders. The Government could, by exercising its powers of control, delay or defer a change of control of our Company or a change in our capital structure, delay or defer a merger, consolidation, takeover or other business combinations involving us, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company. In particular, given the critical importance of the defence and railway sector to the country, the Government could require us to take actions designed to serve the public interest in India and not necessarily to maximise our profits.

External Risks

34. *There may be changes in the regulatory framework that could adversely affect us.*

The statutory and regulatory framework for the Indian earth moving and construction equipment, railways and defence industry may see changes in the next few years. We presently do not know what the nature or extent of the changes will be and cannot assure you that such changes will not have an adverse impact on our financial condition and results of operations. For a discussion on the regulatory framework of these industries in India, see the sections titled ‘Regulations and Policies’ on page 87 of this Red Herring Prospectus.

35. *Terrorist attacks and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.*

Regional or international hostilities, terrorist attacks or other acts of violence or war could have a significant adverse impact on international or Indian financial markets or economic conditions or on Government policy. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and on the market price of our equity shares.

36. *Political, economic and social developments in India could adversely affect our business.*

We derive virtually all of our revenues from India. Our operations and financial results and the market price and liquidity of our equity shares may be affected by changes in Indian Government policy or taxation or social, ethnic, political, economic or other developments in or affecting India. Since achieving independence in 1947, India has had a mixed economy with a large public sector and an extensively regulated private sector. Since 1991, the Government has significantly relaxed most of these restrictions. India has also witnessed civil disturbances in recent years. While these civil disturbances did not directly affect our operations, it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us.

37. *After this Issue, the price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not sustain.*

The prices of our Equity Shares may fluctuate after this Issue due to a wide variety of factors, including:

- volatility in the Indian and global securities markets;
- our operational performance, financial results and capacity expansion;
- developments in India's economic liberalization and deregulation policies, particularly in the construction equipment, defence-related equipment and railway products sectors; and
- changes in India's laws and regulations impacting our business.

We cannot assure you that an active trading market for our equity shares will be sustained after this Issue or that the price at which our equity shares would be traded subsequent to this Issue will correspond to the current prices for our already existing equity shares.

38. *Any future issuance of Equity Shares by us may dilute your shareholding and adversely affect the trading price of the Equity Shares.*

Any future instance issuance of Equity Shares by us or any future issuance of convertible securities by us, may significantly affect the trading price of our Equity Shares. Such issuances of Equity Shares and convertible securities may dilute the positions of investors in the Equity Shares and could adversely affect the market price of our Equity Shares.

Notes to risk factors:

- Public Issue of 49,00,000 Equity Shares of Rs. 10/- each at a price of Rs. [●] per Equity Share aggregating Rs. [●] Lakhs (the "Issue") including a reservation for Eligible Employees of 4,90,000 Equity Shares aggregating Rs. [●] Lakhs and a Net Issue to the Public of 44,10,000 Equity Shares by Bharat Earth Movers Limited. The Issue would constitute 11.77% of the fully diluted post-Issue paid-up capital of our Company.
- The net worth of our Company as on December 31, 2006 was Rs. 96,881.64 lakhs (on an unconsolidated basis).

- Book value of the Equity Shares of our Company as on December 31, 2006 is Rs. 263.66 per Equity Share (on an unconsolidated basis).
- The average cost of acquisition of Equity Shares by our Promoter is Rs. 10/- per Equity Share.
- For details on Related Party Transactions and Loans and Advances made to any company in which our Directors are interested please refer to the section titled “Related Party Disclosures” appearing in section titled “Auditors’ Report to the Restated Unconsolidated And Consolidated Financial Statements” beginning on page 112 of this Red Herring Prospectus.
- We have not issued Equity Shares for consideration other than cash or out of revaluation reserves since inception except 64,630 Equity Shares of Rs. 1000/- each issued in the year 1966 issued to GoI on transfer of the rail coach Division of HAL to BEML and the same were subdivided into 64,63,000 Equity Shares of Rs. 10/- each in the year 1992.
- In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to QIBs, Retail Individual Bidders, Non-Institutional Bidders and Eligible Employees in the Employee Reservation Portion. For more details, please refer “Basis of Allotment” in section titled “Issue Procedure” beginning on page 259 of this Red Herring Prospectus.
- Under subscription, if any, in any category shall be allowed to be met with spillover from the other categories, at the sole discretion of our Company in consultation with the BRLM. Allocation in all the categories shall be on a proportionate basis.
- Investors may contact the BRLM for any complaints, information or clarifications pertaining to the Issue.
- Investors are advised to refer to the section titled “Basis of Issue Price” on page 35 of this Red Herring Prospectus.
- All information shall be made available by the BRLM and our Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
- Trading in Equity Shares of our Company would be in dematerialised form only.

SECTION III – INTRODUCTION

SUMMARY OF INDUSTRY AND OUR BUSINESS

You should read the following summary with the Risk Factors beginning on page ix of this Red Herring Prospectus and the more detailed information about us and our financial statements included elsewhere in this Red Herring Prospectus.

SUMMARY OF INDUSTRY:

Industry Classification

Our Company primarily deals with three business segments comprising of Construction and Mining equipment business, Defence business and Railway & Metro business, all of which are very diverse businesses. As a result we cannot be classified in any one particular industry but form part of the three industries described below:

- Construction and Mining Equipment Industry
- Defence Products Industry
- Railway & Metro Products Industry

Construction and Mining Equipment Industry

The Construction and Mining Equipment Industry plays a vital role in the economic development of our country. This industry is closely linked with major development and infrastructural sectors such as coal and mineral mining, irrigation, road and power projects, ports, steel, cement, fertilizers, etc. The construction and mining equipments currently being manufactured cover dozers from 65 HP to 770 HP, excavators starting from 7 tonnes (T) to 160 T, wheel dozers of 300 HP and 460 HP, wheel loaders with bucket capacity ranging from 1.7 to 4.7 cubic metres (cu.m.), mechanical dumpers from 35 T to 100 T, electrical dumpers of 120 T and 170 T (with plans to add 190 T, 240 T and 360 T in the near future), rope shovels of 10 cu.m., 20 cu.m. and 42 cu.m., draglines of 24/96 and 30/96 sizes, motor graders of 145 HP and 280 HP and backhoe loaders. Side discharge loaders and load haul dumpers for underground mining applications are also being manufactured. For road building, vibratory compactors, hot mix plants, pavers etc. are also being manufactured indigenously. These machines help to speed up development in irrigation and power projects, coal and iron ore mining, for excavation of lime stone for cement, for development and reclamation of vast track of land, building roads, making canals, preparing industrial sites and all facets of the country's development activity. These machines also reduce dependence on labour and provide automation in the core sectors.

Defence Products Industry

Defence production is under the Department of Defence Production (DDP). The DDP deals with the indigenisation, development and production of defence equipment, both in the public and private sectors. It caters to production infrastructure for aircraft and helicopters, warships, submarines, heavy vehicles and earthmovers, missiles, a variety of electronic devices and components for the defence sector, and alloys and special purpose steel. DDP has a substantial infrastructure developed over the years, consisting of 40 Ordnance Factories and 8 Defence Public Sector Undertakings (DPSUs) including BEML. The total defence budget for FY 2008 is proposed at Rs. 960,000 million which is an increase of 11.6% over the previous year. Out of the total defence budget, Rs. 410,000 million is allocated for capital expenditure, an increase of 19% over the previous fiscal year's actual capital expenditure.

Railway & Metro Products Industry

Indian Railways (IR) is considered the backbone of our national transport infrastructure. It is the world's second largest system under one management which has an extensive route length. It is often described as the nation's lifeline with its vast network and reach. As per the Railways Year Book 2004 – 2005, there were 222,379 Wagons, 48,263 Coaches and 7,131 stations throughout the country. The Indian Railways requires various products such as passenger rail coaches, electrical multiple units (EMU) and AC/ DC EMUs for transportation of passengers.

With the increased demand of transportation needs, many urban cities in India having a population of more than 3 million are now planning to introduce Metro rail transportation. Delhi Metro Rail Corporation (DMRC) has already taken a lead in establishing a world-class Metro in Delhi which was well received by the public and has become a role model for future upcoming Metro projects in the country. Cities like Mumbai, Bangalore, Hyderabad, Ahmedabad, Chennai and Cochin have already finalized their project reports with DMRC being a prime consultant for these Metros. A substantial number of Metro coaches would be required in the immediate future to cater to the upcoming Metro projects in the country. These projects are highly capital intensive and include high technology. Manufacturing of Metro cars involves state-of-the-art technologies in terms of materials, fabrication, power electronics, digital controls, software driven aggregates, etc. Import of these hi-tech Metro coaches is prohibitively expensive and hence there was a pressing need to take up their manufacturing in India.

SUMMARY OF OUR BUSINESS:

Overview

We are one of the major manufacturers of mining and construction equipments in India. We are a multi-locational and multi-product company. We primarily deal in three product segments comprising Mining and Construction equipments, Defence products and Railway & Metro products through which we cater to vital applications in diverse sectors of the economy such as mining, steel, cement, power, irrigation, construction, road building, defence, railway and Metro transit system. Recently we have expanded our product range to cover high-quality hydraulics, heavy-duty diesel engines, welding robots and heavy fabrication jobs. In the beginning of fiscal 2007, we decided to foray into two more new business areas – a) technology, providing engineering design software solutions and b) trading, for marketing non-Company products, components, aggregates and commodities for domestic and international markets.

We are a Mini-Ratna (Category 1) Company under the Ministry of Defence and ranked as the first among the Fastest Growing Construction Equipment Companies in India (Construction World – NICMAR Survey 2005). We are an ISO 9001-2000 certified company. We have been at the forefront of delivering robust, high-quality products to our customers resulting in low cost of ownership. To this extent, we incorporate state-of-the-art technology in all our products through market-driven R&D, and collaborate with international companies for imbibing the latest technology.

We have our corporate head office and central marketing division at Bangalore, Karnataka, India. We have 3 manufacturing facilities in Bangalore, Mysore and Kolar Gold Fields, all in the state of Karnataka, India. We have an extensive procurement, sales and marketing network across India, consisting of 4 zonal offices, 10 regional offices, 15 district offices and 6 service centres. We are progressively growing as a global player and export to 38 countries in Asia, Africa, Europe and Latin America. To support our international operations, we have recently opened representative offices in Singapore and Shanghai.

We have also set in motion our offshore expansion plans, and signed a Memorandum of Understanding (MoU) for establishing a Joint Venture (JV) Company in Brazil with CCC (Companhia Comercio E Construcões) for manufacture and supply of rail wagons and bogies, mining and construction equipment and spares for the Brazilian market. As a part of our diversification strategy, we also plan to enter the contract mining business, and have tied up with an Indian mining company. We expect to exploit the high business potential projected in this segment by coal companies, state electricity boards and power plants.

We are a public sector undertaking (PSU) in which, as on December 31, 2006, the Government of India holds a 61.23% stake and the remaining shares are held by financial institutions, mutual funds, foreign institutional investors (FIIs), corporate bodies, public individuals and others. Our shares are traded on the Bombay Stock Exchange (BSE), National Stock Exchange (NSE) and Bangalore Stock Exchange. Our Company has a subsidiary – Vignyan Industries Limited located at Tarikere, Karnataka, which manufactures steel castings, bulk of which is supplied to the Company. We had a manpower strength of 11,748 as on March 31st, 2007.

Business Overview

We primarily deal with three product segments comprising mining and construction equipment, defence products and railway & Metro products. From fiscal 2007, our business has been restructured into three business groups, reflecting our main product offerings, viz. Mining & Construction, Defence and Railway & Metro Business. We have also opened two new divisions – a) Technology Division, providing engineering design software solutions and b) Trading Division, for marketing non-Company products, parts, aggregates and commodities for domestic and international markets. All our products are manufactured at our

three existing facilities located at Bangalore, Kolar Gold Fields and Mysore in the state of Karnataka, all the three plants being interdependent.

Our Competitive Strengths

We believe following to be our competitive strengths:

1. *Diverse product portfolio:* We have a diverse portfolio of products which caters to different core segments of the economy such as mining, steel, cement, power, irrigation, construction, road building, defence equipment, railways and Metro transit systems. We are not dependent on any single sector for most of our revenues. Our products are used in sectors like coal, steel, cement, railways and power, and we are thus able to capitalise on the positive trends witnessed by these sectors, in view of focus of the government on developing infrastructure. Some of the projects in the pipeline are Golden Quadrilateral, National Highways Development Project, Pradhan Mantri Gram Sadak Yojana, North-South and East-West corridors, metro rail projects in major cities and river-linking projects. These projects are expected to generate significant demand for our products.
2. *Significant presence in mining and construction equipment:* We are the one of the leading players in the domestic industry with a significant market share. Our sales from the mining and construction segment were Rs. 1,39,777 lakh in fiscal 2006 which constituted 63% of our total turnover. We manufacture a variety of products for opencast mining, underground mining and construction sectors, all of which are core sectors of the economy. We were ranked as the first among the Fastest Growing Construction Equipment Companies in India (Construction World – NICMAR Survey 2005).
3. *Major manufacturer of Metro coaches in the country:* We have established ourselves as the major metro coach manufacturer in the country and have successfully delivered 188 Metro coaches to DMRC till date. We are thus well-placed to play a big role by supplying coaches for the upcoming Metro projects in the country in cities such as Mumbai, Chennai, Bangalore, Hyderabad, Ahmedabad and Kochi, as well as Phase III of the Delhi Metro.
4. *Strong and experienced management team:* We have an experienced senior management team that have decades of experience in the engineering and manufacturing industry. We believe our management team has successfully managed our business and are primarily responsible for growth in our gross revenues and profitability. They have been responsible for growing our net sales from Rs. 135,104 lakhs in fiscal 2002 to Rs. 206,016 lakhs in fiscal 2006.
5. *Research and development capabilities:* Our R&D Division continues to play a vital role in the design and development of our products and indigenisation. Focus is on continuous innovation and design and development of new products and technologies to suit the customer requirement by using concurrent engineering practices. During the fiscal 2005, 7T Class Excavator BE7I and economy version Motor Grader BG6O5X have been developed successfully, which cater mainly to the small contractor segment in road and canal building projects. Other successful launches includes Side Discharge Loader, BH100 Rear Dump Truck and 100T Class Pipe Layer BP100.
6. *Increasing global alliances and operations:* We have tie ups with international players for the manufacture of walking draglines, rope shovels, dumpers, heavy-duty vehicles, armoured recovery vehicles and Metro coaches. These alliances have helped us to get access to world-class technology and production processes. We have successfully imbibed the best practices and high-end technology from our collaborative partners and consequently, we produce equipments that are hi-tech and cost effective.

We have presence in the international markets with supplies to 38 countries in Asia, Africa, Europe and Latin America. In an effort to increase our operations in international markets, we have appointed new overseas representatives and set up overseas offices in Shanghai and Singapore to aid in the procurement of high quality parts and engineering components at competitive prices.

7. *High-quality product offering with value-added services:* Our product support packages during their lifetime include annual maintenance contracts, service contracts and maintenance and repair contracts. Our value-added services include application engineering services encompassing pre- and post-sales, preparation of pre-feasibility reports, equipment selection studies, total fleet optimization solutions and customisation of equipment. Recommendation-for-

User-Profit (RUP) studies enable customers to improve machine productivity and reduce operating costs. Prompt after-sales service to ensure no downtime, timely supply of spares, maintenance assistance, rehabilitation of equipment, service at the doorstep of customers and lifetime service of high-cost machines are the many dimensions of our 'customer first' policy.

8. *Stringent quality norms:* The quality systems of all our manufacturing divisions have been upgraded to ISO 9001-2000 certification. We undertake periodic assessment of vendors, and their continuous development is a key component in our Company's strategy to achieve total quality. In order to ensure optimum performance of equipment each product is tested in working conditions in our company's own tracks and fields.

Our Business Strategy

We intend to grow our business and become one of the major global players in the industry by implementing the following strategies:

1. *Increased focus towards supply of Metro Coaches for projects across the entire country:* Metro transport is planned to be introduced in all cities in India having a population of more than 3 million. In view of this, the estimated requirement of Metro coaches in the coming 5 years is expected to be very substantial. We have been participating in the Expression of Interest against the tenders floated by various Metro corporations and are trying to submit a competitive quote to win the orders. The State Government of Karnataka has agreed to reimburse the CST/ VAT and with this, we envisage our price to be competitive even against global competition.

A new Metro Fabrication Hangar is to come up at our Company's Bangalore Unit for manufacturing Metro Cars to be supplied to the Delhi Metro Rail Corporation, and also to cater to upcoming Metro projects in the country. We are also in the process of setting up an independent R&D Centre of Excellence for Metro Rail Systems and related hi-tech products at Bangalore.

2. *Offshore expansion in the Latin American market:* Our proposed Joint Venture (JV) Company with CCC (Companhia Comercio E Construcões) will manufacture and supply rail wagons and bogies, mining and construction equipment and spares. Given the growing demand in the Brazilian market as well as other South American countries in terms of expansion of mines and offtake of wagons, this JV shall help us penetrate into new markets overseas. This step shall also help us to consolidate our position in construction and mining machines and railway products in the mineral-rich territory of Brazil, and provide a foothold for expanding into Latin America and West Africa.
3. *Introduction of high-capacity mining equipment:* We are currently manufacturing mechanical dump trucks in the range of 35 tonnes to 100 tonnes. With private players entering into coal mining and bidding for bigger blocks, higher capacity dump trucks are expected to have good demand. Further, greater demand is expected for higher capacity excavators to match with the above trucks. We have signed an agreement with an international player to manufacture and market electric dump trucks with their design in the range of 120 tonnes to 360 tonnes. We shall continue to scale up the capacities of our products to match the requirements.
4. *Tie-up with global industry players:* We will continue to pursue alliances, strategic collaborations, transfer of technology agreements with international players to keep pace with the latest technologies, imbibe them and ultimately indigenise them. We have signed MoUs with international players to jointly work on the modernization of T72 tanks and armoured recovery vehicles, to promote multi-utility armoured vehicles and mine-laying vehicles; to manufacture light-rail vehicles and mining & tunnelling equipment, mine ploughs and heavy-duty trucks.
5. *Improve our distribution and marketing network:* We intend to set up sales and service centres either directly or by developing relationships with dealers across the country for sales and service of our heavy mining and construction equipment. Our new dealer initiative which was introduced in fiscal 2007 will be expanded to reach out to the non-institutional customer. We are currently exploring various options for branding and marketing of our heavy earth moving and mining equipment by creating strong brand awareness for our products.

6. *Joint Venture to take up Contract Mining:* We have signed a MoU with an Indian company to form a Joint Venture Company to take up contract mining as coal blocks have been offered by the coal ministry for captive/ contract mining. Since companies like National Thermal Power Corporation (NTPC) which have no coal mining experience, are willing to engage companies with mining experience, there is enough scope to increase the business volumes through contract mining. The JV Company will place orders directly with us for its entire mining equipment requirement. This will also assure business for spare parts for the life of the equipment.
7. *Investment in production facilities of Indian tyre companies for the production of OTR Tyres:* The mining and construction equipment industry is suffering due to the shortage in supply of OTR (off-the-road) tyres. We have tied up with two Indian tyre companies and have signed an Agreement to invest in setting up production facilities for them to manufacture OTR tyres at Mysore to meet our exclusive requirements.
8. *Ramp up of production capacities and introduction of new products to cater to the Railway Business:* In order to cater to the increased passenger traffic, Indian Railways proposes to introduce enhanced passenger capacity coaches, increase production of DEMU, MEMU and EMU coaches. Further, Railways is also actively examining the feasibility of introducing high-speed corridors. In addition, it has plans to introduce air-conditioned EMU coaches in Mumbai, Chennai and Kolkata. We are enhancing our capacity to produce coaches to 550 units a year from the present 400, through the newly commissioned Rail Products Fabrication Unit at our KGF Complex. In view of the high demand for wagons with higher axle load from Indian Railways, we are in the process of entering into Transfer of Technology agreement with high axle load wagon manufacturers in the international market to produce and supply them to Indian Railways. We have also taken up the work of designing, developing and supplying SS EMU coaches and air-conditioned EMU coaches to the Railways.

THE ISSUE

Equity Shares Offered:	
Issue by our Company	49,00,000 Equity Shares aggregating Rs. [●] lakh.
Of which	
Employee Reservation Portion ⁽¹⁾	4,90,000 Equity Shares aggregating Rs. [●] lakh
Net Issue	44,10,000 Equity Shares aggregating Rs. [●] lakh
Of which:	
A) Qualified Institutional Buyers Portion ⁽¹⁾	Upto 22,05,000 Equity Shares aggregating Rs. [●] lakh, constituting upto 50% of the Net Issue. 5% of the QIB Portion i.e. 1,10,250 Equity Shares aggregating Rs. [●] lakh, being the Mutual Fund Portion, shall be available for allocation on proportionate basis only to Mutual Funds. Balance i.e. 20,94,750 Equity Shares shall be available for allocation on proportionate basis to QIBs including Mutual Funds.
B) Non-Institutional Portion ⁽¹⁾	Minimum of 6,61,500 Equity Shares aggregating Rs. [●] lakh, constituting not less than 15% of the Net Issue that will be available for allocation on a proportionate basis to Non-Institutional Bidders.
C) Retail Portion ⁽¹⁾	Minimum of 15,43,500 Equity Shares aggregating Rs. [●] lakh constituting not less than 35% of the Net Issue that will be available for allocation on a proportionate basis to Retail Individual Bidders.
Equity Shares outstanding prior to the Issue	3,67,44,500 Equity Shares
Equity Shares outstanding after the Issue	4,16,44,500 Equity Shares
Use of Proceeds	Please refer to section titled “Objects of the Issue” on page 22 of this Red Herring Prospectus for additional information.

⁽¹⁾ Under-subscription, if any, in any category shall be allowed to be met with spillover from the other categories, at the sole discretion of our Company in consultation with the BRLM and the Designated Stock Exchange. Allocation in all the aforesaid categories shall be on a proportionate basis.

SUMMARY FINANCIAL INFORMATION

The selected historical restated consolidated summary financial information presented below as at and for the financial years ended March 31, 2002, 2003, 2004, 2005 and 2006, and as at and for the nine months period ended on December 31, 2006 has been prepared in accordance with Indian GAAP and should be read together with the Auditors' Reports and the consolidated financial statements and notes thereto contained in this Red Herring Prospectus and the sections entitled "Auditors' Report to the Restated Unconsolidated And Consolidated Financial Statements", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Our Business" on page 112, 173 and 54 respectively, of this Red Herring Prospectus. The summary consolidated financial information presented below does not purport to project our results of operation or financial condition. Our financial year ends on March 31 of each year, so all references to a particular financial year are to the twelve months ending March 31 of that year.

The statements of Assets & Liabilities of our Company and its subsidiary Vignyan Industries Limited as at December 31, 2006 and March 31, 2006, 2005, 2004, 2003, 2002 are set out below:

(Rs. in Lakhs)

PARTICULARS		As At December 31,	As at March 31,				
		2006	2006	2005	2004	2003	2002
ASSETS							
A	Fixed Assets						
	Gross Block	58,362.73	57,124.29	54,974.03	54,805.91	53,886.92	53,309.73
	Less: Depreciation	45,270.38	44,305.28	43,026.40	41,214.49	39,458.56	37,874.36
	Add: Capital Works in Progress	2,839.35	889.79	647.10	177.67	346.67	83.70
	Net Block	15,931.70	13,708.80	12,594.73	13,769.09	14,775.03	15,519.07
B	Investments	0.04	0.04	0.04	26.05	409.94	531.82
C	Current Assets, Loans & Advances						
	Inventories	87,295.64	65,288.55	62,421.77	57,608.30	75,156.39	64,201.24
	Sundry Debtors	79,901.41	76,982.77	60,853.92	44,433.35	49,494.06	56,924.67
	Cash & Bank Balances	26,781.39	38,000.54	39,692.16	50,795.20	20,177.19	25,896.16
	Other Current Assets	1,219.71	649.31	1,450.49	1,266.18	936.45	441.04
	Loans & Advances	14,133.56	15,315.56	21,738.20	6,570.54	16,196.10	7,867.06
	Total Current Assets, Loans and Advances	209,331.71	196,236.73	186,156.54	160,673.57	161,960.19	155,330.17
D	TOTAL ASSETS	225,263.45	209,945.57	198,751.31	174,468.71	177,145.16	171,381.06
LIABILITIES							
A	Minority Interest	18.39	15.51	13.25	11.80	11.76	0.00*
B	Loan Funds						
	Secured Loans	10,012.66	2,523.51	7,586.16	3,163.97	3,220.29	28,169.85
	Unsecured Loans	0.00	0.00	0.00	180.25	219.80	1,944.77
	Total Loan Funds	10,012.66	2,523.51	7,586.16	3,344.22	3,440.09	30,114.62
C	Deferred Tax Liability	834.29	138.08	275.07	1,540.05	2,087.19	2,599.44
D	Current Liabilities & Provisions						
	Current Liabilities	116,993.74	118,506.75	113,919.64	110,792.97	117,313.18	85,944.14
	Provisions	289.12	3,220.84	7,433.96	1,818.41	1,001.96	594.99
	Total Current Liabilities &	117,282.86	121,727.59	121,353.60	112,611.38	118,315.14	86,539.13

	Provisions						
E	TOTAL LIABILITIES	128,148.20	124,404.69	129,228.08	117,507.45	123,854.18	119,253.19
	Net Assets	97,115.25	85,540.88	69,523.23	56,961.26	53,290.98	52,127.87
	Represented by :						
	Share Capital – (1)	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22
	Add: Free Reserves & Surplus –(2)	95,675.83	84,456.38	69,894.66	56,510.95	54,898.64	52,546.86
	Less: Miscellaneous Expenditure – (3)	(2,247.80)	(2,602.72)	(4,058.65)	(3,236.91)	(5,294.88)	(4,106.21)
	Net Worth - (1)+(2)-(3)	97,115.25	85,540.88	69,523.23	56,961.26	53,290.98	52,127.87
	Total Shareholders funds	97,115.25	85,540.88	69,523.23	56,961.26	53,290.98	52,127.87

*Note: As share of loss of Minority has exceeded the Share Capital, the same is adjusted against Majority Interest as per AS – 21

The statements of restated Profit and loss account of our Company and its subsidiary Vignyan Industries Limited as at December 31, 2006 and March 31, 2006, 2005, 2004, 2003, 2002 are set out below:

(Rs. in Lakhs)

PARTICULARS	As At December 31,	As at March 31,				
	2006	2006	2005	2004	2003	2002
INCOME						
<u>Sales Less Excise Duty</u>						
Manufactured products	123,836.08	172,877.39	143,713.50	139,624.14	130,778.33	111,646.94
Traded Products	24,760.00	33,139.00	29,708.00	27,689.00	26,432.00	23,457.00
Total	148,596.08	206,016.39	173,421.50	167,313.14	157,210.33	135,103.94
Other Income	3,139.33	6,414.99	5,598.18	4,111.93	5,360.66	1,499.59
Increase / (Decrease) in Work in Progress/ Finished Stock	7,630.82	(2,638.39)	3,017.51	(7,396.91)	5,866.87	1,202.02
Excise Duty on Closing stock	1,483.42	1,444.75	1,368.69	2,622.11	2,589.30	2,484.68
Total Income	160,849.65	211,237.74	183,405.88	166,650.27	171,027.16	140,290.23
EXPENDITURE						
Cost of Raw Materials & Spares consumed/ sold	100,860.44	125,807.50	102,309.46	104,432.78	110,417.52	89,446.11
Employees Remuneration & Benefits	25,908.35	33,718.05	35,948.80	34,976.00	33,747.45	32,848.19
Depreciation	1,001.27	1,437.47	2,321.84	1,848.79	1,950.46	2,233.76
Other Expenses	21,014.66	27,625.70	21,847.40	26,666.75	27,116.87	20,241.67
Minority Interest	2.88	2.27	1.44	0.04	20.07	0.55
	148,787.60	188,590.99	162,428.94	167,924.36	173,252.37	144,770.28
Less: Expenditure other than materials allocated to Capital & Other Accounts	(5,400.44)	(6,484.08)	(6,485.60)	(6,383.29)	(6,922.04)	(8,006.12)
	143,387.16	182,106.91	155,943.34	161,541.07	166,330.33	136,764.16
Interest	302.82	467.26	181.75	151.27	305.33	2,231.50
Total Expenditure	143,689.98	182,574.17	156,125.09	161,692.34	166,635.66	138,995.66
Profit for the year	17,159.67	28,663.57	27,280.79	4,957.93	4,391.50	1,294.57
Prior Period Adjustments	0.29	21.85	(89.50)	(63.51)	60.48	(16.14)
Profit before Tax	17,159.38	28,641.72	27,370.29	5,021.44	4,331.02	1,310.71
Less: Provision for Tax (Including Deferred Tax and Fringe Benefit Tax)	5,939.93	9,890.22	9,802.04	2,577.45	1,157.75	765.58

Profit after Tax available for appropriations	11,219.45	18,751.50	17,568.25	2,443.99	3,173.27	545.13
Add: Profit brought forward from previous year	4,291.82	1,730.12	346.40	383.34	(360.88)	(315.08)
Profit available for appropriation	15,511.27	20,481.62	17,914.64	2,827.33	2,812.39	230.05
Appropriations:						
Proposed Dividend	0.00	2,572.12	3,123.28	734.89	734.89	440.93
Tax on Dividend	0.00	360.74	438.04	96.04	94.16	0.00
Interim Dividend and Tax thereon	0.00	1,256.94	623.20	0.00	0.00	0.00
General Reserve	0.00	12,000.00	12,000.00	1,650.00	1,600.00	150.00
Balance transferred to Balance Sheet	15,511.27	4,291.82	1,730.12	346.40	383.34	(360.88)

GENERAL INFORMATION

Bharat Earth Movers Limited

Registered and Corporate Office

BEML Soudha,
No. 23/1,
4th Main Road,
Sampangiramanagar,
Bangalore – 560 027
Tel: +91-80-2296 3142
Fax: +91-80-2296 3278
Email: office@cs.beml.co.in

Our Company has been allocated CIN L35202KA1964PLC001530 and is registered with the Registrar of Companies, Karnataka situated at 2nd Floor, Kendriya Sadan, Koramangala, Bangalore – 560034.

Our Board of Directors

Name of Director	Designation
Mr. V. RS. Natarajan	Chairman and Managing Director (Executive Director)
Mr. Ramesh C Suthar	Director -Production (Executive Director)
Mr. N. K. Sreenivasan	Director –Marketing (Executive Director)
Mr. Rabindra Kumar Rustagi	Director -Human Resources (Executive Director)
Mr. Bhushan Lal Bajaj	Director -Finance (Executive Director)
Mr. Vishwanathan Mohan	Director -Defence Business (Executive Director)
Mr. Mohammed Haleem Khan	Part-Time Director (Non- Executive Director)
Dr. Mrs. Kiran Chadha	Part-Time Director (Non- Executive Director)
Mr. A. Prasad	Part-Time Director (Independent Director)
Prof. Prakash G. Apte	Part-Time Director (Independent Director)
Mr. Birendra Kumar	Part-Time Director (Independent Director)
Mr. KVK Seshavataram	Part-Time Director (Independent Director)
Mr. Arabinda Tripathy	Part-Time Director (Independent Director)
Mr. Shrinivas Narayan Chary	Part-Time Director (Independent Director)
Mr. Nalini Ranjan Mohanty	Part-Time Director (Independent Director)
Mr. Jayanta Kumar Bagchi	Part-Time Director (Independent Director)

For further details of our Chairman and Managing Director and other directors, refer to the section titled “Our Management” on page 94 of this Red Herring Prospectus.

Company Secretary and Compliance Officer

Mr. K. C. Medapa
Bharat Earth Movers Limited
BEML Soudha,
No. 23/1, 4th Main Road,
Sampangiramanagar,
Bangalore – 560 027
Tel: +91-80-2296 3142
Fax: +91-80-2296 3278
Email: medappake@cs.beml.co.in

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account, refund orders etc.

ISSUE MANAGEMENT TEAM

Book Running Lead Manager

ICICI Securities Primary Dealership Limited

ICICI Centre, 163, Backbay Reclamation,
H.T.Parekh Marg, Mumbai, 400020

Tel : +91-22-22882460

Fax : +91-22-22837045

Email : beml_fpo@isecltd.com

Website : www.icicisecurities.com

Contact Person: Mr. Saurabh Vijayvergia

Syndicate Member

ICICI Securities Limited

ICICI Centre, 163, Backbay Reclamation,
H.T.Parekh Marg, Mumbai, 400020

Tel : +91-22-22882460

Fax : +91-22-22837045

Email : beml_fpo@isecltd.com

Website : www.icicisecurities.com

Contact Person: Mr. Anil Mokashi

Registrar to the Issue

Karvy Computershare Private Limited

Plot No. 17-24, Vitthal Rao Nagar,
Madhapur,
Hyderabad – 500 081.

Tel : + 91 40 2342 0818

Fax : + 91 40 2342 0814

E-mail : einward.ris@karvy.com

Website: <http://kcpl.karvy.com>

Contact Person: Mr. Murali Krishna

Legal Advisors to the Issue

M/s. Crawford Bayley & Co

Advocates, Solicitors and Notaries

State Bank Buildings, 4th Floor,

N.G.N. Vaidya Marg,

Fort, Mumbai – 400 023.

Tel: +91-22-22663713

Fax: +91-22-22663978

Email: sanjay.asher@crawfordbayley.com

Banker to the Issue and Escrow Collection Bankers

ICICI Bank Limited

Capital Markets Division,

30, Mumbai Samachar Marg,

Mumbai-400 001

Tel: 022-2262 7600

Fax: 022-2261 1138

Email: sidhartha.routray@icicibank.com

Contact Person: Sidhartha Routray

UTI Bank Limited

No.9, M.G. Road, Bangalore-560 001

Tel : 080-2537 0602**Fax :** 080-2555 9444**Email:** j.ravindranath@utibank.co.in**Contact Person:** J.Ravindranath**The Hongkong and Shanghai Banking Corporation Limited**

No.7, Post Bag 5267,

M.G. Road, Bangalore 560001

Tel: 080-25002148**Fax:** 080-25002152**Email:** saurabhkejriwal@hsbc.co.in , abhishekdalmia@hsbc.co.in**Contact Person:** Saurabh Kejriwal/Abhishek Dalmia**State Bank of India**

New Issues & Securities Services Division

Mumbai main Branch,

Mumbai Samachar Marg,

P.B. No. 13, Fort,

Mumbai-400 023

Tel : 022-22651579, 22662133, 22652363**Fax :** 022-22670745, 22695277**Email:** mmbnewiss@sbi.co.in, rajeev.kumar@sbi.co.in**Contact Person:** Kannan Raj/Rajeev Kumar**Bankers to the Company**

State Bank of India Overseas Branch, No. 65 St. Marks Road, Bangalore – 560001 Phone: +91-80- 25943401 Fax: +91-80- 25943412 Email: shiobbng@vsnl.com	Canara Bank Corporate Service Branch, Shankarayana Buildings, M. G. Road, Bangalore – 560001 Phone: +91-80-25581751 Fax: +91-80-25599108 Email: fcsbcs@canarabank.co.in
State Bank of Mysore Industrial Finance Branch, No. 18, Ramanashree Arcade, M. G. Road, Bangalore – 560001 Phone: +91-80-25596901 Fax: +91-80-25583642 Email: ifbbangalore@sbm.co.in	Punjab National Bank Hudson Circle, Bangalore – 560002 Phone: +91-80-22221093 Fax: +91-80-22278794 Email: pnbbocyt@vsnl.net
State Bank of Saurashtra Mission Road, Bangalore – 560027 Phone: +91-80-22102740 Fax: +91-80- 22239365 Email: sbsbangalore@yahoo.com	State Bank of Patiala Badami House, N. R. Square, Bangalore – 560002 Phone: +91-80-22243344 Fax: +91-80-22276622 Email: sbpbaang@vnl.net

Bank of India Industrial Finance Branch Skip house, Museum Road, Bangalore – 560025 Phone: +91-80-22231908 Fax: +91-80- 22242090 Email: boibcbb@vsnl.com	State Bank of Bikaner & Jaipur No. 122, 6 th Cross, Gandhinagar, Bangalore – 560009 Phone: +91-80-2225089 Fax: +91-80- 22250589 Email: gnbblor@sbbj.co.in
Bank of Baroda HJS Chambers, No. 26 Richmond Road, Bangalore – 560025 Phone: +91-80-22270567 Fax: +91-80- 22271569 Email: corban@bankofbaroda.com	State Bank of Hyderabad Industrial Finance Branch Sheriff House, 1 st Floor, No. 85 Richmond Road, Bangalore – 560 025 Phone: +91-80-22242008 Fax: +91-80-22271482 Email: sbhif743@vsnl.com
Union Bank of India Industrial Finance branch Hafeeja Chambers, K. H. Road, Bangalore – 560027 Phone: +91-80-22271779 Fax: +91-80-22235362 Email: ubifbbir@bgl.vsnl.net.in	

Statutory Auditors

M/s. Rao Associates
Chartered Accountants
17/1 Seshadri Road,
Gandhinagar,
Bangalore – 560 009
Tel: +91-80-22260970
Fax: +91-80-22201160
Email: sudhindra@vsnl.com

Grading

As this is a follow-on public offering, grading of this Issue is not mandatory.

Credit Rating

As this is an Issue of Equity Shares, credit rating is not required.

Monitoring Agency

As the net proceeds of the Issue will be less than Rs. 50,000 lakh, under the SEBI Guidelines it is not required that a monitoring agency be appointed by our Company.

Trustees

As the Issue is of Equity Shares, the appointment of Trustees is not required.

Book Building Process

Book Building refers to the process of collection of Bids, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is fixed after the Bid/Issue Closing Date.

The principal parties involved in the Book Building Process are:

- (1) The Company;
- (2) Book Running Lead Manager;
- (3) Syndicate Members who are intermediaries registered with SEBI or registered as brokers with NSE/BSE and eligible to act as Underwriters. Syndicate Members are appointed by the BRLM;
- (4) Registrar to the Issue.

SEBI through its guidelines has permitted an issue of securities to the public through 100% Book Building Process, wherein: (i) upto 50% of the Net Issue shall be allocated on a proportionate basis to QIBs (ii) not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to the Non-Institutional Bidders (iii) not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Pursuant to recent amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid (s) after the Bid/Issue Closing Date and for further details please refer to the “Terms of the Issue” on page 256 of this Red Herring Prospectus.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed ICICI Securities Primary Dealership Limited, as the BRLM to manage the Issue and to procure subscription to the Issue.

The process of book building, under SEBI Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process of book building prior to making a Bid in the Issue.

Illustration of Book Building and Price Discovery Process *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders out of which one bidder has bid for 500 shares at Rs.24 per share while another has bid for 1,500 shares at Rs.22 per share. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	27.77%
1000	23	1500	83.33%
1500	22	3000	166.67%
2000	21	5000	277.78%
2500	20	7500	416.67%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off i.e. Rs. 22 in the above example. The issuer, in consultation with the BRLM, will finalise the issue price at or below such cut off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken for bidding:

1. Check eligibility for bidding (please refer to the section “Issue Procedure” on page 259 of this Red Herring Prospectus);
2. Ensure that the Bidder has a demat account; and
3. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

Our Company in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime after the Bid / Issue Closing Date but before allotment, without assigning any reason thereof.

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with RoC)

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in Lakhs)
ICICI Securities Primary Dealership Limited ICICI Centre, 163, Backbay Reclamation, H.T. Parekh Marg, Mumbai, 400020	48,99,900	[●]
ICICI Securities Limited ICICI Centre, 163, Backbay Reclamation, H.T. Parekh Marg, Mumbai, 400020	100	[●]

The above mentioned amount is indicative underwriting and this would be finalized after pricing and actual allocation. The above Underwriting Agreement is dated [●]

In the opinion of the Board of Directors acting through the Chairman & Managing Director, based on a certificate dated [●] given to them by BRLM and the Syndicate Members, the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchanges. The above Underwriting Agreement has been accepted by the Board of Directors acting through the Chairman & Managing Director or the Director (Finance) of our Company and our Company has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure / subscribe to the extent of the defaulted amount.

CAPITAL STRUCTURE

Share capital as at the date of filing of Red Herring Prospectus with SEBI (before and after the Issue) is set forth below:

(Rs. in Lakhs)		
Share Capital	Aggregate value at nominal price	Aggregate value at Issue Price
A. Authorised Capital		
10,00,00,000 Equity Shares of Rs. 10/- each	10,000.00	
B. Equity Capital before the Issue		
Issued		
3,70,00,000 Equity Shares of Rs. 10/- each	3700.00	
Subscribed and Paid Up Capital		
3,67,44,500 Equity Shares of Rs. 10/- each	3674.45	
Forfeited Shares*	12.77	
C. Present Issue in terms of this Red Herring Prospectus		
49,00,000 Equity Shares of Rs. 10/- each	490.00	[•]
Of which:		
(i) 4,90,000 Equity Shares of Rs. 10/- each are reserved for Eligible Employees	49.00	[•]
(ii) 44,10,000 Equity Shares of Rs. 10/- each as Net Issue	441.00	[•]
D. Equity Capital after the Issue		
Issued		
4,19,00,000 Equity Shares of Rs. 10/- each	4190.00	[•]
Subscribed and Paid Up Capital		
4,16,44,500 Equity Shares of Rs. 10/- each	4164.45	[•]
Forfeited Shares*	12.77	
E. Securities Premium Account		
Before the Issue	10,401.66	
After the Issue		[•]

* - Amount received by our Company in respect of the 2,55,500 Equity Shares forfeited by our Company.

Details of Increase in Authorised Equity Share Capital

Date of Increase	Details
May 11, 1964	Rs. 7,50,00,000 divided into 75,000 Equity Shares of Rs. 1000/- each.
January 30, 1967	Increased from Rs. 7,50,00,000 to Rs. 10,00,00,000 divided into 1,00,000 Equity Shares of Rs. 1000/- each.
July 22, 1969	Increased from Rs. 10,00,00,000 to Rs. 15,00,00,000 divided into 1,50,000 Equity Shares of Rs. 1000/- each.
April 27, 1982	Increased from Rs. 15,00,00,000 to Rs. 30,00,00,000 divided into 3,00,000 Equity Shares of Rs. 1000/- each.
June 23, 1987	Increased from Rs. 30,00,00,000 to Rs. 40,00,00,000 divided into 4,00,000 Equity Shares of Rs. 1000/- each.
February 21, 1992	Split in face value of Equity Shares from Rs. 1000/- each to Rs. 10/- each. Thus Authorised Equity Share Capital of Rs. 40,00,00,000 divided into 4,00,00,000 Equity Shares of Rs. 10/- each
September 7, 1994	Increased from Rs. 40,00,00,000 to Rs. 60,00,00,000 divided into 6,00,00,000 Equity Shares of Rs. 10/- each.
July 13, 2005	Increase from Rs. 60,00,00,000 to Rs. 1,00,00,00,000 divided into 10,00,00,000 Equity Shares of Rs. 10/- each

Notes to the Capital Structure

1. Share Capital History of our Company:

Date of allotment/ Fully paid-up Capital	No. of Equity Shares	Cumulative number of Equity shares	Face Value (Rs.)	Issue Price per Equity Share (Rs.)	Securities Premium (Rs.)	Nature of payment of Consideration	Particulars	Cumulative Securities Premium (Rs.)
June 11, 1964 ¹	10,000	10,000	1,000	1,000	-	Cash ¹	Issue of Equity Shares to GoI	-
January 21, 1966	60,630	70,630	1,000	1,000	-	Shares issued for Excess of value of assets over liabilities on Rail coach division transferred from HAL to BEML	Issue of Equity Shares to GoI	-
June 15, 1966	4000	74,630	1,000	1,000	-	Shares issued for transfer of Rail coach division from HAL to BEML	Issue of Equity Shares to GoI	-
February 17, 1967 ²	7500	82,130	1000	1000	-	Cash	Issue of Equity Shares to GoI	-
April 26, 1967	7,850	89,980	1,000	1,000	-	Cash	Issue of Equity Shares to GoI	-
April 28, 1969	29,000	1,18,980	1,000	1,000	-	Cash	Issue of Equity Shares to GoI	-
April 16, 1973	1,020	1,20,000	1,000	1,000	-	Cash	Issue of Equity Shares to GoI	-
September 27, 1983	40,000	1,60,000	1,000	1,000	-	Cash	Issue of Equity Shares to GoI	-
September 27, 1983	60,000	2,20,000	1,000	1,000	-	Cash	Issue of Equity Shares to GoI	-
September 26, 1984	40,000	2,60,000	1,000	1,000	-	Cash	Issue of Equity Shares to GoI	-
March 30, 1985	40,000	3,00,000	1,000	1,000	-	Cash	Issue of Equity Shares to GoI	-
February 21, 1992	-	3,00,00,000	10	-	-	-	Subdivision of Equity Shares to 30,000,000 Equity Shares of Rs. 10/ each	-
February 24, 1995	60,00,000	3,60,00,000	10	165	93,00,00,000	Cash	Through a public issue	93,00,00,000
February 24, 1995	10,00,000	3,70,00,000	10	150	14,00,00,000	Cash	Pursuant to a rights issue	1,07,00,00,000
November 29, 1998	(2,55,500)	3,67,44,500	10	-	-	-	Forfeiture of Equity Shares	1,04,01,66,000

¹ BEML issued 10,000 Equity Shares of Rs. 1,000 each, which were partly paid up at Rs. 500 each by GoI and the remaining money was paid on September 29, 1965.

² BEML issued 7,500 Equity Shares of Rs. 1000 each, which were partly paid up at Rs. 900 per Equity Share and the remaining money was paid in the financial year 1968-1969.

2. Promoters' Contribution and lock-in

As per clause 4.10.1(a) of the SEBI DIP Guidelines, the requirements of promoters' contribution are not applicable in case of our Company as our Equity Shares have been listed on the stock exchanges for a period of three years and our Company has a track record of dividend payment for the last three years preceding the date of this Red Herring Prospectus.

3. Our Shareholding Pattern

The shareholding pattern of our Company (on basis of data as per beneficiary position details received as on May 25, 2007) is as follows:

Name of Shareholders	Before the Issue		After the Issue	
	No. of Equity Shares	%age	No. of Equity Shares	%age
(A) PROMOTER				
GoI through President of India*	22,500,000	61.23	22,500,000	54.03
Total (A)	22,500,000	61.23	22,500,000	54.03
(B) PUBLIC SHAREHOLDING				
(a) Institutions				
Mutual Funds / UTI	51,04,095	13.89	[•]	[•]
Financial Institutions / Banks	26,68,922	7.26	[•]	[•]
Foreign Institutional Investors	28,78,639	7.83	[•]	[•]
Sub-total (a)	10,651,656	28.98	[•]	[•]
(b) Non-Institutions			[•]	[•]
Bodies Corporate	967,563	2.63	[•]	[•]
Resident Individuals	2,245,535	6.11	[•]	[•]
Non-Residents	294,387	0.80	[•]	[•]
Trusts	592	0.00	[•]	[•]
Clearing Members	29,917	0.08	[•]	[•]
HUF	54,850	0.15	[•]	[•]
Sub-total (b)	35,92,844	9.77	[•]	[•]
Total (B)	14,244,500	38.75	19,144,500	45.97
TOTAL (A)+(B)	36,744,500	100.00	41,644,500	100.00

* Including 600 Equity Shares held in the name of individuals as nominees of GoI.

4. a) Top ten shareholders of our Company on the date of filing of this Red Herring Prospectus are as follows*:

Sr. No.	Name of Shareholders	Number of Equity Shares	Percentage Holding
1.	GoI through President of India**	22,500,000	61.23
2.	FID Funds (Mauritius) Limited***	17,67,657	4.81
3.	Life Insurance of Corporation of India	15,72,564	4.28
4.	Reliance Capital Trsutee Company Limited a/c Reliance Growth Fund	1,100,000	2.99
5.	Reliance Capital Trustee Company Limited a/c Reliance Equity Opportunities Fund	5,17,365	1.41
6.	SBI Mutual Fund a/c Magnum Global Fund	4,84,132	1.32
7.	General Insurance Corporation of India	4,30,259	1.17

Sr. No.	Name of Shareholders	Number of Equity Shares	Percentage Holding
8.	Fidelity Trustee Company Private Limited a/s Fidelity India Special Situations Fund	4,00,001	1.09
9.	DSP Merrill Lynch Trustee Company Private Limited a/c DSP Merrill Lynch Small and Midcap Fund	3,92,429	1.07
10.	National Insurance Company Limited	2,61,840	0.71
	TOTAL	29358943	79.90

* Data as per the beneficiary position details received as on June 01, 2007.

** Including 600 Equity Shares held in the name of individuals as nominees of GoI.

*** - FID Funds (Mauritius) Limited is a registered sub-account with Fidelity Investments Management (Hong Kong) Limited.

b) Top ten shareholders ten days prior to filing of this Red Herring Prospectus are as follows*:

Sr. No.	Name of Shareholders	Number of Equity Shares	Percentage Holding
1.	GoI through President of India**	22,500,000	61.23%
2.	FID Funds (Mauritius) Limited	17,00,353	4.63
3.	Life Insurance of Corporation of India	15,72,564	4.28
4.	Reliance Capital Trsutee Company Limited a/c Reliance Growth Fund	1,100,000	2.99
5.	Reliance Capital Trustee Company Limited a/c Reliance Equity Opportunities Fund	5,17,365	1.41
6.	SBI Mutual Fund a/c Magnum Global Fund	4,84,132	1.32
7.	General Insurance Corporation of India	4,30,259	1.17
8.	Fidelity Trustee Company Private Limited a/s Fidelity India Special Situations Fund	4,00,001	1.09
9.	DSP Merrill Lynch Trustee Company Private Limited a/c DSP Merrill Lynch Small and Midcap Fund	3,92,429	1.07
10.	National Insurance Company Limited	2,61,840	0.71
	TOTAL	29,293,943	79.72

* - Data as per the beneficiary position details received as on May 25, 2007.

** - Including 600 Equity Shares held in the name of individuals as nominees of GoI.

c) Top ten shareholders two years prior to date of filing of this Red Herring Prospectus are as follows:

Sr. No.	Name of Shareholders	Number of Equity Shares	Percentage Holding
1.	GoI through President of India**	22,500,000	61.23
2.	Emerging Markets Management, LLC, A/c. ENSAF – Mauaritus	14,93,720	4.07
3.	Life Insurance Corporation of India	11,68,115	3.18
4.	Reliance Capital Trustee Company Limited, A/c. RELIANCE GROWTH FUND	11,00,000	2.99
5.	The India Fund, Inc.	1,059,500	2.88
6.	Rakesh Radheshyam Jhunjhunwala	1,026,518	2.79
7.	Rekha Jhunjhunwala	753767	2.05
8.	Tata Trustee Company Private Limited a/c Tata Mutual Fund- Tata Infrastructure Fund	2,76,860	0.75
9.	Kotak Midcap	2,04,428	0.56
10.	IL & FS Investmart Limited	180900	0.49

* - Data as per the beneficiary position details received as on May 27, 2005

** Including 600 Equity Shares held in the name of individuals as nominees of GoI.

5. Our Company, Directors, Promoter and BRLM have not entered into any buy-back, standby or similar arrangements for purchase of Equity Shares of our Company from any person.
6. The total number of members of our Company as per beneficiary position received on May 25, 2007 is 33,303.
7. Our Company has not raised any bridge loan against the proceeds of this Issue.
8. In this Issue, in case of over-subscription in all categories, upto 4,90,000 Equity Shares shall be available for Allocation on a proportionate basis to Eligible Employees in the Employee Reservation Portion, up to 50% of the Net Issue shall be available for Allocation on a proportionate basis to Qualified Institutional Buyers of which 5% shall be available for Allocation on a proportionate basis to Mutual Funds only, not less than 35% of the Net Issue shall be available for Allocation on a proportionate basis to Retail Individual Bidders and not less than 15% of the Net Issue shall be available for Allocation on a proportionate basis to Non Institutional Bidders, subject to valid Bids being received at or above the Issue Price.
9. Under-subscription, if any, in any portion would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLM and the Designated Stock Exchange.
10. None of our Directors hold any Equity Shares in our Company, other than as nominees of GoI.
11. Our Company does not have any ESOS or ESPS scheme for our employees and we do not intend to allot any Equity Shares to our employees under ESOS or ESPS scheme from the proposed Issue.
12. Neither our Promoter, nor our Directors have purchased or sold any Equity Shares, during a period of six months preceeding the date on which the Draft Red Herring Prospectus is filed with SEBI.
13. An investor cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
14. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
15. Our Company has not made any public issue since incorporation except in the year 1995 when our Company issued debentures which were subsequently converted to Equity Shares.
16. Our Company has not revalued its assets in the last 5 years.
17. Our Company has not issued any Equity Share out of revaluation reserves or for consideration other than cash except 64,630 Equity Shares of Rs. 1000/- each were issued for consideration other than cash in the year 1966 to GoI on transfer of the rail coach Division of HAL to BEML on incorporation. The same were subdivided into 64,63,000 Equity Shares of Rs. 10/- each in the year 1992.
18. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from the date of filing the Draft Red Herring Prospectus with SEBI until the Equity Shares issued/ proposed to be issued pursuant to this Issue have been listed.
19. We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly, for our Equity Shares) whether preferential or otherwise, except that if we enter into acquisition(s) or joint venture(s), we may consider additional capital to fund such activities or to use Equity Shares as a currency for acquisition or participation in such joint ventures.
20. As per the extant policy, OCBs are not permitted to participate in the Issue.

21. Only Eligible Employees (as defined in the section titled “Definitions and Abbreviations” beginning on page i of this Red Herring Prospectus) would be eligible to apply in this Issue under the Employee Reservation Portion. Bid by Eligible Employees can also be made in the “Net Issue to the Public” portion and the same shall not be treated as multiple Bids. In case of under-subscription in the Employee Reservation Portion, the same would be allowed to be met with spillover *inter-se* from any other categories, at the sole discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange. In case of under-subscription in the Net Issue, spillover to the extent of under subscription shall be permitted from the Employee Reservation Portion at the discretion of our Company in consultation with the BRLM and the Designated Stock Exchange. Such *inter-se* spillover if any, would be effected in accordance with applicable laws, rules, regulations and guidelines.
22. It will not be necessary for NRIs/ registered Foreign Institutional Investors/ registered Foreign Venture Capital Funds/ Multilateral and Bilateral Development Institutions to seek separate permission from the FIPB/RBI for investing for Equity Shares in this Issue. Our Company has applied to the FIPB vide its letter dated March 31, 2007, and the same has been approved vide the FIPB Approval Letter. For details in relation to the FIPB application and the FIPB Approval Letter, please refer to section titled “Regulations and Policies” beginning on page 87 of this Red Herring Prospectus.
23. As on the date of filing of this Red Herring Prospectus, there are no outstanding warrants, options or debentures or other financial instruments issued by our Company, which would entitle our Promoter or shareholders of our Company or any other person an option to receive Equity Shares of our Company. Further, there are no loans which are convertible into Equity Shares of our Company.

OBJECTS OF THE ISSUE

The net proceeds of the Issue after deducting underwriting and management fees, selling commissions, and all other Issue expenses payable by us are estimated at approximately Rs. [●] lakh. For details of the Issue expenses, see section titled “Other Regulatory and Statutory Disclosures” on page 241 of this Red Herring Prospectus.

Objects of the Issue

The objects and the estimated cost of the objects as envisaged by our management are as follows:

Particulars	(Rs. in Lakhs)
Expansion of Metro Coach Manufacturing Facility at Bangalore	21,451.25
Capital Expenditure including upgradation of current facilities	9,000.00
Voluntary Retirement Scheme (“VRS”) for Employees	9,000.00
Setting up of 5MW Wind Mill for captive consumption	2,700.00
Contribution for setting up R&D Centre of Excellence for Metro Coaches	900.00
Issue Expenses	[●]
General Corporate Purposes	[●]
Total	[●]

The main objects clause and the objects incidental or ancillary to the main objects clause of the Memorandum of Association of our Company enables us to undertake the existing activities and the activities for which the funds are being raised through the present Issue.

Means of Finance

The above fund requirement is proposed to be financed wholly through funds raised through this Issue. Any shortfall in the cost of the project would be met with internal accruals of our Company. As the above fund requirement and deployment are not appraised by any bank or financial institution, in case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity may be met with by surplus funds, if any available in the other activities.

Details of Project

A) Expansion of Metro Coach Manufacturing Facility at Bangalore

The Bangalore Complex of our Company manufactures various types of railway products such as rail coaches, metro coaches, tower wagons, rail bus and electro motive units for the Indian Railways. We believe that there are no indigenous manufacturers of stainless steel metro coaches in India. Our Company has made a start by indigenously assembling coaches from completely knocked-down and semi-knocked down condition on having acquired technology for manufacture of state-of-the art metro coaches under subcontract. Till date, 188 metro coaches have been supplied to Delhi Metro Rail Corporation Limited since commencement of production in fiscal 2004. The existing installed manufacturing facility for metro coaches is limited to 12-13 coaches per month / 150 finished coaches per annum with the existing infrastructure and process equipment. Considering the expected market demand, we now propose to expand our existing installed facilities; introduce considerable indigenous content in coach manufacturing; and be the preferred supplier of such coaches for the local demand. The proposed capacity of the manufacturing facility post-expansion is at 190 coaches per annum.

The estimated cost of expansion of the metro coach manufacturing facility is as follows:

Sr. No.	Particulars	Amount (Rs. in Lakhs)
1.	Civil work (including construction supervision and insurance), comprising of: <ul style="list-style-type: none"> New hangars for manufacturing; Storage hangars; Rail laying for standard gauge coaches; 	2,249.70

	<ul style="list-style-type: none"> Substation works; Revamping of flooring, painting of existing hangars used for metro coach manufacture 	
2.	Plant and machinery (including equipment, miscellaneous fixed assets, tooling, testing, material handling, electrical works, freight, handling and insurance charges, erection and commissioning charge and taxes)	12,076.47
3.	Deferred revenue expenditure (including enabling works, operator's training, expenses on foreign technicians, technology licence fee, consultancy and engineering)	2,716.00
4.	Working Capital Margin (required for raw materials, consumables and bought out items including regular operating costs)	3,805.51
5.	Interest during construction	603.57
	Total	21,451.25

Five new hangars, a storage shed and two workshops for the manufacture of various components and assembly of metro coaches are required for the proposed expansion. The proposed new hangars and all other civil works are located within the existing industrial premises at our Bangalore Complex and therefore, no additional land acquisition is necessary for this project.

Details of orders placed by us up to May 30, 2007 in relation to the expansion of the metro coach manufacturing facility are as follows:

Sr. No	Description	Orders placed up to February 28, 2007 (Rs. in Lakhs)
1.	Consultancy services towards design and detailed engineering of expansion of metro coach manufacturing facilities at Bangalore Complex	79.88
2.	Technical fees	2,223.55
3.	Construction of parallel test track	242.15
4.	New track for Emulsion work of coaches and shifting of water leak test	63.99
5.	Construction of New Hangar	625.46
6.	Other miscellaneous equipment and machinery	187.35
	Total	3,422.38

Schedule of Implementation

Sr. No.	Activity	Activity Commencement Date	Estimated Completion Date
1.	Civil work	Partly commenced	September 2008
2.	Plant and machinery	Already commenced	November 2008
3.	Commencement of production	December 2008	-

B) Capital Expenditure including upgradation of existing facilities

For modernisation and upgradation of existing infrastructure including implementation of enterprise resource planning cost is approximately Rs. 9,000 lakh. The expansion programme includes replacement, reconditioning and upgradation of machinery. The cost break-up of the same is as follows:

Sr. No.	Description	Cost (Rs. in lakhs)
1.	Replacement of old and fully depreciated assets	2,621.00
2.	Investment in new assets (including construction of hangars and allied facilities, actuators, telemetry data acquisition system in R & D, enterprise resource planning, augmentation of facilities)	6,379.00
	TOTAL	9,000.00

The above estimate of capital expenditure to be incurred for upgradation of existing facilities has been made based on following details of orders placed including taxes, delivery, handling, octroi, erection and commissioning charges, etc. and the balance is based on our internal estimates considering purchases made and quotations received in the past.

The following are the details of the orders placed for our capital expenditure requirements:

Sr. No.	Description	No. of units	Order placed with	Date of Purchase order	Expected date of delivery	Price/Amount as per purchase order (Rs. in Lakhs)
1.	mySAP ERP Product	200	M/s. SAP India	December 31, 2005	Received	113.49
2.	IBM Hardware	-	M/s. Frontier Business Systems Private Limited	December 31, 2005	Received	99.84
3.	Consultancy fees	-	Astral Management Consultants Private Ltd.	February 18, 2005	Received	8.98
4.	Desktop Computers	15	M/s. Frontier Business Systems Private Limited	January 4, 2007	Received	7.32
5.	Implementation of ERP	-	M/s. Seimens Information Systems Limited	July 21, 2006	August 2007	680.00
6.	12 Volts 200 AH Vision (Imported) sealed maintenance free batteries	50	M/s. Excel Power Controls	December 5, 2006	Received	7.06
7.	Availing consultancy services	-	Astral Management Consultants Private Ltd.	January 31, 2005	Received	4.88
8.	Laptop computers	3	M/s. Jey Pee Agencies	January 17, 2007	Received	2.45
9.	Workstations model ST2101 with fixed PU arms, ABS back, Active tilt, Pneumatic lift, seat and back upholstered.	60	M/s. Spacetouch Seating Products	October 25, 2005	Received	1.50
10.	Rounda file four tier Mercury 4 drawer filing cabinet Mercury full height swing open door	2 6 3	M/s. Pan Office Systems Private Limited	December 26, 2006	Received	1.03
11.	Hitachi CP-X260	1	M/s. Eswar Enterprises	January 25, 2007	Received	0.95
12.	Air Conditioners; Voltage Stabilizer	2 2	M/s. Veekay Coolers	January 2, 2007	Received	0.62
13.	Ultima 5 KVA	1	Alpha Zee Control	February 26,	Received	0.28

Sr. No.	Description	No. of units	Order placed with	Date of Purchase order	Expected date of delivery	Price/Amount as per purchase order (Rs. in Lakhs)
	Inverters		and Systems Private Limited	2007		
14.	Computer Printers	2	M/s. Rajendra Systems	November 9, 2006	Received	0.19
15.	Memory card - RAM for desktop computer	3	M/s. Frontier Business Systems Private Limited	December 16, 2006	Received	0.19
16.	Fax machine cum printer	1	M/s. Jey Pee Agencies	October 31, 2006	Received	0.15
17.	Laser fax machine	1	M/s. Rapid Access Technologies	November 21, 2006	Received	0.12
18.	Caller ID Speaker phone	3	M/s. Sharanya Teltronics	January 22, 2007	Received	0.06
19.	Nut Runner	15	M/s. Motor Industries Company Ltd.	July 7, 2006	Received	66.26
20.	Cranes;	2	M/s. Century Crane Engineers Private Ltd.	August 30, 2006	Received	103.33
	Rails;	2				
	Ladders;	2				
	Indicator Box	2				
21.	Manufacturing, supply, erection and commissioning of chutter	16	M/s. Metal Storage Systems Private Ltd.	December 15, 2006	Received	4.21
22.	Manufacturing, supply, erection and commissioning of Kanban Trolleys	22	M/s. Pranam Technologies	February 6, 2007	10 of them have been received, 5 of them are expected by end of June and rest 7 expected by September 2007	6.30
23.	Manufacturing, supply, erection and commissioning of electronic overhead traveling crane	2	M/s. Pee Jey Enterprises Private Ltd.	December 13, 2006	Received	10.00
24.	10 Ton EOT crane	1	M/s. Elite Steel Private Ltd.	March 31, 2006	Received	55.75
	5 Ton EOT crane	1				
25.	CNC Lathe Machine, items and accessories	5	M/s. HMT Machine Tools Ltd.	November 13, 2006	Received	27.86
26.	22 Ltrs Pressure Feed Container with gauge and stirrer	2	M/s. Lakshmi Engineering Supplies	May 31, 2006	Received	0.24

Sr. No.	Description	No. of units	Order placed with	Date of Purchase order	Expected date of delivery	Price/Amount as per purchase order (Rs. in Lakhs)
27.	Bench Grinder	3	M/s. Shregala Shankrila	August 2, 2006	Received	0.58
28.	Water tank	1	M/s. Mahalakshmi Enterprises	September 2, 2006	Received	0.36
29.	Air Compressor and air drier	4	M/s. Kirloskar Pneumatic Company Ltd.	September 1, 2006	June 2007	2.60
30.	Welding machines	20	M/s. Quality Enterprises	November 1, 2006	Received	16.25
31.	Geared Nagmati Lathe Model	1	M/s. Bharat Machine Tools Ltd.	November 2, 2006	Received	4.11
32.	Radial Drilling Machine	2	M/s. Emtex Machinery Private Ltd.	November 4, 2006	December 2007	5.40
33.	RAM type milling machine	1	M/s. HMT Machine Tools Ltd.	November 9, 2006	July 2007	5.65
34.	Commissioning of 10 ton single girder electric wire rope hoist with electric driven trolley	1	M/s. Landsky Engineers Private Ltd.	February 7, 2007	June 2007	2.20
35.	Jib crane with wire hoist	1	M/s. Landsky Engineers Private Ltd.	November 25, 2006	Received	4.20
36.	Gas cylinder	2	M/s. Kishore Engineering Works	December 5, 2006	Received	0.10
37.	Horizontal boring machine	1	M/s. HMT Machine Tools Ltd.	May 2, 2006	September 2007	65.70
38.	Induction hardening machines	1	Inductotherm (India) Private Ltd.	January 6, 2006	Received	40.57
39.	CNC Lathe Machine with motor and accessories	1	M/s. HMT Machine Tools Ltd.	March 31, 2006	CNC Lathe machine has been received. Erection and Commissioning in under progress	69.11
40.	Manufacture and supply of Pallets and Parking Stations	4	Pegard Productis	December 7, 2005	September 2007	61.90
41.	Stabiliser and transformer	1	M/s. Neel Controls	October 29, 2006	Received	3.23
42.	Rotary screw type compressor	1	M/s. Vertex Pneumatics Private Ltd.	October 25, 2006	Received	2.74
43.	Thermal cutting machine with control systems and commissioning and erection charges	1	M/s. Nissan Tanaka Corporation	June 5, 2006	Received	88.87

Sr. No.	Description	No. of units	Order placed with	Date of Purchase order	Expected date of delivery	Price/Amount as per purchase order (Rs. in Lakhs)
44.	Spares for thermal cutting machines	39	M/s. Nissan Tanaka Corporation	June 7, 2006	Received	5.53
45.	Accessories for thermal cutting machine with control systems	10	M/s. Supreme Agencies	July 31, 2006	November 2007	9.29
46.	Welding sets with diode along with accessories	125	M/s. Quality Enterprises	February 2, 2006	Received	46.30
47.	Inverter type welding sets	50	M/s. Kemppli OY	May 30, 2006	Received	134.76
48.	Deisel Hydraulic Mobile crane along with spares	3	M/s. TIL Ltd.	June 12, 2006	Received	97.78
49.	Laser cutting machine	1	M/s. Bystronic Pte Ltd.	July 4, 2006	Received	435.68
50.	Cranes and their spares; rails	8 430 Mts.	M/s. Century Crane Engineers Pvt. Ltd.	November 17, 2006	Machinery received for a value of Rs. 15.36 lakh, balance to be received in May 2007. Cranes have been received, erection and commissioning is under progress	81.89
51.	50 Ton Cranes	-	M/s. Century Crane Engineers Pvt. Ltd.	March 27, 2006	Received	50.90
52.	Endo gas generator	2	M/s. Unitherm Engineers Limited	September 4, 2006	October 2007	30.00
53.	SB CNC Turning Center	1	M/s. HMT Machine Tools Ltd.	April 1, 2006	June 2007	68.32
54.	Horizontal Machine Center	1	M/s. Premier Limited	February 6, 2007	November 2007	381.77
55.	Horizontal boring Machine	1	M/s. HMT Machine Tools Ltd.	November 20, 2006	July 2007	90.18
56.	CNC Vertical Machine Centre	1	M/s. Bharat Fritz Werner Limited	November 23, 2006	Received	70.96
57.	CNC Vertical Machine Centre	1	M/s. Bharat Fritz Werner Limited	November 25, 2006	Received	42.03
58.	Turning CNC	3	M/s. Praga Tools Limited	December 12, 2006	July 2007	43.47
59.	Turning Large VTL	3	M/s. HMT Machine Tools Ltd.	January 19, 2007	July 2007	161.00
60.	Center Lathe (Heavy)	1	M/s. HMT Machine Tools Ltd.	November 20, 2006	Received	42.11
61.	Center Lathe	1	M/s. HMT Machine	November 20,	July 2007	35.16

Sr. No.	Description	No. of units	Order placed with	Date of Purchase order	Expected date of delivery	Price/Amount as per purchase order (Rs. in Lakhs)
	(Medium)		Tools Ltd.	2006		
62.	Nitriding Furnace	2	M/s. Unitherm Engineers Limited	January 24, 2007	October 2007	68.00
63.	Fast Quench Facility	2	M/s. Unitherm Engineers Limited	January 24, 2007	October 2007	11.90
64.	50 Ton EOT Crane	1	M/s. Century Crane Engineers	March 29, 2006	received	50.90
65.	CNC Horizontal Boring and Milling Center	1	M/s. Juristi IS Commercial S.L.	March 29, 2007	August 2007	487.05
66.	Side Loader 12 ton capacity	1	M/s. SRS Gabelstaplerwerk GmbH	March 29, 2006	received	103.13
67.	Electromechanical Wrench	1	M/s. Berco s.p.a	-	received	27.87
	Check Sleeveal Device	1				
	Rails	1				
	Electric feed assv	1				
	Roller Convenor	5				
68.	CNC Gear Grinding Machine	1	M/s. Hoffler Maschinenbau GmbH	January 16, 2007	February 2008	631.06
69.	Link Boring Machine	1	HMT Machine Tools Limited	September 19, 2006	February 2008	524.41
Total						5,308.04

The following are the details of the work orders placed by us with various consultants and contractors for the upgradation of our Mysore Complex:

Sr. No.	Nature of activities to be carried out	Name of the contractor	Date of the work order	Status completed/ - expected date of completion	Cost (Rs. in Lakhs)
1.	Providing roads and drains for ancillary units in front of main gate of equipment division at the Mysore Complex	Mr. S.A. Mahadevaswamy (Consulting Engineer and Contractor)	August 5, 2006	Completed	26.37
2.	Construction of painting hangar at equipment division, Mysore Complex	Mr. K. Siddappa (Class – I Contractor)	August 21, 2006	April 30, 2007	16.12
3.	Provisio of power wiring and illumination of major assembly extension hangar, Mysore Complex	M/s. Shanthi Enterprises	January 21, 2006	September 30, 2007	33.06
4.	Construction of ancillary sheds (Excluding electrical works) in front	M/s. Khaishgi Construction	June 30, 2006	Completed	43.92

	of equipment division, Mysore Complex	Corporations			
5.	Construction of extension to major assembly hangar (excluding electrical works) at Mysore Complex	M/s. Saag RR Infra Limited	December 12, 2005	September 30, 2007	217.34
6.	Provision of 11KV and 440V overhead lines to ancillary units at Mysore Complex	M/s. Power Tech	July 27, 2006	Completed	18.94
7.	Power wiring and electrification of ancillary units of Mysore Complex	M/s. Power Tech	July 27, 2006	Completed	13.05
8.	Expansion of industrial hangar for defence and heavy equipment division, KGF Complex	The Mysore Constructions Company	October 14, 2005	Completed	473.00
9.	Provision of additional rail tracks of length 170 mts. for emulsion track and 30 mts. track for leak proof test adjacent to 2A and 2B hangars at the Bangalore Complex	M/s. Saag RR Infra Limited	October 25, 2006	Completed	64.01
10.	Consultancy services for parallel test track (450 mts.) with test pit and linking to the main line at the Bangalore Complex	Amin Bhavi Hegde Consulting Engineers Private Limited	January 12, 2006	Completed	3.92
11.	Providing and laying concrete for machine foundation for BYSTRONIC CNC Laser cutting machine at Bangalore Complex	M/s. KSS Engineers & Contractors	November 13, 2006	Completed	3.25
12.	Supply and laying of additional tracks at delivery hangar (Zone – III) at the Bangalore Complex	SSJV Projects Private Limited	November 27, 2006	October 2007	58.11
13.	Supplying and laying of rails 450 mts. for parallel test track and linking to the main line at the Bangalore Complex	SSJV Projects Private Limited	November 4, 2006	July 2007	242.25
14.	Construction of new hangar N-2 adjacent to rear traverser at the Bangalore Complex	Saag RR Infra Limited	February 20, 2007	October 2007	625.47
15.	Construction of under frame hangar, renovation of crusher house, providing concrete hard standing and other allied civil works for rail coach manufacture at the KGF Unit.	SSJV Projects Private Limited	July 27, 2006	July 2007	374.48
16.	Consultancy services for the work of proposed facilities for coach manufacture at RPFU for KGF Unit	M/s. Design Consultants and Commercial Agencies	February 21, 2006	Completed	10.74
	Total				2,224.03

C) Voluntary retirement scheme (VRS) for employees

We had introduced a special VRS for our officers and employees. The said scheme was open from March 19, 2005 to March 26, 2005. We propose to introduce a new VRS scheme to be implemented over a period of 3 years. The retirement scheme would be applicable for permanent officers/ employees in the category of clerks, assistants, etc. working in areas like quality, production planning and control, maintenance, landscaping, transport.

We propose to use the net proceeds of the Issue to provide compensation to our retiring officers/ employees.

Estimated total cost

We envisage reducing upto 1125 employees / executives by extending the VRS Scheme. The approximate cost (per employee / officer) is as follows:

Basic + DA	– Rs. 16,050 per month
Per day wages	– Rs. 535

VRS Compensation estimated at the rate of 50 days wages per year for an average of 30 years of service (Rs. 535 x 30 x 50) = Rs. 8.02 lakh per employee / officer.

The total approximate out flow for 1125 employees / officers will be Rs. 9000 lakh.

D) Setting up of 5MW Windmill for captive consumption

Our Company *vide* Purchase Order No. CPC – 161 dated February 28, 2007 placed an order with Suzlon Energy Limited for setting up a 5MW Wind farm project in Kappadagudda area of Gadag District in Karnataka. The cost of the project for setting up the wind farm in three phases is as follows:

(Rs. in Lakhs)

Particulars	Price	Excise Duty	Sales Tax	Service Tax	Total (Phase-wise)
Civil Works (Phase I)	190.60	-	4.30	15.98	210.89
WTG (Phase II)	2,194.67	6.53	7.39	27.25	2,235.84
Evacuation (Phase III)	194.80	-	3.15	9.64	207.60
Miscellaneous	45.68	-	-	-	45.68
TOTAL	2,625.75	6.53	14.84	52.89	2,700.00

The land area where the wind farm is to be set up shall be available with Suzlon Energy Limited by way of a lease to Karnataka Renewable Energy Development Limited in favour of Suzlon Energy Limited. The same shall be transferred (including the wind farm) to our Company by way of a sub-lease from Karnataka Renewable Energy Development Limited after setting, operation and maintenance for the period of two years with all documents and legal title.

Schedule of Implementation

Based on the purchase order mentioned hereinabove, the following is the schedule of implementation for the completion of setting up the 5MW wind farm project:

Sr. No.	Activity	Activity Commencement Date	Estimated Completion Date
1.	Delivery of the equipment including erection of towers at site	June 2007	September 2007
2.	Completion of the erection, testing, commissioning, grid connection, start up and two weeks short term test run of the WTGs on the mains	June 2007	September 2007
3.	Commercial generation	November 2007	December 2007

E) Contribution for setting up R&D Centre of Excellence for Metro Coaches

The R&D Centre of Excellence for Metro Coaches has been set up as a society under the Karnataka Societies Registration Act, 1960 on September 23, 2005 bearing Society No.BLU-S652-2005-06. This Society is an independent and autonomous body with the aim to absorb the present metro technology and further the metro and related

technologies. The second objective of this centre is to act as metro technology testing centre. Our Company's contribution towards setting up this R&D Centre of Excellence for Metro Coaches is Rs. 900 lakhs, the balance to be funded out of Government grants.

F) Issue Expenses

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The total expenses of the Issue are estimated to be approximately Rs. [•] lakh. The estimated Issue expenses are as follows:

(Rs. in Lakhs)			
Activity	Expenses	% of Issue Expenses	% of Issue Size
Lead management, underwriting and selling commission *	[•]	[•]	[•]
Advertisement and marketing expenses*	[•]	[•]	[•]
Printing, stationery including transportation of the same	[•]	[•]	[•]
Other (Registrar's fees, legal fees, listing fees, etc.)*	[•]	[•]	[•]
Total Estimated Issue Expenses	[•]	100%	[•]

* Will be incorporated at the time of filing Prospectus with the RoC.

G) General corporate purposes

After meeting the fund requirements in relation to other specified objects, the balance proceeds from this Issue, if any, would be utilised by us towards general corporate purposes including but not limited to repayment of loans.

Funds Deployed

As on April 30, 2007 we have incurred Rs. 5979.74 lakh as expenses including advances for the above activities, as per certificate dated May 28, 2007 received from M/s. Rao Associates, Chartered Accountants, our statutory auditors. Of this, Rs. 2,404.74 Lakhs has been incurred towards expansion of the metro coach manufacturing facility and Rs.3,575 Lakhs has been incurred towards capital expenditure including upgrading our current facilities. This expenditure has been presently funded through our internal accruals. We intend to utilize the Issue proceeds for replenishing the internal accruals to the extent of expenditure already incurred on above activities.

Proposed Deployment of Funds:

(Rs. in Lakhs)					
Sr. No	Purposes of Issue	Upto FY 2008*	Upto FY 2009	Upto FY 2010	Total
1	Expansion of Metro Coach Manufacturing Facility at Bangalore	19,306.12	2,145.13	-	21,451.25
2	Capital Expenditure including upgradation of current facilities	9,000.00	-	-	9,000.00
3	Voluntary Retirement Scheme ("VRS") for employees	3,000.00	3,000.00	3,000.00	9,000.00
4	Setting up of 5MW Wind Mill	2,700.00	-	-	2,700.00
5	R&D Centre of Excellence for Metro Rail	900.00	-	-	900.00
6	Issue Expenses	[•]	-	-	[•]
	Total	[•]	5,145.13	3,000.00	[•]

* - Including amount already spent in FY2007.

Interim Use of Issue Proceeds

Pending utilization of funds as stated above, we intend to invest the proceeds of the Issue in high quality, interest / dividend bearing short term / long term liquid instruments including deposits with banks for the necessary duration. These investments will be authorised by our Company's Board or a duly authorised committee thereof.

Monitoring of Utilisation of funds

Our Board will monitor the utilisation of the proceeds of the Issue. We will disclose the utilisation of the proceeds of the Issue under a separate head in our financial statements for fiscal 2008, 2009 and 2010 clearly specifying the purposes for which such proceeds have been utilised. We will also, in our financial statements for fiscal 2008, 2009 and 2010, provide details, if any, in relation to all such proceeds of the Issue that have not been utilised thereby also indicating investments, if any, of such unutilised proceeds of the Issue.

No part of the proceeds of this Issue will be paid by us as consideration to our Promoter, our Directors, key management employees or companies promoted by our Promoter, save and except in the course of normal business.

BASIC TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Red Herring Prospectus and other terms and conditions as may be incorporated in the Prospectus, Bid-cum-Application Form, allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchange, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Principal Terms and Conditions of the Issue

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company, the terms of this Red Herring Prospectus, Red Herring Prospectus, Prospectus and Bid-Cum-Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advice, and other documents/certificates that may be executed in respect of this Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to this Issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Stock Exchanges, Registrar of Companies and/or other authorities, as in force on the date of this Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank *pari passu* in all respects with the existing Equity Shares of our Company including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of Allotment. See the section titled “Main Provisions of Articles of Association of our Company” beginning on page 287 of this Red Herring Prospectus for a description of the Articles of Association.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each are being issued in terms of this Red Herring Prospectus at a price of Rs. [●] per share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws.

Rights of the Equity Shareholders

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Articles of Association of our Company.

For further details on the main provisions of our Company’s Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer section titled “Main Provisions of Articles of Association of our Company” beginning on page 287 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares of our Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of our Company shall only be in dematerialized form for all investors.

Since trading of our Equity Shares will be in dematerialized mode, the tradable lot is one Equity Share.

Allocation and Allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Share to the successful Bidders subject to a minimum Allotment of [●] Equity Shares. For details of Allocation and Allotment, see “Terms of the Issue” beginning on page 256 of this Red Herring Prospectus.

BASIS OF ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLM, on the basis of assessment of the market demand for the Equity Shares, by way of the Book Building Process. The price band will be decided by us in consultation with the BRLM and announced and advertised at least one day prior to the Bid/Issue opening date in Business Standard, an English newspaper with wide circulation, Prathakal, a Hindi newspaper with wide circulation and Udayawani, a Kannada language newspaper. In the meantime, with regard to the price band, bidders may be guided by the price of our Equity shares listed on BSE, NSE and BgSE.

Qualitative Factors:

1. Diversified portfolio of products catering to the core segments of economy such as mining, steel, cement, power, irrigation, construction, road building, defence equipment, railways and Metro transit systems thereby, spreading our reach in sectors.
2. Healthy order book position of Rs. 120,074 lakhs approximately as on February 28, 2007.
3. A major player in the mining and construction equipments industry with a variety of products. Revenues from this segment were Rs. 1,39,777 lakhs, constituting 63% of our total turnover for fiscal 2006.
4. Pioneer in the Metro coach manufacturing in India with supply to the Delhi Metro Rail Corporation.
5. Ranked as the first among the Fastest Growing Construction Equipment Companies in India (Source: Construction World – NICMAR Survey 2005).
6. Export house with ‘Star Exporter’ status with presence in 38 countries across Asia, Africa, Europe and Latin America. Our exports increased by 5% from Rs. 5,856 lakhs in fiscal 2005 to Rs. 6,149 lakhs in fiscal 2006.
7. Modern R&D division, which plays vital role in the design and development of our products and indigenisation.

Quantitative Factors:

Financial information used in this section has been derived from the restated audited unconsolidated financial statements of our Company for the respective financial year/period.

1. Basic and Diluted Earning Per Share (EPS) of face value of Rs.10

Period	EPS (Rs.)	Weights
Year ended March 31, 2004	6.65	1
Year ended March 31, 2005	47.70	2
Year ended March 31, 2006	50.87	3
9 months ended December 31, 2006 (annualised)	40.42	3
Weighted Average	41.77	

2. P/E Ratio* in relation to Issue Price of Rs. [●]
 - a. Based on the annualized EPS of Rs. 40.42 for the period ended December 31, 2006, P/E is [●]
 - b. Based on the EPS of Rs. 50.87 for the year ended March 31, 2006, P/E is [●]
 - c. Based on weighted average EPS of Rs. 41.77, P/E is [●]
 - d. Industry P/E

	Engineering - Turnkey Services	Engineering
Highest	82.6	65.4
Lowest	9.9	5.0
Average	39.1	21.8

[Source: Capital Market Vol.XXII/05 dated May 07 – May 20, 2007; Segment: Engineering, Engineering – Turnkey Services]

* would be calculated after discovery of the Issue Price through the Book-Building Process

3. Return on Net-worth

Period	Adjusted PAT Rs. In Lakhs	Adjusted Networkth Rs. In Lakhs	Return on Net Worth (%)	Weights
Year ended March 31, 2004	2,442.01	56887.55	4.29	1
Year ended March 31, 2005	17,528.33	69438.62	25.24	2
Year ended March 31, 2006	18,692.56	85390.06	21.89	3
Weighted Average			20.07	

4. Minimum Return on total net-worth required to maintain pre-Issue EPS: [●]

5. Net Asset Value per Equity Share as at December 31, 2006 is: Rs. 263.66

6. Net Asset Value per Equity Share after the Issue: [●]

7. Comparison of Accounting Ratios

	Year Ended on	Sales (Rs. Lakh)	EPS (Rs.)	P/E* (x)	Return on Net Worth (%)	Net Asset Value (Rs.)
Bharat Earth Movers Limited	March 31, 2006	206,016	50.87	[●]	21.9%	232.39
Industry:						
Larsen & Toubro Ltd.	March 31, 2006	1,641,831	29.0	68.75	21.7%	166.10
Action Construction Equipment Ltd.	March 31, 2006	16,568	6.7	40.69	52.1%	55.20
TIL Ltd.	March 31, 2006	52,441	9.1	24.21	15.2%	66.80

[Source: Capital Market Vol.XXII/05 dated May 07 – May 20, 2007; Segment: Engineering, Engineering – Turnkey Services, data for our Company based on restated consolidated financial statements]

*P/E calculate based on closing price as on May 30, 2007

8. The Issue Price is [●] times of the face value at the lower end of the Price Band and [●] times of the face value at the higher end of the Price Band. The Issue Price of Rs. [●] has been determined by our Company in consultation with the BRLM on the basis of assessment of market demand for the Equity Shares by way of the Book Building Process and is justified on the basis of the above factors.

9. The BRLM believes that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. To have a more informed view, please refer to the section titled “Risk Factors” on page ix of this Red Herring Prospectus and the section titled “Auditors’ Report to the Restated Unconsolidated And Consolidated Financial Statements” on page 112 of this Red Herring Prospectus.

STATEMENT OF TAX BENEFITS

TAX BENEFITS

Auditors' Certificate

We hereby certify that the enclosed annexure states the tax benefits available to the shareholders of Bharat Earth Movers Limited (the 'Company') as also the Company under the provisions of the Income Tax Act, 1961 and other direct tax laws presently in force.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

The shareholder is advised to consider in his/her/its own case the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislations may not have a direct legal precedent or may have a different interpretation on the benefits which an investor can avail.

Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill. We do not express any opinion or provide any assurance as to whether the Company or its shareholders will continue to obtain these benefits in future or the conditions prescribed for availing the benefits have been / would be met with.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his/her/its own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

FOR RAO ASSOCIATES
CHARTERED ACCOUNTANTS

(G. SUDHINDRA)
PARTNER
MEMBERSHIP NO: 26171
PLACE: BANGALORE
DATED: 28th MAY 2007

A. BENEFITS TO THE MEMBERS OF THE COMPANY UNDER THE INCOME TAX ACT, 1961

1. Resident Members

- **ON INCOME EARNED FROM SHARES:**

- By virtue of section 10(23D) of the Income Tax Act, 1961 all Mutual Funds set up by Public Sector Banks or Public Financial Institution or authorized by the Reserve Bank of India or any Mutual fund registered under the Securities and Exchange Board of India or regulations made there-under, subject to the conditions specified therein, are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.
- By virtue of Section 10(34) any income by way of dividends referred to in section 115-O is exempt from tax in the hands of the shareholders.

- **CAPITAL GAINS ON SALE OF SHARES:**

- By virtue of Section 10(38) any income arising from the transfer of a long-term capital asset (an asset which is held for more than 12 months), which includes an equity share in a company where,
 - (a) the transaction of sale of such equity share is entered into on or after 1st October 2004; and
 - (b) such transaction is chargeable to securities transaction tax under Chapter VII of the Finance Act (No. 2) Act, 2004, is exempt from tax.

However in the case of an assessee, being a company, such income is includible under Income while computing the tax payable u/s 115JB of the Act.

- Under section 48 of the Income Tax Act, 1961 if the company's shares are sold after being held for more than twelve months, [in cases not covered under section 10(38) of the Act], it will be treated as long term capital gains and the gains shall be chargeable as "Capital Gains" calculated by deducting from the sale consideration, the indexed cost of acquisition. No deduction shall be allowed in computing the income chargeable under the head "Capital gains" in respect of any sum paid on account of securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004.
- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in eligible bonds issued by National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988 or Rural Electrification Corporation Limited, a company formed and registered under the Companies Act 1956.
- Under section 54F of the Income Tax Act, 1961 long term capital gains [in cases not covered under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gains tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or if the consideration is used for construction of residential house property within a period of three years after the date of transfer.
- Under section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains, [in cases not covered under section 10(38) of the Act], arising on transfer of shares of the company, shall be taxed at a rate of 20% (plus applicable surcharge & education cess) after indexation as provided in the second proviso to section 48. The amount of such tax

could however, be limited to 10% (plus applicable surcharge & education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.

- By virtue of section 111A of the Income Tax Act, 1961 if the Company's equity shares are sold within twelve months from date of acquisition, and,
 - (a) the transaction of sale of such equity share is entered into on or after 1st October 2004; and
 - (b) such transaction is chargeable to securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004, the short term capital gains arising there-from shall be taxed at a rate of 10% (plus applicable surcharge & education cess).

2. Non-Resident Indians/ Non –Residents Members [Other than FIIs and Foreign Venture Capital Investors]

• ON INCOME EARNED FROM SHARES

- By virtue of Section 10(34) any income by way of dividends referred to in section 115-O is exempt from tax in the hands of the shareholders.

• CAPITAL GAINS ON SHARES

- By virtue of Section 10(38) any income arising from the transfer of a long-term capital asset (an asset which is held for more than 12 months), which includes an equity share in a company where,
 - (a) the transaction of sale of such equity share is entered into on or after 1st October 2004; and
 - (b) such transaction is chargeable to securities transaction tax under Chapter VII of the Finance Act (No. 2) Act, 2004, is exempt from tax.
- Under the first proviso to section 48 of the Income Tax Act, 1961, in case of a non-resident, in computing the capital gains [in cases not covered under section 10(38) of the Act] arising from transfer of shares of the Company acquired in convertible foreign exchange (as per Exchange Control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilised in the purchase of the shares. No deduction shall be allowed in computing the income chargeable under the head "Capital gains" in respect of any sum paid on account of securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004.
- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in eligible bonds issued by National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988 or Rural Electrification Corporation Limited, a company formed and registered under the Companies Act 1956.
- Under section 54F of the Income Tax Act, 1961 long term capital gains [in cases not covered under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gains tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took

place or if the consideration is used for construction of residential house property within a period of three years after the date of transfer.

- Under section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains, [in cases not covered under section 10(38) of the Act], arising on transfer of shares of the company, shall be taxed at a rate of 20% (plus applicable surcharge & education cess) after indexation as provided in the second proviso to section 48 (other than shares acquired in foreign currency). The amount of such tax could however, be limited to 10% (plus applicable surcharge & education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
- By virtue of section 111A of the Income Tax Act, 1961 if the Company's equity shares are sold within twelve months from date of acquisition, and,
 - (a) the transaction of sale of such equity share is entered into on or after 1st October 2004; and
 - (b) such transaction is chargeable to securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004, the short term capital gains arising there-from shall be taxed at a rate of 10% (plus applicable surcharge & education cess).
- By virtue of section 115-I of the Income Tax Act, 1961, a non-resident Indian (i.e. an individual being a citizen of India or person of Indian origin, who is not a resident) has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating to Certain Incomes of Non-Residents", which are as follows:-
 - (a) Under provisions of section 115E of the Income Tax Act, 1961, where shares in the Company are acquired or subscribed for in convertible foreign exchange by a non-resident Indian, capital gains arising to the non-resident Indian on transfer of shares held for a period exceeding twelve months [in cases not covered under section 10(38) of the Act] shall be concessional tax at the flat rate of 10% (plus applicable surcharge & education cess).
 - (b) Under provisions of section 115F of the Income Tax Act, 1961 long term capital gains [in cases not covered under section 10(38) of the Act] arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible foreign Exchange shall be exempt from income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.
 - (c) Under provisions of section 115G of the Income Tax Act, 1961 it shall not be necessary for a non-resident Indian to furnish a return of income if his income chargeable under the Act, consists of only investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange, and tax deductible at source has been deducted from such income.

3. Foreign Institutional Investors (FIIs)

- **ON INCOME EARNED FROM SHARES**

- By virtue of Section 10(34) any income by way of dividends referred to in section 115-O is exempt from tax in the hands of the foreign institutional investors.
- By virtue of Section 10(38) any income arising from the transfer of a long-term capital asset (an asset which is held for more than 12 months), which includes an equity share in a company where,

- (a) the transaction of sale of such equity share is entered into on or after 1st October 2004; and
 - (b) such transaction is chargeable to securities transaction tax under Chapter VII of the Finance Act (No. 2) Act, 2004, is exempt from tax.
- The income by way of short term capital gains or long term capital gains [in cases not covered under section 10(38) of the Act] realized by FIIs on sale of shares of the company would be taxed at the following rates as per section 115 AD of the Income Tax Act, 1961:
 - (a) Short term capital gains, other than those referred to under section 111A of the Income Tax Act, 1961 shall be taxed at a rate of 30% (plus applicable surcharge & education cess).
 - (b) Short term capital gains, referred to under section 111A of the Income Tax Act, 1961 shall be taxed at a rate of 10% (plus applicable surcharge & education cess).
 - (c) Long term capital gains at the rate of 10% (plus applicable surcharge & education cess) (without cost indexation)
- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in eligible bonds issued by National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988 or Rural Electrification Corporation Limited, a company formed and registered under the Companies Act 1956.

4. Venture Capital Companies/ Funds

By virtue of section 10(23FB) of the Income Tax Act, 1961 a venture capital company or venture capital fund, as defined in the said section, is eligible for exemption from income tax on all its income, including dividend income and capital gains from sale of shares of the Company. However the definition of Venture Capital Undertaking is proposed to be amended from the Assessment Year 2008-2009 (i.e., income arising on or after 1st April 2007) to include only certain specific businesses.

B. BENEFITS TO THE MEMBERS OF THE COMPANY UNDER THE WEALTH TAX ACT, 1957

Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957, hence Wealth Tax will not be applicable on the value of shares in the company.

C. BENEFITS TO THE MEMBERS OF THE COMPANY UNDER THE GIFT TAX ACT, 1958

- Gift of shares of the company made on or after October 1, 1998 would not be liable to Gift tax under the erstwhile Gift Tax Act.
- However, under section 56(2)(v) of the Income Tax Act, 1961, where any sum of money (which could include gift of shares also) exceeding Fifty thousand rupees in the aggregate in any financial year is received without consideration by an individual or a Hindu undivided family from any person on or after the 1st day of April, 2006, the whole of such sum, would be taxed as income in the hand of the recipient,

Provided that this clause shall not apply to any sum of money received—

- (a) from any relative; or
- (b) on the occasion of the marriage of the individual; or
- (c) under a will or by way of inheritance; or
- (d) in contemplation of death of the payer; or

- (e) from any local authority as defined in the Explanation to clause (20) of section 10; or
- (f) from any fund or foundation or university or other educational institution or hospital or other
- (g) medical institution or any trust or institution referred to in clause (23C) of section 10; or
- (h) from any trust or institution registered under section 12AA.

For the purposes of this clause, “relative” means—

- (i) spouse of the individual;
- (ii) brother or sister of the individual;
- (iii) brother or sister of the spouse of the individual;
- (iv) brother or sister of either of the parents of the individual;
- (v) any lineal ascendant or descendant of the individual;
- (vi) any lineal ascendant or descendant of the spouse of the individual;
- (vii) spouse of the persons referred to in clauses (ii) to (vi).

D. BENEFITS TO THE COMPANY UNDER THE INCOME TAX ACT, 1961

- **ON INCOME EARNED FROM SHARES:**

- By virtue of Section 10(34) any income by way of dividends (interim or final) referred to in section 115-O and received by the Company is exempt from tax in the hands of the Company. This amount is also not includible for the purpose of computation of income u/s 115JB (Minimum Alternate Tax – MAT).

- **CAPITAL GAINS ON SALE OF SHARES:**

- By virtue of Section 10(38) any income arising from the transfer of a long-term capital asset (an asset which is held for more than 12 months), which includes an equity share in a company where,
 - (a) the transaction of sale of such equity share is entered into on or after 1st October 2004; and
 - (b) such transaction is chargeable to securities transaction tax under Chapter VII of the Finance Act (No. 2) Act, 2004, is exempt from tax.

However such income is includible under Income while computing the tax payable u/s 115JB of the Act.

- Under section 48 of the Income Tax Act, 1961 if investment in shares is sold by the company after being held for more than twelve months, [in cases not covered under section 10(38) of the Act], it will be treated as long term capital gains and the gains shall be chargeable as “Capital Gains” calculated by deducting from the sale consideration, the indexed cost of acquisition. No deduction shall be allowed in computing the income chargeable under the head “Capital gains” in respect of any sum paid on account of securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004.
- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in eligible bonds issued by National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988 or Rural Electrification Corporation Limited, a company formed and registered under the Companies Act 1956.

NOTES:

1. All the above benefits are as per the current tax laws subject to the provisions in the Finance Act 2007.
2. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non- resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/ her own tax advisor with respect to specific tax consequences of his/ her participation in the issue.

FOR RAO ASSOCIATES
CHARTERED ACCOUNTANTS

(G. SUDHINDRA)
PARTNER
MEMBERSHIP NO: 26171
PLACE: BANGALORE
DATED: 28th MAY 2007

SECTION IV – ABOUT US

INDUSTRY OVERVIEW

Unless otherwise indicated, all financial and statistical data relating to the Industry section is derived from the Ministry of Defence's Annual Report (2005-2006), the official website of Ministry of Defence and Ministry of Railways, Ministry of Heavy Industries Annual Report (2005-2006), CII Report on the Indian Infrastructure Equipment Industry, December 2006, Report on 'Machinery Markets in Brazil' by Yengst Associates, August 2006, and the Railway Budget 2007. The data may have been re-classified by us for the purpose of presentation.

Industry Classification

Our Company primarily deals with three business segments comprising of Construction and Mining equipment business, Defence business and Railway & Metro business, all of which are very diverse businesses. As a result we cannot be classified in any one particular industry but form part of the three industries described below:

- Construction and Mining Equipment Industry
- Defence Products Industry
- Railway & Metro Products Industry

We have also taken a conscious decision to diversify our activities, and FY 2007 saw the first steps in this direction, with our Company starting the Technology Division to provide value-added services for the engineering sector and the Trading Division for trading of non-core products and components for the domestic and international markets. We have also decided to foray into the Brazilian markets through a joint venture with CCC (Companhia Comercio E Construcoes) for the manufacture of earthmoving equipment and railway rolling wagons to meet the market demand in Brazil.

Construction and Mining Equipment Industry

Overview

The Construction and Mining Equipment Industry plays a vital role in the economic development of our country. This industry is closely linked with major development and infrastructural sectors such as coal and mineral mining, irrigation, road and power projects, ports, steel, cement, fertilizers, etc. The technology required to manufacture such machines was not earlier available as a result of which it was necessary for the Government to permit import of technology for development of the same from internationally manufacturers like Komatsu, Caterpillar, Poclain, Dresser, Demag and Hitachi.

But now, most of the manufacturers have been able to absorb the technology to produce modern and high-quality equipments. The construction and mining equipments currently being manufactured cover dozers from 65 HP to 770 HP, excavators starting from 7 tonnes (T) to 160 T, wheel dozers of 300 HP and 460 HP, wheel loaders with bucket capacity ranging from 1.7 to 4.7 cubic metres (cu.m.), mechanical dumpers from 35 T to 100 T, electrical dumpers of 120 T and 170 T (with plans to add 190 T, 240 T and 360 T in the near future), rope shovels of 10 cu.m., 20 cu.m. and 42 cu.m., draglines of 24/96 and 30/96 sizes, motor graders of 145 HP and 280 HP and backhoe loaders.

Side discharge loaders and load haul dumpers for underground mining applications are also being manufactured. For road building, vibratory compactors, hot mix plants, pavers etc. are also being manufactured indigenously. These machines help to speed up development in irrigation and power projects, coal and iron ore mining, for excavation of lime stone for cement, for development and reclamation of vast track of land, building roads, making canals, preparing industrial sites and all facets of the country's development activity. These machines also reduce dependence on labour and provide automation in the core sectors.

History

Prior to the 1960s, domestic requirements of mining and construction equipment were entirely met by imports. Domestic production began in 1964 with the setting up of our company, Bharat Earth Movers Ltd. (BEM), a public sector undertaking under the administrative control of the Ministry of Defence, at Kolar District in South India to manufacture dozers, dumpers, graders, scrapers, etc. under license from highly international players. In the private sector, the Hindustan Motors' Earthmoving Equipment Division was established in 1969 at Tiruvallur, near Chennai with technical collaboration from Terex, UK for manufacture of wheel loaders, dozers and dumpers. This factory has since been taken over by Caterpillar for their Indian operations. The machines manufactured by Caterpillar in the Tiruvallur factory are marketed by Tractors India Ltd. (TIL) and General Manufacturing and Marketing Company Ltd. (GMMCO).

In 1974, Larsen and Toubro (L&T) started manufacturing hydraulic excavators under license from Poclain, France. In 1980 and 1981, two more units, Telcon and Escorts JCB (now JCB India) commenced manufacture of hydraulic excavators (under license from Hitachi, Japan) and backhoe loaders (under license from JCB, UK) respectively. Volvo and Terex Vectra are the most recent entrants in the Indian market. Volvo has set up their manufacturing unit in Bangalore. At present they are only manufacturing tippers in India and the other equipment are imported from their parent company and marketed in India.

Terex Corporation USA and Vectra Ltd. U.K. have formed a joint venture, which has started manufacturing construction equipment like backhoe loaders and skid steer loaders from May 2004 at Greater Noida with an investment of USD 12 million. Other equipments in the Terex range are being sold through their agents in India.

Most of the technology leaders like Case, Caterpillar, Hitachi, Ingersoll-Rand, JCB, John Deere, Joy Mining Machinery, Komatsu, Liebherr, Poclain, Terex, Volvo are present in India as joint venture companies, or have set up their own manufacturing facilities, or marketing companies. The industry has made substantial investments in the recent past for setting up manufacturing bases, despite small volumes and uneconomic scales of production compared to global standards.

Recent Developments

Today India is, by and large, self sufficient in the production of construction and mining machinery. In fact, during the last decade, the industry has made enormous progress and has grown both in terms of size and diversity. The total capacity available in the Construction and Mining Equipment Industry is around 6,000 numbers. This industry is dominated by a few large manufacturers in each product segment. We are one of the major manufacturers of mining and construction equipment in the country with a wide range of products. The increased focus on sectoral reforms and infrastructure development by Government of India (GoI) is expected to further enhance the demand of our products.

The Government's focus, sustained increased budgetary allocation and increased funding by international and multilateral development finance institutions for infrastructure development in India is expected to result in several large infrastructure projects across India. The GoI is actively engaged in raising funds from multilateral financial development institutions such as the World Bank, International Finance Corporation (IFC) and Asian Development Bank (ADB), to promote various infrastructure projects across India. There are also various initiatives being taken to encourage private sector participation, such as tax breaks for investments in infrastructure.

Construction companies in India are typically civil engineering companies which undertake construction work on a contract basis, in sectors like roads, ports, marine structures, power projects etc. All construction projects have eligibility criteria. Companies who have the requisite financial strength and experience typically meet these eligibility criteria and undertake projects independently. Smaller companies generally have to enter into joint ventures to meet the eligibility criteria and to spread the financial and business risk. Build, Operate and Transfer ("BOT") and Build, Own, Operate and Transfer ("BOOT") are also increasingly seen as modes of executing projects. Foreign engineering and construction companies typically participate in the infrastructure development in India through joint development ventures with Indian construction companies.

Market Size

The construction and mining industry are the primary users of the heavy earthmoving equipments in India. The organised construction sector accounts for 50-55% of the total construction equipment industry which is growing at around 25% per annum, amidst sustained economic development with special emphasis on infrastructure development by the government and private organizations. Currently, the market size of India's organised construction equipment industry is around Rs 65,000 million (about 6,000 units), growing at around 15% over the last 2 years.

The domestic mining industry currently mines 87 varieties of minerals in India of which 64 are categorized as major minerals. Increased investments in the infrastructure and power sector have resulted in rising demand for minerals, especially coal and steel. Approximately 85% of India's current mineral production comes from mechanized opencast mines. Opencast mining has graduated to deployment of higher capacity equipment, while technology oriented underground mining has been emerging stronger in the recent past.

The Government of India, under its plan to provide "Power for all by 2012", envisages capacity addition of about 100,000 MW in the next 7 years, bulk of which is envisaged from coal-based thermal power units. Consequently, the demand for coal is expected to rise to 1,267 million tonnes per annum by 2025, from the current coal production of 402 million tonnes in FY2006 (of which Coal India accounts for almost 85%). This increased demand will have to be met with substantial capital expenditure by mining companies, especially in purchasing earthmoving equipment, leading to a huge demand for the same.

In view of the increasing demand, which cannot be entirely met by Coal India and its subsidiaries, the Ministry of Coal and Coal India have decided to open up more mine blocks and allocate them to various utilities. The Ministry of Coal has identified 148 coal mine blocks for leasing out, of which 65 have already been allocated and 21 are in the process of being allocated. NTPC, State Electricity Boards and other utilities have been allotted mining blocks for their captive use and they are planning to outsource the mining operations, which are expected to boost the contract mining business in the country. Similarly companies in the steel and other mining sectors such as aluminium are also opening up blocks for outsourcing of mining activities while they focus on their core activity of production of metal.

The construction and mining equipment industry in India is currently around Rs 85,600 million and is expected to reach nearly Rs 170,000 million by the year 2010. The industry is dominated by a few large manufacturers in each product segment. The Construction and Mining Equipment business contributed 63% of the total revenues for BEML for FY2006.

Defence Products Industry

Overview

India has one of the longest coastlines extending upto 14,103 kilometres of land borders, including 7,000 kilometres of border with countries with which territorial disputes still persist, a coastline of 7,600 kilometres and 2.5 million square kilometres of Exclusive Economic Zone (EEZ) to protect.

Defence production is under the Department of Defence Production (DDP). DDP was set up in 1962, in the aftermath of the Indo-China war to create a self-reliant and self-sufficient indigenous defence production base. In November, 1965, Department of Defence Supplies was created to forge linkages between the civil industries and defence production units. The two departments were merged in December, 1984 into the Department of Defence Production and Supplies. The Department of Defence Production and Supplies has been renamed as Department of Defence Production from January, 2004.

Today, the DDP deals with the indigenisation, development and production of defence equipment, both in the public and private sectors. It caters to production infrastructure for aircraft and helicopters, warships, submarines, heavy vehicles and earthmovers, missiles, a variety of electronic devices and components for the defence sector, and alloys and special purpose steel. DDP has a substantial infrastructure developed over the years, consisting of

40 Ordnance Factories and 8 Defence Public Sector Undertakings (DPSUs) including BEML. It also draws upon supplies from the Indian civil and private sector wherever feasible and forms the backbone of the country's defence production. The DPSUs under the DPP are:

- Hindustan Aeronautics Limited (HAL)
- Bharat Electronics Limited (BEL)
- Bharat Earth Movers Limited (BEML)
- Mazagon Dock Limited (MDL)
- Goa Shipyard Limited (GSL)
- Garden Reach Shipbuilders and Engineers Limited (GRSE)
- Bharat Dynamics Limited (BDL)
- Mishra Dhatu Nigam Limited (MIDHANI)

The total defence budget for FY 2008 is proposed at Rs. 960,000 million which is an increase of 11.6% over the previous year. Out of the total defence budget, Rs. 410,000 million is allocated for capital expenditure, an increase of 19% over the previous fiscal year's actual capital expenditure. Defence Business contributed 32% of the total revenues for BEML for FY2006.

Recent Developments

Since independence, the defence sector has been developing steadily, with the objective of achieving self-reliance. Industries in this sector have continually improved their manufacturing capacity and product quality by developing and accessing new technology and through joint ventures with major companies. They are also focusing on commercialising new products developed by the defence research establishments and also on indigenising production to the maximum extent possible.

The new Defence Procurement Procedure 2006 stipulates a 30% offset for contracts exceeding Rs. 3,000 million. The concerned vendors will have to source goods or services to this extent from the Indian defence industry. This would help the industry to improve manufacturing capabilities as well as increase exports. With the onset of this policy, India will be in a better position to integrate with the world economy, absorb better technologies and upgrade its capacity.

The defence industry sector, which was so far reserved for the public sector, has now been opened up for participation by the Indian Private sector. The Indian companies are now eligible to apply for license to set up defence industry for manufacture of all types of defence equipment under license. Such companies can also have foreign direct investment, upto 26% of their equity.

After the opening up of the Defence Industry sector to private participation, 28 Letters of Intent / Industrial Licences were issued upto December 31, 2005 to private companies such as Larsen and Toubro, Mahindra and Mahindra, Tractors India Ltd. (TIL), Automotive Coaches and Components, etc. for full-fledged manufacture and supply of defence equipment.

Organisation of Industry

The Ministry of Defence consists of four departments – Department of Defence, Department of Defence Production, Department of Defence Research and Development, and Department of Ex-Servicemen Welfare. The Defence Secretary functions as Head of the Department of Defence and is additionally responsible for coordinating the activities of the four departments in the Ministry. The Defence Secretary reports directly to the Minister of Defence.

The Department of Defence Production is headed by a Secretary and deals with matters pertaining to Defence production, indigenisation of imported stores, equipment and spares, planning and control of departmental production units of the Ordnance Factory Board and Defence Public Sector Undertakings.

Production and Sales

Defence Public Sector Undertakings and Ordnance Factories have continually seen a rise in their total production and sales.

(Rs. in million)

	FY 2003		FY 2004		FY 2005	
	Production	Sales	Production	Sales	Production	Sales
Ordnance Factories	79,086.9	65,080.5	82,596.8	65,238.7	83,320.0	61,866.5
DPSUs	94,730.2	87,883.1	100,782.2	98,927.3	118,656.7	112,485.9
Total	173,817.1	152,963.6	183,379.0	164,166.0	201,976.7	174,352.4

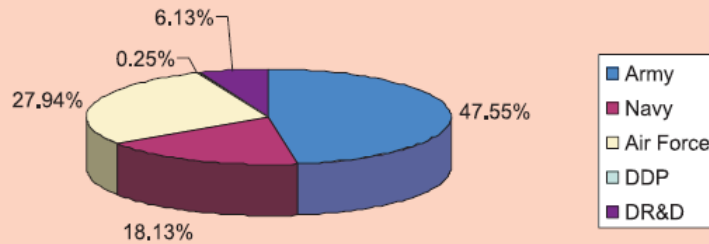
Defence Expenditure

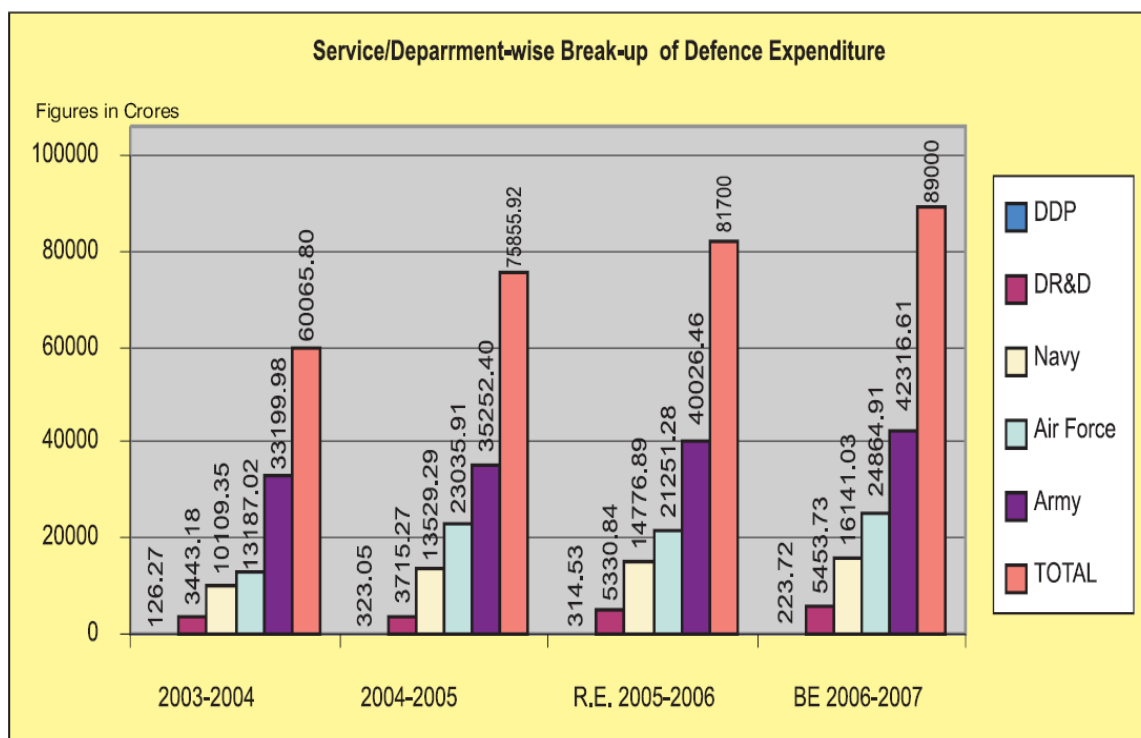
The broad array of challenges both existing and potential to the National Security in the fast changing security environment mandates a periodical appraisal of our security procedures to cope with them. India is ranked among the top ten countries in terms of defence expenditure. The defence expenditure is on the rise in the country as threats are constantly increasing.

(Rs. in million)

Service/Deptt	FY 2004	FY 2005	Revised Estimates FY 2006	Budget Estimates FY 2007
Army	331,999.8	352,524.0	400,264.6	423,166.1
Navy	101,093.5	135,292.9	147,768.9	161,410.3
Air Force	131,870.2	230,359.1	212,512.8	248,649.1
DDP	1,262.7	3,230.5	3,145.3	2,237.2
DR&D	34,431.8	37,152.7	53,308.4	54,537.3
Total	600,658.0	758,559.2	817,000.0	890,000.0

Service/Department-wise Expenditure as a Percentage of Total Defence Expenditure 2006-07 (BE)





Railway & Metro Products Industry

Overview

Indian Railways (IR) is considered the backbone of our national transport infrastructure. It is the world's second largest system under one management which has an extensive route length. It is often described as the nation's lifeline with its vast network and reach.

Track Kilometres	Broad Gauge (1676 mm)	Metre Gauge (1000 mm)	Narrow Gauge (762/610 mm)	Total
	89,771	15,684	3,350	108,805
Route Kilometres	Electrified	Total		
	17,135	63,465		
Locomotives	Diesel	Electric	Steam	Total
	4,801	3,065	44	7,910

Source: Indian Railways Year Book 2004-2005

On an average Indian Railways runs 16,021 trains every day out of which 9,556 are passenger trains. In FY2006, IR carried approximately 5.89 billion passengers, which work out to over 16 million passengers every day. As per the Railways Year Book 2004 – 2005, there were 222,379 Wagons, 48,263 Coaches and 7,131 stations throughout the country. Indian Railways is the largest employer (company) in India other than the government with over 1.4 million employees according to the Railway Budget 2007.

Recent Developments

Over the last few years, Indian Railways has managed to achieve a dramatic reinvention of its business and is presently witnessing one of the most impressive and unprecedented expansions in its history. The freight and passenger traffic on Indian Railways has been growing at a CAGR of 9.4% and 7.4% respectively from FY2004 to FY2006; the revenue has grown even faster at 12.9%. This is in sharp contrast to the historical trend rates of growth at 3-4% per annum.

The sharp upturn in the performance has come about as a result of a conscious strategy to recapture the predominant position of railways in the transport sector. The carefully crafted strategy of reform has been built around generation of capacity through optimization of the existing infrastructure and assets and differentiated approach to the social and commercial segments of the traffic. On the supply side, increase in axle load from 20.3 to 22.9 tonnes, reduction in turnaround time from 7 to 5 days has generated the necessary incremental freight-loading capacity.

In FY2006, Indian Railways transported 667 million tonnes of goods which is 65 million tonnes (10.8%) more than FY2005. With this momentum behind them, the revised target for loading has been plugged at 727 million tonnes for FY2007 and the revised freight earnings have also been increased to Rs. 422,990 million. For FY2008, the target for freight loading has been kept at 785 million tonnes.

Similarly, augmentation of popular passenger trains by using the spare stocks of coaches and mopping up of the slack available has led to increase carrying capacity per train. These operational innovations have also led to lowering of unit cost of operation in the face of rising cost of inputs. This advantage has been capitalised on the demand side by a dynamic and market-driven tariff policy linked to seasonality and price elasticity of demand. The strategy of across-the-board increase in freight rates has been replaced by selective changes in the tariff in response to market forces; however, the general trend has been reduction of tariff in real terms.

In the passenger segment, while affordability continues to underpin the pricing for second-class passengers, there has been reduction in fares for passengers in air-conditioned class and those traveling short distance. Passenger volumes have registered a growth of around 9.5% in FY2006 as compared to the previous year. Passenger revenues have recorded a growth of 7% in FY2006 and according to the revised estimates, expects a further increase of 14% in FY2007 amounting to Rs. 174,000 million.

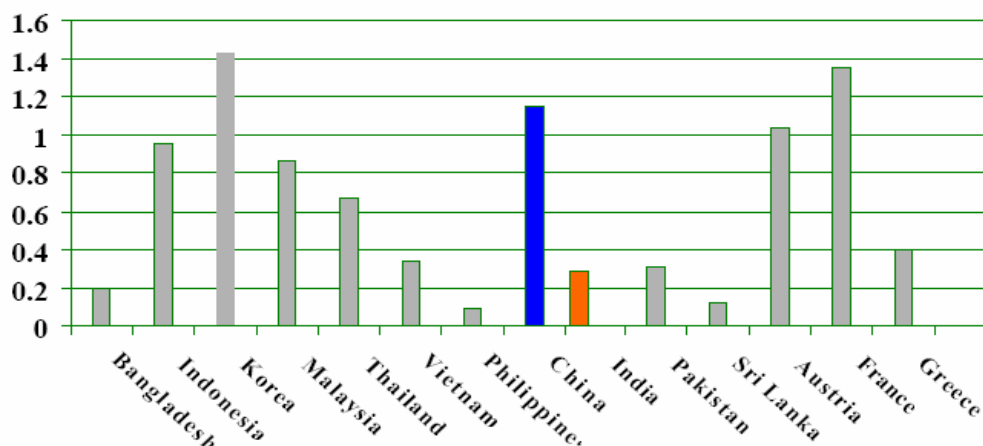
These measures have redefined the transport scene in the country and transformed the railways as a competitive and viable alternative to road and air transport. This transformation has delivered huge efficiency gains, operating margins, healthy financial surpluses and an upsurge in the number of coaches and wagons manufactured.

Strengthening of High Density Network and Network Expansion

The Golden Quadrilateral connecting the 4 metro cities and its diagonals are the main arteries of IR's network transporting bulk of freight and passenger traffic. IR is taking up various projects to augment sectional capacity on Golden Quadrilateral by increasing the frequency and reducing the time the train takes to reach its destinations. Funding of these projects through multilateral sources is being processed. At the same time, focus is on commissioning 5000 km of new lines including gauge conversion and line-doubling projects in the Tenth Plan period.

Passenger Strategy and Cross-subsidisation from Freight to Passenger Services

The fare structure has been rationalized by smoothening the taper and establishing relativity of fares of various classes of travel. This would help in improving the profitability of passenger business. The ratio of passenger earning per passenger kilometre to freight earning per tonne kilometre gives an idea about the distortion in pricing. A ratio of one is widely believed as a financially desirable norm. A study has compared the ratio of passenger and freight earnings per unit. In China, this ratio is slightly more than one, while on IR this ratio was 0.5 in 1951 and has come down to 0.3 in recent years, which is one of the lowest in the world. A comparison of this ratio for various world railway systems is illustrated in the graph below:



Source: World Bank

Funding of Projects

IR has carried a large shelf of sanctioned projects and many initiatives were taken. Some of these are described below:

- Participation with the state governments in the suburban transport projects – Mumbai, Chennai, Hyderabad and Kolkata.
- Participation with the state governments in new line, gauge conversion and other rail projects. Governments of Tamil Nadu, Jharkhand, Gujarat and Karnataka have agreed to share the cost of some of these projects.
- Joint Venture with State Governments. Plans are underway with government of Karnataka to fund four identified projects.

Some of the new projects are being undertaken with public-private participation. Broad gauge connectivity to the new port of Pipavav is being provided through a joint venture between Indian Railways and Pipavav Port Authority. In case of Mundra Port in the State of Gujarat, the Port Authority is bearing the cost of broad gauge railway line.

Future Outlook

By 2012, the railways are likely to handle double the traffic volumes currently handled. Indian Railways has chalked out a well-planned strategy to remove bottlenecks and augment capacity to match the requirement. The key elements of the strategy would entail investment in infrastructure as well as modernization of wagons technology, advanced signaling & telecommunication, induction of high horsepower locomotives, grade separation, and use of information technology specifically tailored to improve transit times and lower unit cost operation. It would also include building world-class passenger and freight terminals benchmarked to the best global standards.

A large role has been assigned to Public Private Partnership (PPP) in the implementation of this strategy. One of the proposed projects is the construction of a new Dedicated Freight Corridor (DFC), initially covering about 2,700 route kilometres equivalent to over 5,000 of track kilometres at an approximate cost of Rs. 220,000 million, linking the ports of western Indian and the ports and mines of Eastern India to Delhi and Punjab.

To augment the capacity of freight corridors while reducing the unit costs, the Railway Budget 2007 plans to introduce triple-stack container trains on diesel routes and double-stack container trains on electrified routes. It

has also been decided that 22.9 tonnes and 25 tonnes axle-load freight trains will run on more routes. Wagon manufacturers have been encouraged to design wagons with higher payload, axle-load and new technology.

With a sustained economic growth and the resultant demand for rail transport, the requirement of rolling stock has increased manifold. The requirement of coaches/ Electrical Multiple Units is projected at 22,689 vehicle units for the 11th Five Year Plan. The gap between the requirement and the combined capacity of the two Production Units at Integral Coach Factory, Perambur and Rail Coach Factory, Kapurthala (around 2,500 per annum) is more than 10,000 units for the 11th Five Year Plan. This is planned to be partially bridged by augmenting the existing capacity of these Production Units and setting up a new manufacturing unit through a Joint Venture under PPP. Even then, it is expected that there will be an increase in the demand for our products such as integral railcoaches and Electrical Multiple Units. The Railway and Metro Business contributed 5% of the total revenue for BEML for FY2006.

Metro Railway in India

Urban public transportation constitutes an important part of social infrastructure and is indispensable not only for commuting to and from work but also maintaining comfortable lives of urbanites. Mobility is a crucial factor for economic growth of any urban area. Urban transport facilities and services are important features of national economy since these urban areas contribute a sizeable portion of the country's gross domestic product (GDP). With inherent advantages of less emissions and energy consumption, coupled with high safety record and efficiency, Metro rail is well-placed to support commuters in teeming urban areas.

With the increased demand of transportation needs, many urban cities in India having a population of more than 3 million are now planning to introduce Metro rail transportation. Delhi Metro Rail Corporation (DMRC) has already taken a lead in establishing a world-class Metro in Delhi which was well received by the public and has become a role model for future upcoming Metro projects in the country. Cities like Mumbai, Bangalore, Hyderabad, Ahmedabad, Chennai and Cochin have already finalized their project reports with DMRC being a prime consultant for these Metros.

A substantial number of Metro coaches would be required in the immediate future to cater to the upcoming Metro projects in the country. These projects are highly capital intensive and include high technology. Manufacturing of Metro cars involves state-of-the-art technologies in terms of materials, fabrication, power electronics, digital controls, software driven aggregates, etc. Import of these hi-tech Metro coaches is prohibitively expensive and hence there was a pressing need to take up their manufacturing in India.

Our Company has already taken a lead in this market scenario, and entered into a technical collaboration with an international player in this field for the manufacture of standard and broad gauge Metro coaches in the country. By establishing state-of-the-art infrastructure and training our technicians and engineers under our collaboration partner, our Company has delivered 188 Metro coaches to DMRC till date and established ourselves as the major metro coach manufacturer in the country.

The Brazilian Market

Brazil is an agro-based and mineral rich country. It is 2.6 times the geographical size of India and has a population of over 18 million. The average GDP growth between 1985 and 2002 was around 2.6% and in 2005, the GDP growth was 2.4%. Its exports in 2005 were USD 118.3 billion and imports were USD 73.6 billion. The main products exported are agro-based products like pulses, coffee, soya bean, orange and minerals, mainly iron ore. Imports are mainly mining equipment, spares, locomotives, etc. Brazil possesses a good infrastructure for internal movement of goods and is expected to invest over USD 80 billion for infrastructure in the next five years.

Brazil is very well connected by railways, with most of the railway lines located in the southern and coastal parts of the country. As a part of the privatisation move, the railway lines have been given on concession to private operators for a period of 30 years from 1998. During the year 2005, the private operators have transported around 300 million tonnes of mineral ore, agro-based and industrial products.

The country has iron ore reserves of over 8 billion tonnes. A sizeable chunk of the extracted iron ore is processed and exported to China, Japan and other countries, through Brazil's ports. The main mode of transport of the iron ore from mines to the ports is through the railways.

The major iron ore extractors in Brazil import majority of their mining equipment from international players. As most of the purchases are made through distributors, after sales services are quite inadequate and the major ore extracting companies are understood to be dissatisfied.

The major railway logistics operators have deployed around 80,000 wagons for freight movement in Brazil. Majority of the wagons were added prior to 1988 and now they are due for replacement. Between 1988 and 2002, the demand for wagons had diminished to below 1,000 units per annum. Consequent to the increase in demand for iron ore in the international market, the demand for wagons has increased from 2002 and the present average demand is around 7,000 units per annum. However, the demand for wagons is sporadic, mainly due to fluctuations in the agricultural output.

OUR BUSINESS

Overview

We are one of the major manufacturers of mining and construction equipments in India. We are a multi-locational and multi-product company. We primarily deal in three product segments comprising Mining and Construction equipments, Defence products and Railway & Metro products through which we cater to vital applications in diverse sectors of the economy such as mining, steel, cement, power, irrigation, construction, road building, defence, railway and Metro transit system. Recently we have expanded our product range to cover high-quality hydraulics, heavy-duty diesel engines, welding robots and heavy fabrication jobs. In the beginning of fiscal 2007, we decided to foray into two more new business areas – a) technology, providing engineering design software solutions and b) trading, for marketing non-Company products, components, aggregates and commodities for domestic and international markets.

We are a Mini-Ratna (Category 1) Company under the Ministry of Defence and ranked as the first among the Fastest Growing Construction Equipment Companies in India (Construction World – NICMAR Survey 2005). We are an ISO 9001-2000 certified company. We have been at the forefront of delivering robust, high-quality products to our customers resulting in low cost of ownership. To this extent, we incorporate state-of-the-art technology in all our products through market-driven R&D, and collaborate with international companies for imbibing the latest technology.

We have our corporate head office and central marketing division at Bangalore, Karnataka, India. We have 3 manufacturing facilities in Bangalore, Mysore and Kolar Gold Fields, all in the state of Karnataka, India. We have an extensive procurement, sales and marketing network across India, consisting of 4 zonal offices, 10 regional offices, 15 district offices and 6 service centres. We are progressively growing as a global player and export to 38 countries in Asia, Africa, Europe and Latin America. To support our international operations, we have recently opened representative offices in Singapore and Shanghai.

We have also set in motion our offshore expansion plans, and signed a Memorandum of Understanding (MoU) for establishing a Joint Venture (JV) Company in Brazil with CCC (Companhia Comercio E Construcões) for manufacture and supply of rail wagons and bogies, mining and construction equipment and spares for the Brazilian market. As a part of our diversification strategy, we also plan to enter the contract mining business, and have tied up with an Indian mining company. We expect to exploit the high business potential projected in this segment by coal companies, state electricity boards and power plants.

In fiscal 2006, we posted consolidated gross sales of Rs. 2,20,657 lakhs, representing a growth of about 19% over fiscal 2005 sales of Rs. 185,766 lakhs. Mining and construction segment, defence segment and railway segment accounted for a turnover of Rs. 1,39,777 lakhs, Rs. 70,298 lakhs and Rs. 10,582 lakhs, respectively, constituting 63%, 32% and 5% of the total turnover in fiscal 2006. The consolidated profits before taxes stood at Rs. 28,642 lakhs, representing a growth of about 5% over fiscal 2005 figure of Rs. 27,371 lakhs. Profit after taxes for fiscal 2006 stood at Rs. 18,752 lakhs, representing a growth of about 9% over fiscal 2005 figure of Rs. 17,569 lakhs. We are a public sector undertaking (PSU) in which, as on December 31, 2006, the Government of India holds a 61.23% stake and the remaining shares are held by financial institutions, mutual funds, foreign institutional investors (FIIs), corporate bodies, public individuals and others. Our shares are traded on the Bombay Stock Exchange (BSE), National Stock Exchange (NSE) and Bangalore Stock Exchange. Our Company has a subsidiary – Vignyan Industries Limited located at Tarikere, Karnataka, which manufactures steel castings, bulk of which is supplied to our Company. We had a manpower strength of 11,748 as on March 31st, 2007.

Our History

Our Company was incorporated in 1964 as a Public Sector Undertaking (PSU) under the administrative control of Department of Defence Production and Supplies, Ministry of Defence, with headquarters at Bangalore in Karnataka. We commenced operations at Bangalore with the transfer of railway coach manufacturing facilities from Hindustan Aeronautics Ltd. with land, building, plant and machinery for a consideration of Rs. 600 lakhs. In the very first year of starting operations, we started manufacturing wide range of wheeled mining and construction equipment under technical collaboration with a U.S. company.

In 1967-1968, our Heavy Earthmoving Equipment Division was commissioned at Kolar Gold Fields. During the same year, we entered into a collaboration agreement with a Japanese company for technical know-how in a wide range of mining and construction equipment. We established the Dump Truck Division at Mysore in 1985. Two years later, an exclusive Hydraulics and Powerline Division and a full-fledged R&D centre was set up in the Kolar Gold Field (KGF) facility.

We set up the engine division at Mysore for manufacture of heavy duty diesel engines in 1991. We received a major boost for our export business in 1992, when we were recognised as an Export House with Star Exporter status. Our first mammoth equipment, the Walking Dragline was rolled out in 1994. We also completed our initial public issue of debentures in India in the 1994-95. In fiscal 1995, our annual sales turnover crossed the Rs. 1,00,000 lakh mark.

In 2003-2004, we entered the Metro Railway business with the manufacture and supply of hi-tech stainless steel metro coaches to the Delhi Metro Rail Corporation. To support our expanding production activities in the defence and railway sectors, we acquired over 1,100 acres of land and 2 workshops on lease basis from the now-defunct public sector undertaking Bharat Gold Mines Ltd. (BGML) in Kolar Gold Fields in 2004. During the same year, we opened a new Railway Fabrication Unit at our KGF Complex.

We crossed the milestone of Rs. 2,00,000 lakh annual sales turnover in fiscal 2006. From 1st April 2006, our Company underwent organisational restructuring to improve our competitiveness in the global market and boost our revenues and profitability. Consequent to this, our Company's operations will now be run as three business groups, viz. Mining & Construction, Defence and Railway & Metro Business; each headed by a Director. We have also diversified into new business areas by opening two new divisions, the Technology Division and Trading Division, on 12th April, 2006.

With effect from 29th August, 2006, we were conferred 'Mini-Ratna (Category 1)' status by the Ministry of Defence. The status has been given recognizing our position in the industry, consistent performance, growing profitability and rapid absorption of changing technologies. With this status, we have got enhanced powers from the Ministry of Defence to incur capital expenditure up to Rs. 50,000 lakh or 30% of our net worth for starting new projects/ subsidiaries and technology Joint Ventures, as well as strategic alliances. The "Mini-Ratna Status" with more delegation of powers will help our Company in its growth and development.

Business Overview

We primarily deal with three product segments comprising mining and construction equipment, defence products and railway & Metro products. From fiscal 2007, our business has been restructured into three business groups, reflecting our main product offerings, viz. Mining & Construction, Defence and Railway & Metro Business. We have also opened two new divisions – a) Technology Division, providing engineering design software solutions and b) Trading Division, for marketing non-Company products, parts, aggregates and commodities for domestic and international markets. All our products are manufactured at our three existing facilities located at Bangalore, Kolar Gold Fields and Mysore in the state of Karnataka, all the three plants being interdependent.

Mining and Construction Business

The Mining and Construction business manufactures a wide variety of earthmoving equipments which cater to the core sectors of industry, such as mining, construction, power, irrigation, fertilizers, steel, cement, power plants and infrastructure development.

We have been in the business of manufacturing mining and construction equipment for over 40 years and are currently one of India's major mining and construction equipment manufacturers. We leverage our engineering strengths and technical prowess built over 40 years to continually manufacture superior and cost-effective equipment, as well as offer value-added technologies for the mining, construction and other sectors. We have been successful in adopting state-of-the-art technology for the Indian market, and the range and quality of our equipments are in conjunction with global standards.

In the opencast mining equipment and construction equipment industry, we are a major player in the Indian market, both in terms of volume and value. Our equipments are deployed for road construction, infrastructure development, petroleum projects, opencast and underground mining, and railway and highway projects also.

For the mining industry, we offer a comprehensive and diverse range of mining machinery for both opencast and underground mines. Our product portfolio for the opencast mining industry includes Rear Dumpers, Rope Shovels, Walking Draglines, C-Cranes, Water Sprinklers, etc.

Our product portfolio for the construction industry includes Motor Graders, Hydraulic Excavators, Bulldozers, Wheel Loaders, Wheel Dozers, Pipe Layers, Tyre Handlers, Backhoe Loaders, etc.

For the underground mining industry, our products include Load Haul Dumpers, Winders/ Winches, Granby Cars, Skip, Cages, Mine Electric Locomotives, Man/ Material Winding Systems, etc. We have recently introduced Side Discharge Loaders for underground mining applications.

Few of our mining and construction equipments are displayed below:



Side Discharge Loader



Backhoe Loader



Rear Dumper



Walking Dragline



Excavator



Pipe Layer

We have tied up with Technology Information Forecasting and Assessment Council (TIFAC) for manufacturing specialized equipment to be used in disaster management. With seismic studies revealing sizeable portions of the Indian sub-continent prone to earthquakes, it is imperative for all regions in the country to be equipped with the Disaster Management Equipment at all times. Our earthmoving equipment is also utilised as disaster management equipment during natural calamities like floods, landslides and fire accidents. This equipment consists of an Excavator with varied attachments like Combi-cutter having Shearer and Crusher, Rock Breaker, Scrap Grapppler and radio-controlled Dozer. In quake hit areas with low intensity, the basic equipment with an attachment can be deployed. But in sites with severe intensity of quakes, multiple equipments with suitable attachments are required. This will enable rehabilitation activities to be taken up at faster rate. During normal periods, the standard equipment could be used for construction and infrastructure development.

We plan to introduce several products such as vibratory compactors, crushing equipment, batching plants, asphalt pavers to capture a good share of market for these equipments required for the construction activity in Golden Quadrilateral Project, NSEW Corridor Project, National Highways Development Project, Pradhan Mantri Gram Sadak Yojana, etc. According to the 'Vision Coal 2025' document released by the Ministry of Coal, Coal India

Limited (CIL) is looking at increasing its production from almost 350 mtpa in fiscal 2006 to almost 840 mtpa by the year 2025 in view of increasing demand from power sector. It is likely to significantly increase its procurement for mining equipment for both open cast mining and underground mining of coal, and we expect demand for our equipments to increase.

In addition to providing our customers with technically superior, cost-effective and innovative equipment, we also provide multi-option financing and product support to meet varied customer demands. We also provide mine planning services, annual maintenance contracts for our equipment, as well as long-term maintenance and repair contracts.

The following table outlines some of our major products in the Mining and Construction Business, their features and sales volume in the last three completed fiscal years:

Products	Technical specifications	Application & usage	Quantity sold		
			FY04	FY05	FY06
Hydraulic Excavators	Loading Shovel - 1.4, 2.2, 4.2, 6.1, 9.5 cu.m. Backhoe -1.0, 1.57, 2.8, 4.3, 8.5 cu.m.	Excavation and loading	49	109	88
Bulldozers	66, 90, 165, 180, 230, 320, 410, 770 HP	Levelling and dozing	203	296	258
Pipe Layers	40, 70, 100 tonnes	Pipe laying in mines & infrastructure projects	14	7	4
Rope Shovels	5.2, 10, 20 cu.m.	Excavating and loading in mines	2	-	3
Walking Draglines	23-24 cu.m.	Excavating and dumping of overburden in mines	-	-	-
Side Discharge Loader	1 cu.m.	Coal extraction and dumping in underground mines	-	-	3
Wheel Loaders	0.8, 1.7, 2.0, 3.1, 3.4, 3.8, 4.7 cu.m	Re-handling and loading	8	8	19
Backhoe Loaders	0.24, 0.3, 1 cu.m.	Excavating, loading and dumping in infrastructure projects	6	2	10
Motor Graders	145, 280 HP	Levelling and road making	8	23	23
Water Sprinkler	28000, 35000 ltrs.	Dust suppression in mines	8	5	4
Rear Dumpers	35, 40, 44, 60, 70, 85, 100, 120, 170 tonnes	Transportation of minerals in mines	201	280	371
Wheel Dozers	130, 300, 460 HP	Levelling and dozing	3	2	12
Tyre Handlers	3,500 kg	Tyre Handling	2	-	1

The Mining & Construction Division has historically accounted for a major share of our revenues, 63% in fiscal 2006, and has grown at a compounded annual growth rate in value terms of 15% from fiscal 2002 to fiscal 2006. Coal India Limited and its subsidiaries such as South Eastern Coalfields (SECL), Bharat Coking Coal (BCCL), Central Coalfields (CCL), Mahanadi Coalfields (MCL), Northern Coalfields (NCL) and Western Coalfields (WCL) have been the major customers for our equipment during this period. The top 5 customers for our mining

and construction equipment and sales to them from fiscal year 2002 to fiscal year 2006 and nine months ended December, 2006 are illustrated in the table below:

(Amount in Rs. Lakh, except %)

Customers	FY 2002		FY 2003		FY 2004		FY 2005		FY 2006		9M FY 2007	
	Amt.	% of total sales	Amt.	% of total sales	Amt.	% of total sales	Amt.	% of total sales	Amt.	% of total sales	Amt.	% of total sales
Customer A	28,312	33%	38,609	33%	16,622	18%	39,907	36%	66,409	48%	27,862	25%
Customer B	9,813	11%	4,994	4%	3,227	4%	3,258	3%	1,535	1%	8,711	8%
Customer C	747	1%	2,169	2%	4,785	5%	3,997	4%	2,070	1%	1,994	2%
Customer D	340	0%	384	0%	772	1%	552	0%	11,716	8%	512	0%
Customer E	1,193	1%	157	0%	1,047	1%	2,781	2%	3,123	2%	349	0%

As on end February, 2007, we have confirmed orders of Rs. 82,464 lakh for our mining and construction equipment. Details regarding these orders are given below:

Equipment	Tender Quantity	Value in Rs. Lakh
410 HP Dozer	44	11,838
320 HP Dozer	23	560
300 HP Wheel Dozer	3	780
4.3 cu.m. Hydraulic Excavator	5	1,750
10 cu.m. Rope Shovel	6	4,800
250 T Dumper	9	16,200
190 T Dumper	8	11,200
150 T Dumper	14	11,900
100 T Dumper	49	11,406
85 T Dumper	8	1,680
50 T Dumper	4	496
35 T Dumper (Shoe Type)	12	720
35 T Dumper (Disc Type)	58	3,529
280 HP Motor Grader	32	5,030
28 KL Water Sprinkler	10	575

We can capitalise on the opportunities arising in power, road and mining sectors from significant investments being made in the country. Our considerable presence in the mining and construction machinery business will enable us to tap the huge potential in mining sector.

Defence Business

We have been one of India's major defence equipment manufacturers for the past four decades, and continue to hold a major share of supplies for the ground support equipment to the Indian defence forces. Our rugged and all-terrain state-of-the-art vehicles and equipment are deployed extensively for movement of ammunition and men to forward areas, for construction of border roads and for gun towing applications to maintain national security.

We have established a creditable track record in defence services with our product quality, reliability and performance. We also provide support to the armed forces in equipment maintenance. In view of the increasing budgetary allocations every year in the recent past, defence business has the potential to contribute significantly to our revenues over the next few years. We are in the process of modernizing and expanding our production facilities, seeking to increase our share of business from this segment from the present level of 32%.

We are the nodal production agency for all Tatra model trucks and its variants, which are supplied to the defence forces. Our product portfolio encompasses recovery vehicles (armoured, heavy and medium), high-mobility trucks, crash fire tenders, bridge layers, heavy-duty carriers for artillery equipment, combat vehicles, ammunition loaders, tank transportation trailers, dozers, graders, aircraft towing tractors, radar carrier vehicles, milrail coaches, wagons, etc. We also support the country's Integrated Guided Missile Development Programme by supplying ground support vehicles.

Few of our defence equipments are displayed below:



Tatra High Mobility 4X4 Truck



Armoured Recovery Vehicle



Tatra 8X8 and Tank Transporter



Missile Launcher on Tatra 8X8 Truck



Heavy Recovery Vehicle



Engineering Mine Plough

The following table outlines some of our major products in the Defence Business, their features and sales volume in the last three completed fiscal years:

Products	Technical specifications	Application & usage	Quantity sold		
			FY 04	FY 05	FY 06
Tatra Vehicles	4x4, 6x6, 8x8 and 10x10 series	Handling Ground support equipments, transportation on difficult terrains	834	224	256
Armoured Recovery Vehicles	WZT – 2/3	Recovery of tanks, combat vehicles and other support vehicles from battlefield	62	43	105
Pontoon Mainstream (PMS) Bridge System	BEML-Tatra vehicles along with dozer blade, mounted crane, boat and dolly	Movement of army, materials and vehicles across inland waterways	2	23	-
Specialised wagons	50-tonne vehicle with 12 twin wheeled heavy-duty full trailer	Transporting battle tanks	256	16	50
Ammunition Loader Vehicles	Loader-cum-replenishment vehicle	Mounting of Rocket Launcher System	6	10	-
Bheema 1000	4 wheel self propelled truck with hydraulic lifter – 1 tonne lifting capacity	Aircraft weapon loading trolley	24	3	18

The Defence Products Division has grown at a compounded annual growth rate in value terms of 4.7% from fiscal 2002 to fiscal 2006, and it contributed 32% of the overall revenues in fiscal 2006. The major customers for our defence products from fiscal year 2002 to fiscal year 2006 and nine months ended December, 2006 have been the Indian Army, Indian Air Force, DRDO Lab, Bharat Electronics Ltd., Bharat Dynamics Ltd. (BDL), Heavy Vehicle Factory (HVF) at Avadi and the Ordnance Factory at Medak.

We have succeeded in assimilating and developing heavy-duty vehicles related technology adapted to various tactical requirements of armed forces. Several new products developed and taken up by us for the Indian defence services are Mines Scattered Laying Vehicle, Medium and Light Armoured Recovery Vehicle, Mobile Pontoon Bridge, Milrail Wagons, Field Artillery Tractors and Ammunition Loader Vehicles. These strategic products will give our Company a technological edge in keeping pace with the growing business in defence industry.

During fiscal 2007, we were awarded large defence orders valued at Rs. 80,000 lakh from the Ministry of Defence for various ground-support high-mobility vehicles. These include BEML-Tatra 4x4, 6x6, 8x8 trucks for high mobility applications, Heavy Recovery Vehicles, special purpose vehicles for Pinaka/ Radar Project and 50 Tonne Trailers and Engineering Mine Ploughs for breaching minefields. We expect to complete execution of these orders over fiscal years 2007 and 2008.

The focus on acquisition of capital goods by the Ministry of Defence is on the increase. The Budget 2007 proposes to increase the Defence budget for fiscal 2008 by 11.6% to Rs. 96,00,000 lakh from Rs. 86,00,000 lakh which was spent in fiscal 2007. Out of the total budget for fiscal 2008, a sum of Rs. 41,00,000 lakh has been allocated for capital expenditure, an increase of 19% over the previous fiscal year's actual expenditure of Rs. 34,50,000 lakh.

We expect that the majority of the revenues for the Defence Business in the future will stem from the modernisation projects by the Army and Navy of the 155mm self-propelled gun, Sarvatra project, Divya Drushti and ground support equipments viz. BEML-Tatra vehicles, crash fire tenders, ammunition loader vehicles, surface mine cleaning equipment, repowering of T72 tanks, etc. We had an order book of Rs. 23,600 lakhs for the Defence business as on end February, 2007

Railway and Metro Business

With over four decades of operations in the railway rolling stock business, we are a trusted partner of the Indian Railways and play a pivotal role in keeping the 'Lifeline of the Nation' on the move. We are one of the earliest coach factories in the entire Indian sub-continent and with constant innovation over the years, we have made immense contributions to the railway sector.

We currently have a strong market share in the rail and metro coaches business in India. We were able to bag substantial number of orders from the Railway Board and DMRC for supply of rail coaches and metro coaches respectively in fiscal 2005 which re-established our presence in the segment. These orders contributed to sales amounting to Rs. 11,087 lakhs in fiscal 2005, growing by over 600% from Rs. 1,643 lakhs in the earlier fiscal.

In recent years, we have forayed into the manufacture of hi-tech metro trains deployed for intra-city commuting. We believe that we are the only indigenous suppliers of metro coaches with the first batch of 188 state-of-the-art stainless steel metro coaches being delivered to Delhi Metro Rail Corporation (DMRC). This has placed us in an advantageous position for supplying similar coaches for other metro projects in future.

Our product portfolio for this business includes metro trains, integral rail coaches, AC/DC Electric Multiple Units (EMU), Stainless Steel EMU, Postal Vans, Utility Vehicles, Overhead Equipment Inspection Cars, Track Laying Equipment, Broad Gauge Railbuses, Treasury Vans and Spoil Disposal Units. The major customers for this business from fiscal year 2002 to fiscal year 2006 and nine months ended December, 2006 have been the Railway Board, DMRC and the Ministry of Defence.

Few of our Railway and Metro products are displayed below:



Metro Coaches



Rail Coaches



Overhead Equipment Inspection Car



Rail Buses

The following table outlines some of our major products in the Railway and Metro Business, their features and sales volume in the last three completed fiscal years:

Products	Customers	Application & usage	Quantity sold		
			FY 04	FY 05	FY 06
Integral Rail Coaches	Indian Railways	Passenger rail coaches	35	270	225
Stainless steel Metro coaches	Metro Railway in Delhi and other metro cities	Transportation of Passengers through the Metro system	32	76	72

Currently, the Railway and Metro Business, which has grown at a compounded annual growth rate in value terms of 38.5% from fiscal 2002 to fiscal 2006, contributes only a small part of our entire revenues, 5% in fiscal 2006. The factors determining the development of the Railway and Metro Business could include increased spending in upgrading existing railway coaches, increasing the number of bogies and wagons in existing trains, introduction of new trains and developing new corridors for freight and passenger traffic.

As of end February, 2007, we have orders from the Railway Board, New Delhi for 300 coaches worth Rs. 10,296 lakhs which we expect to complete over fiscal 2007 and fiscal 2008. We also have Letter of Intent for supply of 875 coaches during fiscal 2008 and 2009, for which the price is yet to be fixed. We are executing an order of 36 AC EMUs worth Rs. 2,639 lakhs. We are also executing orders for 40 Metro coaches for DMRC worth Rs. 1,075 lakhs which we expect to complete by June 2007.

In order to cater to the increased passenger traffic, Indian Railways proposes to introduce enhanced passenger capacity coaches, increase production of DEMU (Diesel Electrical Multiple Unit), MEMU (Main Line Electrical Multiple Unit) and EMU coaches. Further, Railways is also actively examining the feasibility of introducing high-speed corridors. In addition, it has plans to introduce air-conditioned EMU coaches in Mumbai, Chennai and Kolkata. We have been producing and supplying railway coaches, AC EMUs and DEMUs to Indian Railways for over four decades. We are expanding our production capacity and are well-placed to address the increased demand for railway coaches. We have also taken up the work of designing, developing and supplying SS EMU coaches and air-conditioned EMU coaches.

Demand for Metro coaches are expected to increase in the immediate future to cater to the upcoming Metro projects in cities like Mumbai, Chennai, Bangalore, Hyderabad, Ahmedabad and Kochi. We believe that we are the only metro coach manufacturers in the country and we have already delivered 188 Metro coaches to the DMRC till date. Thus we have already taken a lead in the market of metro coaches.

Our present manufacturing capacity is 150 Metro coaches per year. We are expanding our infrastructure to meet the greater needs of metro projects across the country. To this end, a new Metro Fabrication Hangar is to come up at our Company's Bangalore Unit for manufacturing Metro Cars to be supplied to the Delhi Metro Rail Corporation.

Meanwhile, we are also exploring possibilities of exports to Middle East. Also on the anvil is the Goa Sky-bus rail system project, an eco-friendly and economic rail-based mass transit system developed by the Konkan Railways, in which we are an active participant. We have plans to strengthen our R&D capabilities for metro coaches.

Offshore Expansion – Brazilian Foray

Our Company has signed a Memorandum of Understanding for establishing a Joint Venture (JV) Company with CCC (Companhia Comercio E Construcoes) for manufacture and supply of rail wagons and bogies, mining and construction equipment and spares. The MoU to this effect was signed by the visiting Company's Chairman & Managing Director Mr. V RS Natarajan with CCC Proprietor Mr. Darci Rodrigues in the presence of the Indian

Prime Minister Dr. Manmohan Singh and the Brazilian President Mr. Luiz Inacio Lula Da Silva on September 12, 2006.

With the objective of manufacturing the entire range of mining and construction equipments and spares, our Company has finalized plans to form the joint venture with 60% share of the Company and 40% share of CCC Brazil. For this new venture, the Company is committed to invest Rs. 10,000 lakh by taking over a factory on the outskirts of Rio-de-Janeiro city in Brazil. The factory has facilities and adequate infrastructure to take up manufacturing equipment in the near future with a capacity of rolling out 500 wagons and over 200 mining and construction equipments and spares annually.

Given the growing demand in the Brazilian market as well as other South American countries in terms of expansion of mines and offtake of wagons, this joint venture shall help our Company penetrate into new markets overseas. This step shall also help our Company to consolidate its position in construction and mining machines and railway products in the mineral-rich territory of Brazil which is the largest country in South America and is expected to experience further development of rail / road logistics. We will initially concentrate on the Brazilian market and later cater to Latin America and West Africa in phases by expanding the capacity.

At present, even though there are about six wagon manufacturers in Brazil, the logistic operators are mainly dependent on few players for supply of wagons since they are the only manufacturers having facilities to produce all the major wagon components viz. wheel sets, cast steel bogies, etc. With the annual domestic requirement itself of wagons in Brazil expected to exceed supply and all firms having to depend on few players for their bogie requirements, the wagon building industry is suffering for want of bogies and are not able to utilise their installed capacity. In order to utilize this shortage of bogies and wagons and also to target the export market, we are establishing the wagon and bogie manufacturing facility in Brazil.

Further, Brazil is planning to invest over USD 80 billion towards infrastructure development including laying of gas pipe lines in the next 5 years. This is expected to translate into huge demand for excavators, pipe laying equipment, dozers and dumpers. We, therefore, expect an excellent market opportunity for the earthmoving equipment manufactured in our Brazilian facility, particularly dumpers in the range of 40 to 190 tonnes, pipe layers of 40 to 100 tonnes, dozers in the range of 165 to 420 HP and excavators in the range of 20 to 30 tonnes.

Our New Businesses

In the beginning of fiscal 2007, we decided to foray into two new businesses with a view to become globally competitive, maximise our business potential, improve our profitability and leverage on upcoming business opportunities.

- **Technology Division**

With India become an engineering outsourcing hub, we aim to garner substantial business in the IT-enabled services segment which is witnessing a major growth drive today. The Technology division was set up to provide e-engineering solutions to clients across the globe by utilising our Company's domain knowledge in engineering design and system engineering gained through four decades of research and development experience.

The Technology Division draws its strength from the rich and diverse expertise of our R&D in the various realms of technology with extensive use of CAD/ CAE/ CAM. We offer end-to-end solutions and services across the whole product development cycle including designing, modelling, analysis, simulation, prototyping, testing and documentation. The infrastructure in this division is state-of-the-art and the skill sets are comparable to the best in the industry. Our services are benchmarked to global standards in terms of quality, cost competitiveness and delivery schedules.

The Technology division started operations in May, 2006 and as of 31st December, 2006; the Division has brought in revenues of Rs. 449 lakhs, all of which have been realised from inter divisional services.

- **Trading Division**

The Trading division was launched with a view to maximise business through sale of non-core components and engineering spares, leveraging on our expertise in heavy engineering industry and strong brand equity. The Division markets non-Company products, parts, aggregates and commodities for domestic and international markets. This division will also ensure supply of high-quality components for both internal consumption and as well as our existing customers, by leveraging our extensive marketing network and our brand name to serve our customers with the supply of both company and non-company products.

International Business Division

With an agenda to truly become a global company, our Company has set up a separate Strategic Business Unit, namely International Business Division to handle its growing markets and product supplies. We are currently present in 38 countries in Asia, Africa, Europe and Latin America. As an export house with 'Star Exporter' status, our strength in handling large-scale trading and counter-trade has pushed the export of engineering goods and other equipment.

We are exploring avenues to set up assembly operations in Brazil, Morocco and Indonesia in partnership with local players, to exploit the business potential in the neighbouring regions. We have also opened international procurement offices in Singapore and Shanghai. This will help us source high quality parts and engineering components at competitive prices. These outfits will also double up as sales and service offices and parts depots as we embark on our global expansion drive.

Our Competitive Strengths

We believe following to be our competitive strengths:

1. *Diverse product portfolio:* We have a diverse portfolio of products which caters to different core segments of the economy such as mining, steel, cement, power, irrigation, construction, road building, defence equipment, railways and Metro transit systems. We are not dependent on any single sector for most of our revenues. Our products are used in sectors like coal, steel, cement, railways and power, and we are thus able to capitalise on the positive trends witnessed by these sectors, in view of focus of the government on developing infrastructure. Some of the projects in the pipeline are Golden Quadrilateral, National Highways Development Project, Pradhan Mantri Gram Sadak Yojana, North-South and East-West corridors, metro rail projects in major cities and river-linking projects. These projects are expected to generate significant demand for our products.
2. *Strong position in mining and construction equipment:* We are the one of the major players in the domestic industry with a significant market share. Our sales from the mining and construction segment were Rs. 1,39,777 lakh in fiscal 2006 which constituted 63% of our total turnover. We manufacture a variety of products for opencast mining, underground mining and construction sectors, all of which are core sectors of the economy. We were ranked as the first among the Fastest Growing Construction Equipment Companies in India (Construction World – NICMAR Survey 2005).
3. *Major manufacturer of Metro coaches in the country:* We have established ourselves as the major metro coach manufacturer in the country and have successfully delivered 188 Metro coaches to DMRC till date. We are thus well-placed to play a big role by supplying coaches for the upcoming Metro projects in the country in cities such as Mumbai, Chennai, Bangalore, Hyderabad, Ahmedabad and Kochi, as well as Phase III of the Delhi Metro.
4. *Strong and experienced management team:* We have an experienced senior management team that have decades of experience in the engineering and manufacturing industry. We believe our management team has successfully managed our business and are primarily responsible for growth in our gross revenues and profitability. They have been responsible for growing our net sales on a consolidated basis from Rs. 135,104 lakhs in fiscal 2002 to Rs. 206,016 lakhs in fiscal 2006.

5. *Research and development capabilities:* Our R&D Division continues to play a vital role in the design and development of our products and indigenisation. Focus is on continuous innovation and design and development of new products and technologies to suit the customer requirement by using concurrent engineering practices. During the fiscal 2005, 7T Class Excavator BE7I and economy version Motor Grader BG6O5X have been developed successfully, which cater mainly to the small contractor segment in road and canal building projects. Other successful launches include Side Discharge Loader, BH100 Rear Dump Truck and 100T Class Pipe Layer BP100.
6. *Increasing global alliances and operations:* We have tie ups with international players for the manufacture of walking draglines, rope shovels, dumpers, heavy-duty vehicles, armoured recovery vehicles and Metro coaches. These alliances have helped us to get access to world-class technology and production processes. We have successfully imbibed the best practices and high-end technology from our collaborative partners and consequently, we produce equipments that are hi-tech and cost effective.

We have presence in the international markets with supplies to 38 countries in Asia, Africa, Europe and Latin America. In an effort to increase our operations in international markets, we have appointed new overseas representatives and set up overseas offices in Shanghai and Singapore to aid in the procurement of high quality parts and engineering components at competitive prices.
7. *High-quality product offering with value-added services:* Our product support packages during their lifetime include annual maintenance contracts, service contracts and maintenance and repair contracts. Our value-added services include application engineering services encompassing pre- and post-sales, preparation of pre-feasibility reports, equipment selection studies, total fleet optimization solutions and customisation of equipment. Recommendation-for-User-Profit (RUP) studies enable customers to improve machine productivity and reduce operating costs. Prompt after-sales service to ensure no downtime, timely supply of spares, maintenance assistance, rehabilitation of equipment, service at the doorstep of customers and lifetime service of high-cost machines are the many dimensions of our 'customer first' policy.
8. *Stringent quality norms:* The quality systems of all our manufacturing divisions have been upgraded to ISO 9001-2000 certification. We undertake periodic assessment of vendors, and their continuous development is a key component in our Company's strategy to achieve total quality. In order to ensure optimum performance of equipment each product is tested in working conditions in our company's own tracks and fields.

Our Business Strategy

We intend to grow our business and become one of the major global players in the industry by implementing the following strategies:

1. *Increased focus towards supply of Metro Coaches for projects across the entire country:* Metro transport is planned to be introduced in all cities in India having a population of more than 3 million. In view of this, the estimated requirement of Metro coaches in the coming 5 years is expected to be very substantial. We have been participating in the Expression of Interest against the tenders floated by various Metro corporations and are trying to submit a competitive quote to win the orders. The State Government of Karnataka has agreed to reimburse the CST/ VAT and with this, we envisage our price to be competitive even against global competition.

A new Metro Fabrication Hangar is to come up at our Company's Bangalore Unit for manufacturing Metro Cars to be supplied to the Delhi Metro Rail Corporation, and also to cater to upcoming Metro projects in the country. We are also in the process of setting up an independent R&D Centre of Excellence for Metro Rail Systems and related hi-tech products at Bangalore.
2. *Offshore expansion in the Latin American market:* Our proposed Joint Venture (JV) Company with CCC (Companhia Comercio E Construcoes) will manufacture and supply rail wagons and bogies, mining and

construction equipment and spares. Given the growing demand in the Brazilian market as well as other South American countries in terms of expansion of mines and offtake of wagons, this JV shall help us penetrate into new markets overseas. This step shall also help us to consolidate our position in construction and mining machines and railway products in the mineral-rich territory of Brazil, and provide a foothold for expanding into Latin America and West Africa.

3. *Introduction of high-capacity mining equipment:* We are currently manufacturing mechanical dump trucks in the range of 35 tonnes to 100 tonnes. With private players entering into coal mining and bidding for bigger blocks, higher capacity dump trucks are expected to have good demand. Further, greater demand is expected for higher capacity excavators to match with the above trucks. We have signed an agreement with an international player to manufacture and market electric dump trucks with their design in the range of 120 tonnes to 360 tonnes. We shall continue to scale up the capacities of our products to match the requirements.
4. *Tie-up with global industry players:* We will continue to pursue alliances, strategic collaborations, transfer of technology agreements with international players to keep pace with the latest technologies, imbibe them and ultimately indigenise them. We have signed MoUs with international players to jointly work on the modernization of T72 tanks and armoured recovery vehicles, to promote multi-utility armoured vehicles and mine-laying vehicles; to manufacture light-rail vehicles and mining & tunnelling equipment, mine ploughs and heavy-duty trucks.
5. *Improve our distribution and marketing network:* We intend to set up sales and service centres either directly or by developing relationships with dealers across the country for sales and service of our heavy mining and construction equipment. Our new dealer initiative which was introduced in fiscal 2007 will be expanded to reach out to the non-institutional customer. We are currently exploring various options for branding and marketing of our heavy earth moving and mining equipment by creating strong brand awareness for our products.
6. *Joint Venture to take up Contract Mining:* We have signed a MoU with an Indian company to form a Joint Venture Company to take up contract mining as coal blocks have been offered by the coal ministry for captive/ contract mining. Since companies like National Thermal Power Corporation (NTPC) which have no coal mining experience, are willing to engage companies with mining experience, there is enough scope to increase the business volumes through contract mining. The JV Company will place orders directly with us for its entire mining equipment requirement. This will also assure business for spare parts for the life of the equipment.
7. *Investment in production facilities of Indian tyre companies for the production of OTR Tyres:* The mining and construction equipment industry is suffering due to the shortage in supply of OTR (off-the-road) tyres. We have tied up with two Indian tyre companies and have signed an Agreement to invest in setting up production facilities for them to manufacture OTR tyres at Mysore to meet our exclusive requirements.
8. *Ramp up of production capacities and introduction of new products to cater to the Railway Business:* In order to cater to the increased passenger traffic, Indian Railways proposes to introduce enhanced passenger capacity coaches, increase production of DEMU, MEMU and EMU coaches. Further, Railways is also actively examining the feasibility of introducing high-speed corridors. In addition, it has plans to introduce air-conditioned EMU coaches in Mumbai, Chennai and Kolkata. We are enhancing our capacity to produce coaches to 550 units a year from the present 400, through the newly commissioned Rail Products Fabrication Unit at our KGF Complex.

In view of the high demand for wagons with higher axle load from Indian Railways, we are in the process of entering into Transfer of Technology agreement with high axle load wagon manufacturers in the international market to produce and supply them to Indian Railways. We have also taken up the work of designing, developing and supplying SS EMU coaches and air-conditioned EMU coaches to the Railways.

Our Production Facilities

We have an extensive manufacturing base comprising of three facilities, located at Bangalore, Mysore and Kolar Gold Fields (KGF), all of which are located in the state of Karnataka and are interdependent. Our facilities incorporate sophisticated equipments and processes like gear manufacturing, CNC machining centers, CNC flame cutting, arc-welding robots, flexible manufacturing systems and dedicated assembly lines for major products.

Bangalore Complex

The Bangalore manufacturing facility was commissioned in 1964, when the railway coach manufacturing facilities from Hindustan Aeronautics Limited were transferred to us. This facility was the first railcoach factory in the Indian subcontinent and since then the unit has consolidated its status as a major supplier of integral rail coaches. Today, the Bangalore Complex rolls out a product mix encompassing Metro coaches, railway products and defence equipment. This Complex has a total land area of 71.04 acres.

The Bangalore facility caters to the entire requirement of railway products, with the basic product being the railway coaches supplied to the Indian Railways, for which we have a production capacity of over 400 coaches per annum. To meet the growing requirements of the rail sector, we have recently diversified into the manufacture of Overhead Equipment Inspection Cars and Track Laying Equipment. These have been developed in-house and supplied to the Indian Railways. This unit has recently taken up production of Electric Multiple Units and Rail Bus. Development of specialised equipment like Treasury Vans and Spoil Disposal wagons has also been successfully completed.

We believe that we are the only indigenous manufacturer of metro coaches, and plans have got underway to upgrade the Metro fabrication hangar in our Bangalore Complex to match world-class standards and to become an exclusive hub for rolling out hi-tech Metro coaches to meet the increasing demand from metro cities.

The Bangalore Complex also caters to our Defence Business with products such as heavy duty trucks, tank transportation trailers and a number of variants such as crash fire tenders, heavy recovery vehicles, milrail coaches and wagons, pontoon bridge systems, missile transporters and launchers, ground support vehicles and ejectors and air cleaners for infantry combat vehicles.

Kolar Gold Field (KGF) Complex

Our second plant was commissioned at Kolar Gold Field Complex, located about 100 kilometres from Bangalore, during fiscal 1968. The KGF Complex presently concentrates on the production of heavy mining and construction equipments like dozers, hydraulic excavators, rope shovels, loaders, scrapers, etc. for the mining and construction industry. It also manufactures defence products such as heavy and armoured recovery vehicles, heavy-duty trucks, engineering mine ploughs, etc. The Heavy Equipment Shop and the Heavy Fabrication Unit which can handle major fabrication jobs with a capacity of 5,000 MT per annum forms the key facility. Sophisticated CNC machines and latest technology welding equipment have been installed in this Complex. This Complex has a total land area of 1849.50 acres.

The KGF Complex also houses an exclusive Hydraulics and Powerline Division which was set up in 1987. This Division manufactures precision assemblies and aggregates, not only for captive consumption but also for meeting customer requirements. State-of-the-art Gear Pumps, Control Valves, Suspension Cylinders, heavy duty Planetary Axles and Automatic Transmissions are manufactured here. This Division manufactures high-quality BMP transmissions and hydropneumatic suspensions, which it sells directly to the Defence forces, after receiving sales orders from the Ministry of Defence. The other aggregates are supplied to the Bangalore and Mysore Complexes as inputs to the manufacturing and assembly of other products.

To attain self-dependence and ensure rapid absorption of technology, an R&D complex was established at the KGF Complex. The facility for the R&D complex was further strengthened by UN assistance through installation of sophisticated testing equipments. The R&D centre today is one of the best in South and South-

East Asia. In the near future, the KGF Complex is envisioned to be the core unit handling most of the manufacture of the conventional coaches through the newly commissioned Rail Products Fabrication Unit.

Mysore Complex

As the range of equipments manufactured by our Company increased, it was decided to establish a new plant at Mysore for manufacture of wide range dump trucks. This plant was commissioned during 1985, and is the biggest dump truck factory in India. We set up the engine division at the Mysore Complex for manufacture of heavy duty diesel engines in 1991. This Complex has a total land area of 144 acres.

Today, the Truck Division at our Mysore Complex mainly manufactures highway dumpers, motor graders, heavy-duty trucks, water sprinklers, aircraft weapon loaders and aircraft towing tractors. We have installed an arc welding robotic system for fabrication of giant structures with consistent quality. The integration of robotised manufacture on the shop floor has accelerated the pace of activity and provided a flexible and powerful facility.

The Engine division manufactures heavy-duty diesel engines of 100 – 1000 HP. These are used not only for captive consumption but also for applications involving Diesel Generators and Compressors. We have installed flexible manufacturing systems in this Complex to aid in component manufacturing.

Production Planning

The Production Plan is released by the Marketing Department around October or November every year. For the Mining and Construction Division, the average lead times for manufacture of the complex equipments are in the order of 4-6 months. Therefore, the Production Plan specifies a projected production schedule for the next fiscal year beginning in April, and gives the go-ahead to the Purchase Department to procure the materials required, some of which have to be imported. For the Defence and Railway & Metro Businesses, the Production Plan allows material purchases to go ahead only if there are firm orders in the pipeline from end customers. These orders are usually awarded after going through a formal tender process. For orders which have not been confirmed yet or are in the tendering stage in case of the Defence and Railway & Metro Businesses, the Production Plan specifies that preparations have to be completed only upto the purchase order stage.

We enter into contracts primarily through a competitive bidding process. The Ministry of Defence, the Indian Railways, Coal India and other clients typically advertise potential projects in leading national newspapers or on their websites. Our tendering department regularly reviews newspapers and websites to identify projects that could be of interest to us. We evaluate the bid opportunities and decide whether to pursue a particular project based on various factors, including the client's reputation and financial strength, our current and projected workload, the likelihood of additional work, the cost and profitability estimates and our competitive advantage relative to other likely bidders. Once we have identified projects that meet our criteria, we submit an application to the client according to the procedures set forth in the advertisement.

Mining and Construction

A notice inviting bids may either involve pre-qualification, or shortlisting of contractors, or a post-qualification process. In a pre-qualification or shortlisting process, the client stipulates technical and financial eligibility criteria to be met by the potential applicants. Pre-qualification applications generally require us to submit details about our organizational set-up, financial parameters (such as turnover, net worth and profit and loss history), employee information, plant and equipment owned, portfolio of executed and ongoing projects and details in respect of litigations and arbitrations in which we are involved. In selecting contractors for major projects, clients generally limit the issue of tender to contractors they have pre-qualified based on several criteria, including experience, technical ability and performance, reputation for quality, safety record, financial strength and size of previous contracts in similar projects, although the price competitiveness of the bid is usually a selection criterion. Pre-qualification is key to our winning major projects because of our historical credentials in executing such orders and we continue to develop our pre-qualification status by executing a diverse range of projects and building our financial strength.

Alternatively, the client may choose to invite bids through a post-qualification process wherein the contractor is required to submit the financial bid along with the information mentioned above in two separate envelopes. In such a situation, the client typically evaluates the technical bid or pre-qualification application initially and then opens the financial bids only to those contractors who meet the stipulated criteria.

Defence

We are a Public Sector Undertaking (PSU) under the administrative control of the Ministry of Defence (MoD). We are the nominated exclusive source for the supply of various defence equipments to the MoD. We also compete globally for certain defence requirements which are procured through global tenders. The procurement procedure calls for technical evaluation before the commercial bids are evaluated. The contracts are awarded to the lowest bidder.

The bidders are required to provide guarantees against advances, performances and warranties. The contracts also provide for liquidated damages in the event of delayed supplies. The defence supplies are subjected to independent quality assurance procedures by various agencies such as Directorate General of Quality Assurance (DGQA), Directorate General Aeronautical Quality Assurance (DGAQA) which are under the MoD and Research Designs and Standards Organisation (RDSO) for supply of railway products such as wagons and milrail coaches to the MoD.

Railways and Metro

The Railway Board normally places annual contracts for manufacture of coaches on the Integral Coach Factory, Perambur, the Rail Coach Factory, Kapurthala (both of which are Railway Board production units) and on us on nomination basis. In respect of EMU coaches also, the Railway Board, based on their requirements and the load on their production units, places contract on us on nomination basis. However, in cases where huge quantity requirements exist, tendering process is also resorted to.

The Railway Board floats a tender on behalf of the Ministry of Railways, Government of India for its requirement of EMU coaches, wagons and other railway products. The tender inviting bids sets out pre-qualification criteria. Such criteria, includes compliance with G-93 standards, which are technical parameters laid down by RDSO for manufacturing facilities. Once bids are submitted, the Lowest Qualified Bidder (L1 bid) is identified and his price is taken as the benchmark. Fixation of price and allocation of quantities are evaluated based on techno commercial evaluation by the tender committee of the Indian Railways. The award and allocation of the tender is determined by both price as well as past performance. Generally, bulk of the quantity of the tender is allocated amongst all the established manufacturing companies, at the lowest eligible bidding price fixed above or a price negotiated by Indian Railways, on the basis of their past performance, while the balance of the tender quantity is allotted to the three lowest bidders in a certain ratio.

The contracts awarded by Indian Railways provide for price variation clauses, which are generally linked to the wholesale price index of iron and steel and labour. The contracts are time bound and provide for a payment of liquidated damages, in the event delivery is delayed. We are required to submit our production schedule to the Indian Railways, based on which, we normally receive an interest free advance in two tranches. We are required to provide a bank guarantee against the full amount received in advance.

In addition to the contracts from Government Departments as indicated above, we also enter into contracts with other private sector customers, who do not generally float tenders for their requirements. Orders are based on inquiries and negotiations. The terms and conditions of purchase orders with private sector customers vary based on various factors. We endeavour to obtain an advance of a sum equivalent to 10%-30% of the basic value of equipment ordered from our customers. In some cases, we may have to provide performance guarantees to the customers and also bank guarantees for the advance drawn from them. This however varies from customer to customer and is based on our relationships with them.

Raw Material and Components

Raw materials and components for all the three divisions are purchased based on the production plans given to the Purchase Department. Our principal raw materials are steel plates, castings, forgings, bars, angles, etc. We also source components like engines, transmissions, wheels, tyres, hydraulic hoses and tubes, sub-assemblies, hardware components like nuts, bolts and washers, electrical items, etc.

Our major suppliers for steel plates, bars and angles are the Steel Authority of India Limited (SAIL), Lloyds, Jindal Steel, Indian Seamless Metal Tubes Limited (ISMT), etc. In the case of SAIL, the supply contracts are generally for a period of one year and are centralized contacts for the entire Company and are coordinated by the Corporate Purchase Cell. These contracts are generally fixed price contracts, but they can be revised several times during a year if the international price of steel sees sizeable fluctuations. Payments to SAIL are usually made in advance, against the proforma invoice.

Almost 70% - 75% of our requirement of castings is sourced from our subsidiary, Vignyan Industries Ltd. The rest of our castings as well as our forgings requirements are furnished by other players in the industry. The supply contracts are normally three-year contracts with price variation clauses, and the general terms of payment are 60 or 30 days credit depending on the material component and its availability in the market.

Our Engine Division at the Mysore Complex caters to most of our engine requirements, but only engines upto 700 HP. Engines with more than 700 HP and small engines such as those for backhoe loaders and 7 ton excavators are sourced from companies like Cummins, Kirloskar Oil Engines Limited (KOEL) and Ashok Leyland. Our requirements for transmissions are primarily met by the Hydraulics and Power Division at our KGF Complex, which is however constrained by capacity. Our remaining transmissions requirement is sourced from small scale industries.

Radial tyres are imported while bias tyres are sourced from leading tyre manufacturing companies in India. Tenders are usually floated for one-year supply contracts and the L1 bidder is chosen. The general terms of payment for domestic suppliers are 100% payment against proforma invoice. Our requirements for petrol, oil and lubricants are met from companies like Indian Oil Corporation, the terms of payment for which are 100% payment against proforma invoice.

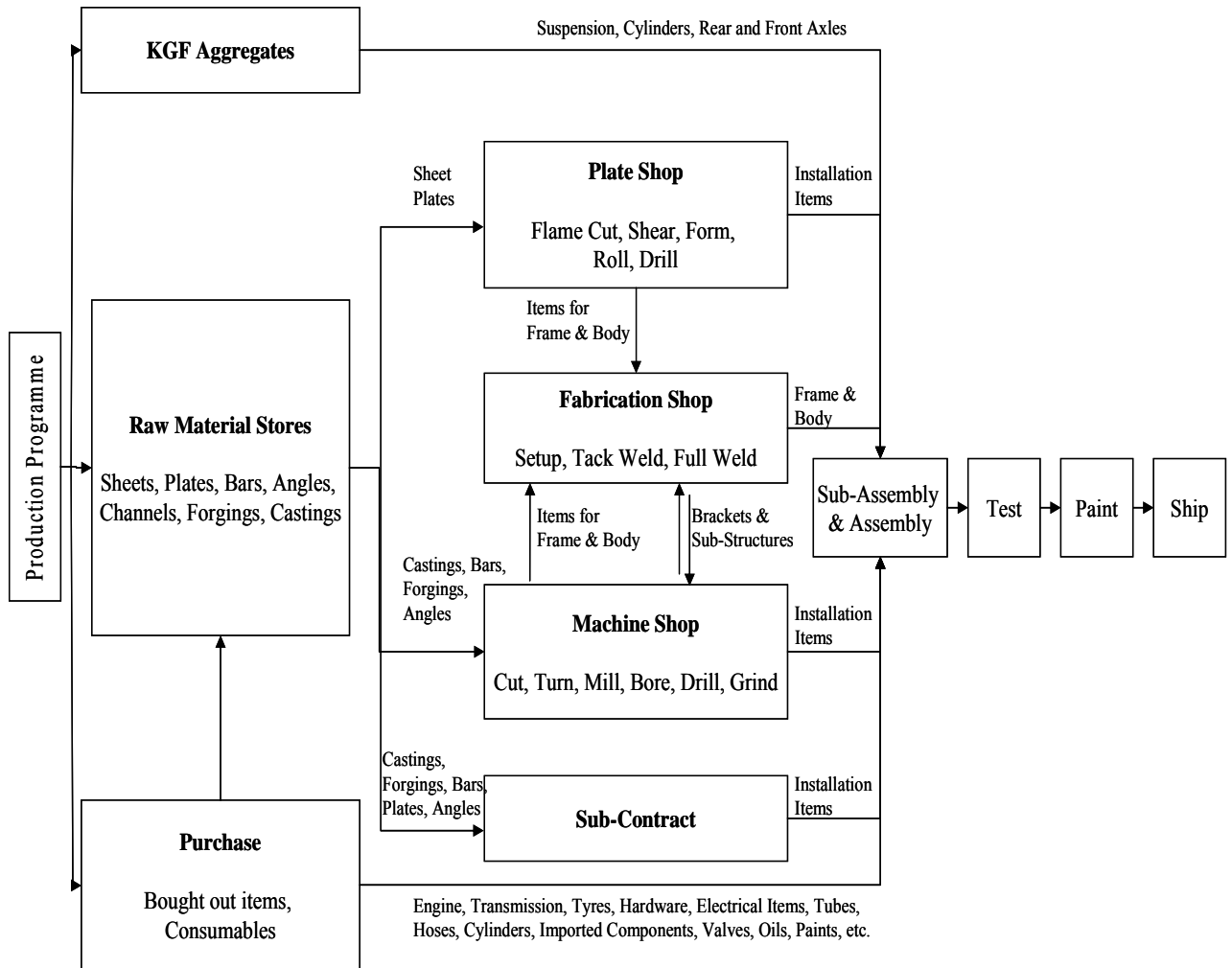
Other components are procured from an empanelled list of suppliers in India. Further, we also import a number of components and completely knocked downs (CKD). One of our major foreign suppliers is Tatra Sipox UK Limited, the terms of payment for which are 100% payment against letter of credit (L/C) at sight basis.

Production

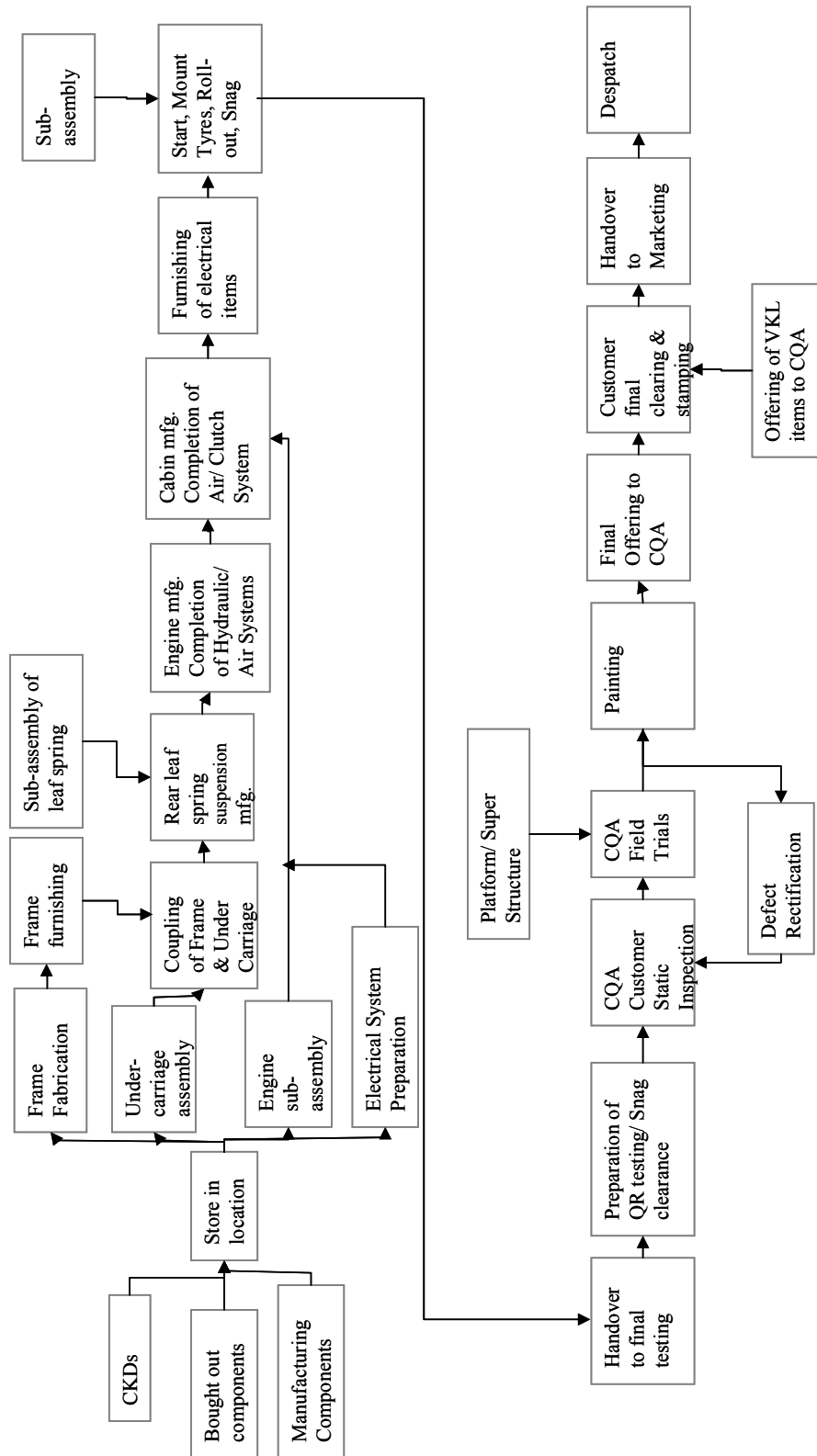
The aggregate production program for the year is evolved considering the equipment projections through the Production Plan and spares projection by Marketing Department. Production Department on receipt of Production Plan releases work orders which form the basis for taking up production. Monthly Plans are released based on the monthly inputs from the manufacturing divisions and will be reviewed for material inputs and taking necessary action at the Division level.

Our production processes with respect to our main products/ product lines are illustrated below:

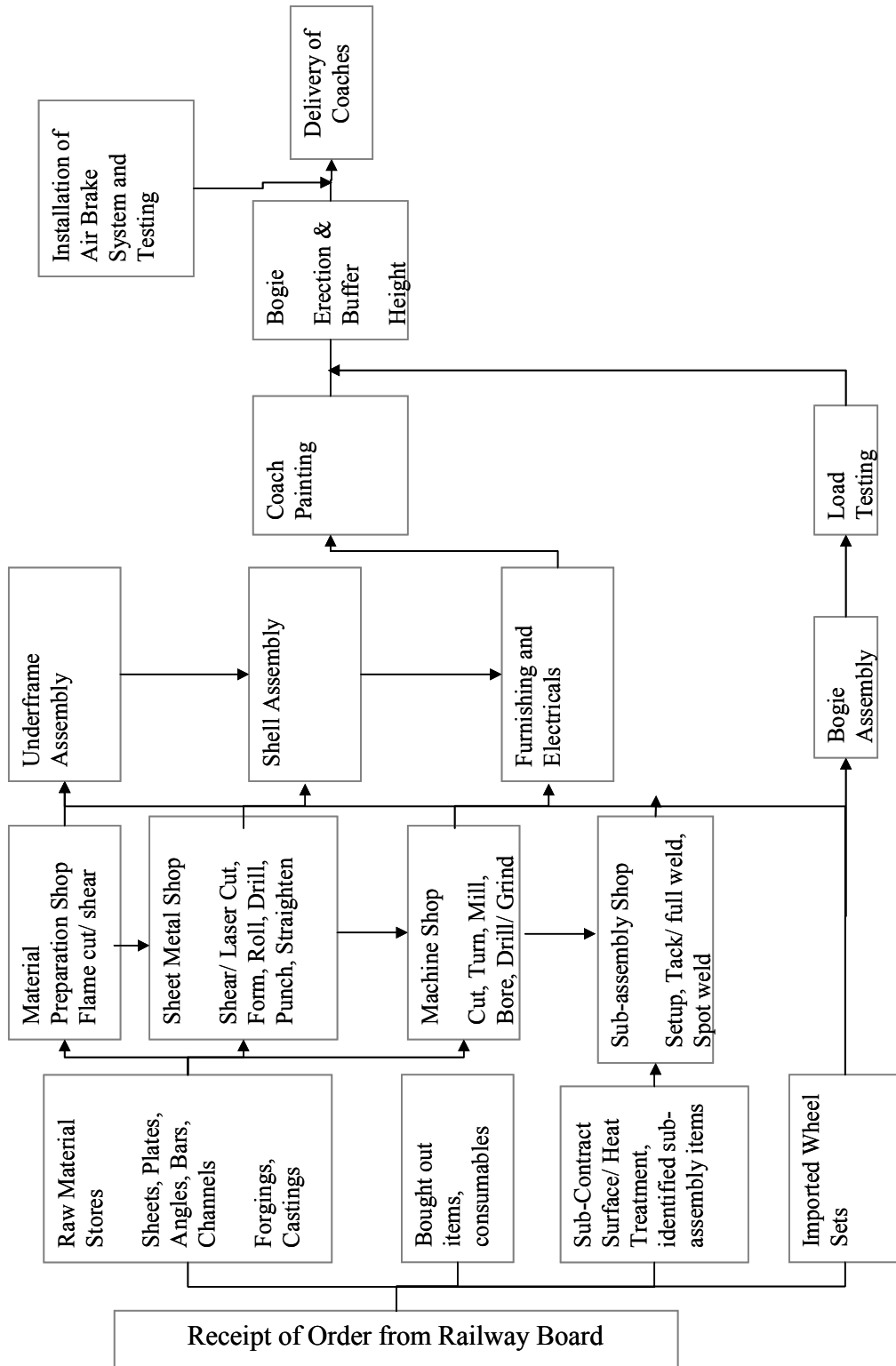
Production Process Flow Chart for Mining and Construction Equipment



Production Process Flow Chart for Heavy Duty Trucks for the Defence Sector

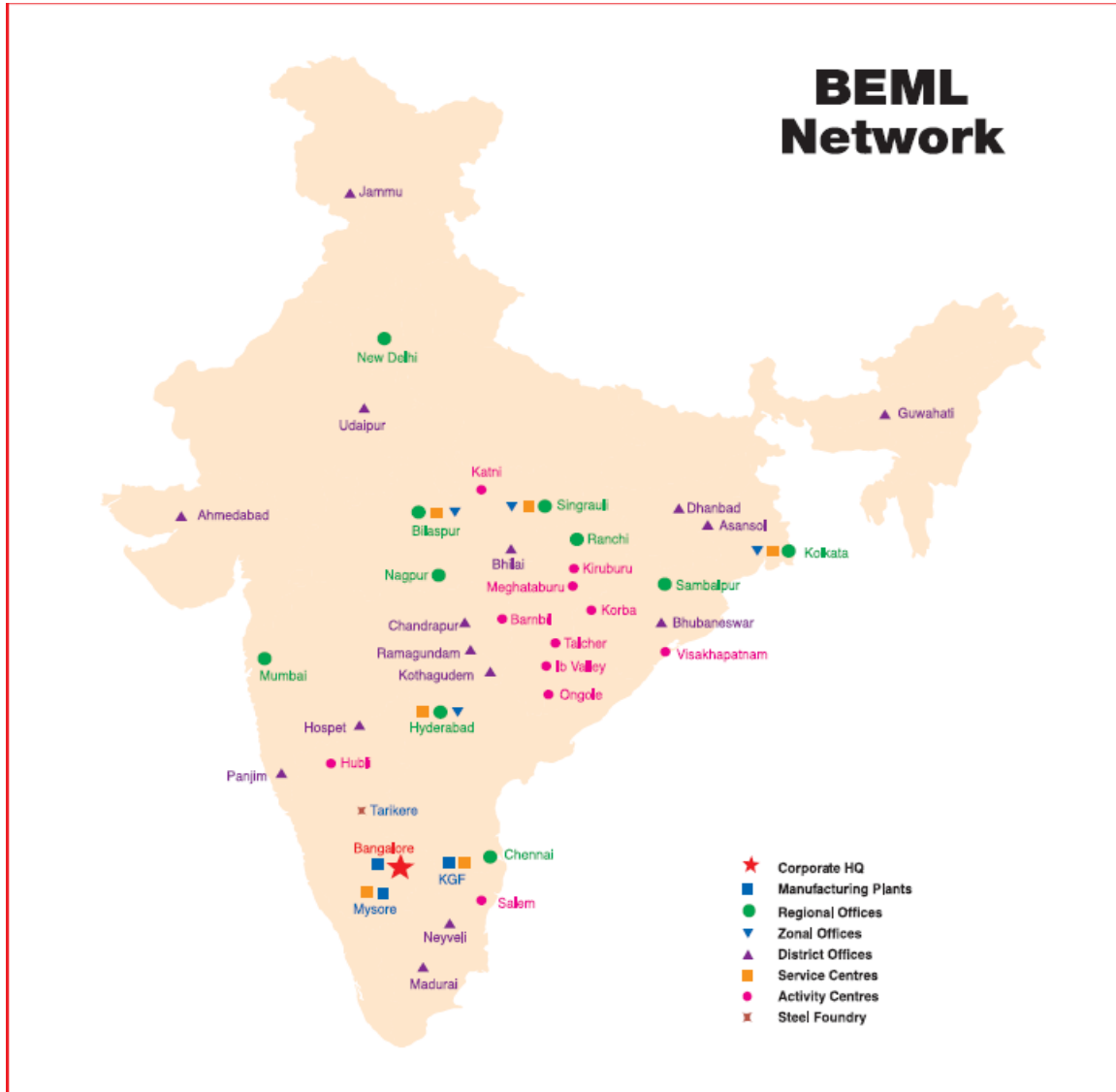


Production Process Flow Chart for Railcoaches



Sales and Marketing

A customer-oriented and market-savvy marketing approach has enabled us to garner a large part of the domestic construction and mining equipment business. We have an extensive sales and marketing network across India, consisting of 4 zonal offices, 10 regional offices, 15 district offices and 6 service centres, the operations of which are coordinated by our Marketing Department at our corporate headquarters in Bangalore.



Our nationwide marketing network fulfils our endearing commitment to customer satisfaction, by providing complete and immediate access to the BEML bouquet of products and services. Our marketing efforts span the entire gamut of activities that promote not only the equipment but also after-sales service for the life of the equipment. We have full-fledged Service Centres, with qualified Service Engineers, located at Bilaspur (Chhattisgarh), Singrauli (Madhya Pradesh), Kolkata and Hyderabad, in addition to Mysore and KGF. We also have Parts Depots at strategic locations and customer sites, all geared towards providing on-time product support, equipment availability and trouble-shooting.

A wide area network comprising of leased lines, virtual private network and satellites has been established to connect our headquarters to regional offices, district offices and depots to facilitate faster response to customer needs relating to spare parts operations. We also provide intensive training to customer personnel in the operation

and maintenance of equipment. To improve awareness of ourselves and our products among potential customers, we participate in marketing fairs in India and abroad.

Our product support packages during their lifetime include annual maintenance contracts, service contracts and maintenance and repair contracts. Our value-added services include application engineering services encompassing pre- and post-sales, preparation of pre-feasibility reports, equipment selection studies, total fleet optimization solutions and customisation of equipment. Recommendation-for-User-Profit (RUP) studies enable customers to improve machine productivity and reduce operating costs.

In fiscal 2007, we have given a fillip to sales of our construction equipment by setting up a nationwide dealer network. As on March 28, 2007, we have 15 dealers covering 22 States, the National Capital Region and 2 Union Territories. The scope of the dealers include the sales, after-sales service, spare parts and accessories for excavators, bulldozers, wheel loaders, graders and engines for gen-set applications. They also provide after-sales of BEML engines which are fitted in our equipments. Our dealer contracts have a three-year tenure and are non-exclusive and renewable. The dealers have defined territories and mutually agreed targets for equipment sales and spare parts. All the enquiries received directly for the dealer scope products will be routed through the dealer. We feel that this initiative will increase the reach and sale of our products to the non-institutional customer.

Exports

We have built up our reputation as a high-quality supplier in the global arena and our strength in handling large scale trading and counter-trade have yielded results in enhancing our export activities. We are an export house with 'Star Exporter' status and are currently present in 38 countries in Asia, Africa, Europe and Latin America.

We have increased our presence in the international market with supplies to Philippines, Yemen and Belarus in fiscal 2007. During the same period, we have appointed new overseas representatives and set up overseas offices in Shanghai and Singapore to aid in the procurement of high quality parts and engineering components at competitive prices. These outfits will also double up as sales and service offices and parts depots as we increase our international operations in the future.

Because of our consistent export performance, we have received many prestigious awards from organisations such as the 'Niryat Shree' Gold Export Trophy from the Federation of Indian Export Organisations and Gold Export Award from the Government of Karnataka. We have been aggressively promoting our brand image with participation in major exhibitions like International Mining & Machinery Exhibition-04 in Kolkata, Asian Aerospace & Defence - 2004, Singapore, Aero India - 05, Bangalore and Made in India Shows in Beijing, Yangon, Johannesburg and Indonesia. This has enhanced our visibility and helped in creating new markets for our products.

Our exports in fiscal 2006 stood at Rs. 6,149 lakh as compared to Rs. 5,856 lakh in fiscal 2005, registering a growth of over 5%. Exports contributed 2.8% to the overall revenues in fiscal 2006 compared to 3.2% in fiscal 2005. We plan to further strengthen our global presence by setting up overseas offices and joint ventures in diverse areas, and by executing turnkey projects in mining and allied fields. Based on past experience, current business operations and market potential analysis, we have identified certain target countries viz. Brazil, Philippines, Indonesia and Malaysia, where we plan to further step up our operations to increase our global presence.

Competition

The mining and construction equipment business in India is highly competitive with several international and domestic players, both large and small. The players in this industry include ourselves, Caterpillar, L&T-Komatsu, Telcon and JCB India. The other players are Volvo, Terex Vectra, Liebherr, Ashok Leyland, Daewoo, Voltas, etc.

In the Defence business, we are the nodal production agency for Bhim T-6 project, Sarvatra Bridge system and ground support vehicles for the Army. The Ministry of Defence normally issues tenders on single tender basis on us for wagons. Competition is expected in the wagons business from the private sector.

The Railway Board normally places annual contracts for manufacture of coaches and EMU coaches on the Integral Coach Factory, Perambur, the Rail Coach Factory, Kapurthala (both of which are Railway Board production units) and on us on nomination basis. The Railway Board issues tenders for EMU coaches only if the quantity requirements are huge. The main competitor other than the Railway production units is Jessop and Company Limited, Kolkata who is in the line of manufacture of EMU coaches.

The Railway Board also floats tenders for their requirements of wagons, for which apart from us, other participants include Texmaco Limited, Titagarh Wagons Limited, BESCO Limited, Braithwaite and Co. Limited, Jessop and Co. Limited, Modern Industries Limited, etc.

Presently, we believe that we are the only indigenous Metro coach manufacturers in India and we have supplied 188 Metro coaches to DMRC till date for their Phase-I project. The major global players competing for the Metro coach orders in DMRC Phase-III as well as other Metro projects across the country include Bombardier (Canada), Alstom (France), Siemens (Germany), CAF (Spain) and Kawasaki (Japan).

Infrastructure Facilities

Electricity

Our Bangalore Complex is connected to a 3,500 KVA/ 11 KV high tension power line by BESCOM (Bangalore Electricity Supply Company Ltd.), which is sufficient for our current requirements. The Complex is also equipped with 7 diesel generators (5 units of 500 KVA each and 2 units of 380 KVA each), to provide backup power facilities in the event of breakdowns and power grid failures.

Our KGF Complex is connected to a 6,500 KVA/ 66 KV high tension power line by BESCOM, which is sufficient for our current requirements. The Complex is also equipped with 12 diesel generators with an output capacity of 13,850 KVA to provide backup power facilities in the event of breakdowns and power grid failures.

Our Mysore Complex is connected to a 66 KV high tension power line by the Chamundeshwari Electricity Supply Company Ltd., which is sufficient for our current requirements. The Complex is also equipped with 5 diesel generators (3 units of 380 KVA each, 1 unit of 500 KVA and 1 unit of 540 KVA), to provide backup power facilities in the event of breakdowns and power grid failures.

Our Corporate Office is connected to a 500 KVA/ 11 KV high tension power line by BESCOM, which is sufficient for our current requirements. The Corporate Office is also equipped with 2 diesel generators (one unit of 110 KVA and one unit of 380 KVA), to provide backup power facilities in the event of breakdowns and power grid failures.

Water

Our Bangalore Complex water requirement is sufficiently met by BWSSB (Bangalore Water Supply and Sewerage Board). Water requirement of the KGF Complex is met by 32 bore wells owned by our Company and also by Karnataka Urban Water Supply and Drainage Board (KUWS & DB). The Mysore Complex water requirement is met by bore wells and drinking water is provided by getting water from outside by tankers. Our Corporate Office water requirement is met by BWSSB.

Research and Development (R&D)

The R&D Centre of our Company was established in the KGF Complex in 1987. The labs were set up with United Nations Development Programme (UNDP) assistance and are recognized by the Department of Science and Technology. The R&D Centre has joined hands with several user organisations like Directorate General Border Roads (DGBR), Defence Research and Development Organisation (DRDO), Department of Science and Technology (DST) and Railway Board for development of new products. Our Company has achieved an average indigenization level of about 85% on its range of products. As many as 30 value added products have been developed indigenously.

The R&D lab facilities include CAD centre, power line laboratory, structural engineering laboratory, fluid power laboratory, material science laboratory, electronics and instrumentation laboratory and prototype shops. The R&D Centre has over 200 experienced R&D and design engineers, who specialize in fields of mechanical design and analysis, power line technology, structural engineering, fluid power, material science, electronics and mechatronics. Inducting trained personnel and exposing the existing R&D manpower to continuing education in India and abroad to imbibe latest technology, is an ongoing process at our Company.

One of the milestones in the history of our R&D is the accreditation by the National Accreditation Board for Testing and Calibration Laboratories (NABL), which was issued in March, 2005 and is valid for a period of three years. Due to NABL accreditation, we were certified as an agency for testing and certifying flow meters, pressure gauges and pressure transducers.

The major activities of the R&D Centre include:

1. Design and development of new products
2. Development of various aggregates for Dozers, Dumpers, Excavators & other Defence and Railway Products
3. Technology absorption and indigenisation
4. Company standardisation activities

The Electronics Group of R&D has developed a new mechatronic product called the Unified Electronic Controller (UEC) for Dumper application. This electronics module based on the latest microelectronics technology has been jointly designed with Electronic Research & Development Centre (ER&DC). Owing to its innovative design and unique features, a patent for the Unified Electronic Controller has been granted to our Company and ER&DC in March 2006. This is the first patent obtained by our Company.

We are also developing a Centre of Excellence (CoE) for Research in Metro Rail Systems in Bangalore. This Centre of Excellence will keep pace with global technology trends in metro rail transportation, carry out extensive R&D and work on all aspects from designs to prototypes to the end products.

Compliance with Environmental and other Regulations applicable to our business

We are in compliance with all existing environmental and other regulations applicable to our business, other than such non-compliance that would not result in a material adverse effect to our business, financial condition and result of operations.

Insurance

Our operations are subject to hazards and risks inherent in the use of chemicals and other hazardous materials in the course of our production processes, such as explosions, fires and other environmental risks, mechanical failure of equipment at our facilities and natural disasters. In addition, many of these operating and other risks may cause personal injury and loss of life, severe damage to or destruction of our properties and the properties of others and environmental pollution, and may result in suspension of operations and the imposition of civil or criminal penalties.

We may also be subject to claims resulting from defects arising from our manufactured products provided by us within the warranty periods extended by us. However, we do not maintain any insurance policies to cover such warranty claims.

We obtain specialized insurance for manufacturing risks and third party liabilities. We generally maintain insurance covering our assets and operations at levels that we believe to be appropriate for our business at reinstatement values.

Employees

We believe that we have adequately trained, motivated and satisfied employee base. However, considering our growth plans, we would need to considerably expand our employee base as well as skill sets. We are committed to the development of the expertise and know-how of our employees.

As of December 31, 2006, we had 11,724 full-time employees in India, including 341 at our Corporate Headquarters at Bangalore, 3,107 at our manufacturing facility in Bangalore, 5,121 at our facility in Kolar Gold Fields, 1,717 at our facility in Mysore and 1,438 in our Marketing Division, which includes all our marketing personnel at Corporate Headquarters, outstation offices and production divisions.

While we consider our current labour relations at all our facilities to be good, there can be no assurance that we will not experience future disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations.

Human Resources Development

Motivation, training and welfare are accorded top priority in developing human resources. Investment in manufacturing facilities has been accompanied by development of safe working practices and in enhancing individual productivity. Facilities for housing, healthcare, canteen, education and sports have been provided to increase motivation and performance. We recently launched an innovative employee welfare scheme 'BEML Employees / Officers' Life Insurance Scheme' with 90% premium borne by the management.

Employees are trained in multi-skills to upgrade their potential and achieve targets. We regularly send our employees for various training programs within the country and abroad. Focus is placed on continuously upgrading technical/ professional skills of the employees and bringing about attitudinal changes in developing good work culture in the various areas of supply chain management. Retraining and redeployment form part of the ongoing curriculum.

Corporate Social Responsibility

We provide social benefits to our employees. At our manufacturing plants, we have developed housing colonies with recreation facilities. We provide free medical assistance, subsidised food, electricity and safe drinking water to all our employees. Our Company also extends a helping hand to community development, environment preservation, social forestry, primary education, medical care and extension activities to improve the quality of life for people in the peripheral villages around our units.

With the participation of our employees and officers, we contributed a sum of Rs. 50 lakhs to Prime Minister's Relief Fund, Rs. 10 lakhs to Tamil Nadu Chief Minister's Relief Fund and Rs. 5 lakhs to Karnataka Chief Minister's Relief Fund to rehabilitate Tsunami victims.

Quality

We are committed to Total Quality Management and have undertaken various initiatives towards enhancing product and service quality. The quality systems of all our manufacturing divisions have been upgraded to ISO 9001-2000 certification. To meet our Company-wide stringent standards and performance criteria, an exclusive Quality Division spearheads our efforts to attain total quality. We plan to launch Six Sigma Programme and complete SAP implementation at a company-wide level in fiscal year 2008.

We undertake periodic assessment of vendors, and their continuous development is a key component in our Company's strategy to achieve total quality. In order to ensure optimum performance of equipment each product is tested in working conditions in our Company's own tracks and fields. Our cross functional teams have visited major customer sites to carry out a structured quality function deployment exercise which has provided useful feedback for incorporating specific features in our products. Small group activities in the form of quality circles and Kaizen teams have been useful in getting participation from the grass root level.

Awards

We have received many awards over the past two decades, which is a reflection of our commitment to our business and the excellence we have achieved. Our major awards are listed below:

1986: National Award for Import Substitution from the Ministry of Science and Technology

1988: National Export Promotion Award from the Ministry of Commerce

1990: Corporate Excellence Award for outstanding performance from Department of Public Enterprises

1997: Best Employer of the Physically Handicapped Award from the Ministry of Welfare

2000-01: “Niryat Shree” Gold Export Trophy from Federation of Indian Export Organisations

2001: Golden Export House Recognition “Star Exporter” status for outstanding contribution to exports

2004-05: Gold Export Award from the Government of Karnataka

2005: Construction World – NICMAR Award for First amongst fastest growing construction equipment companies in India

2007: “Golden Peacock Award” for innovative management

Besides the ones mentioned above, we have been consistently bagging National Safety Awards/ Productivity Awards and Exports Awards from Government of Karnataka as well as Engineering Export Promotion Council.

Our Property

Freehold Property held by our Company

Sr. No.	Description of Property/ Area	Nature of Interest	Purpose	Consideration
1.	Survey No. 23, Mission Road, Municipal Division No. 73 earlier forming part of Survey No. 47, 48/1 and 48/2 of Sampigchalli, Bangalore, North Taluka. Area: 10257.48 sq.mts.	Sale Deed dated July 30, 1986 between M/s K.H.Shama Rao & Sons a partnership firm (the “Vendors”) and our Company (the “Purchaser”).	Registered/Corporate Office	Rs. 1,88,73,270/-
2.	Land and building situated at, K.G.Byrasandra and K.G.Thippasandra villages, Bangalore South Taluk, Bangalore District. Area: 71.04 acres	Deed of Indenture dated February 19, 1966 between the President of India of the First part, Hindustan Aeronautics Limited (HAL) of the Second part and our Company (BEML) of the Third part.	Transfer of Railcoach Division of HAL to BEML upon the decision of the Central Government, along with all movable and immovable property of HAL. Total cost of all land and building estimated at Rs. 1,09,20,948/-. Bangalore Complex	Transfer of Railcoach Division of HAL under the direction of the Central Government.
3.	Plot No. 33 and 34 of Koorgalli Industrial Area, Yelwala, Mysore. Area: 144 acres	Possession Certificate for possession of the described land dated April 26, 1988.	Mysore Complex	Certificate issued by The Karnataka Industrial Areas Development Board
4.	Kolar Gold Field at	Proceedings of the	To carry out mining	Allotted by the

Sr. No.	Description of Property/ Area	Nature of Interest	Purpose	Consideration
	Kolar District Area: 1641.50 acres	Government to Mysore dated December 4, 1964 for transferring the plot of land at Kolar District to our Company free of cost.	activities Kolar Gold Field	Government of India.
5.	Land at Kolar Gold Field. Area: 208 acres	Proceedings of the Government to Mysore dated December 27, 1965 for transferring the plot of land at Kolar District in addition to land already allotted to our Company measuring 1641.50 acres free of cost.	To carry out manufacturing of Crawler Tractors at Kolar Gold Field.	Allotted by the Government of India.
6.	Plot No. 101 in Block 'E', Greater Kailash, Part-I, New Delhi. Area: 352.50 sq. yards	Sale Deed dated March 31, 2006 between the Administrator of Unit Trust of India (Vendor) and our Company. The Sale Deed has been duly signed and Registered.	Company Guest House	2,65,00,000/-
7.	Plot No. 107 M.G in T.S.No. 92 And 93 Block No. 13, Waltair Ward, Vishakapatnam	Sale deed dated June 30, 1981 between Urban Development Authority, Vishakhapatnam ("Vendor") and Shri. Tata Sitarammurly ("Purchaser").	Service Set-up	Consideration of Rs. 8,789/-
8.	Land and Building situated at Street No. 25, Himayatnagar, Hyderabad, bearing Municipal No. 3-6-114. Area: 3478 sq. yards	Sale Deed dated May 10, 1977 between Smt. Samanthakamani ('the Vendor') and our Company ('the Purchaser')	Regional Office	Rs. 4,00,000/-

Our Company has entered into an Agreement for Sale, the details are stated below:

Sr.	Description of Property	Nature of Interest	Purpose	Terms of the Agreement
	Plot No. D-13, B-26, B-24, B-14 and B-23 situated at Village Moula-Ali, District	Agreement for Sale dated July 5, 2006 executed between Andhra	Service station/showroom of Earth Moving Equipment.	Certain conditions our Company has to comply by as per the Agreement:

	Ranga Reddy. Area: 11768 sq. mts.	Pradesh Industrial Infrastructure Corporation Limited and our Company.		<p>1. To pay an amount of Rs. 3,23,62,000/- at the rate of Rs. 2,750 per sq.mts before getting the possession of the said land.</p> <p>2. Our Company shall not request for execution of the Sale Deed unless we have completed civil works and erection of most part of the implementation of the plant and machinery.</p> <p>3. Shall not put up any structure or building other than the factory building without prior permission of the Seller.</p> <p>4. To implement the project within 2 years of acquiring the land.</p> <p>5. Upon default by our Company to comply with the conditions laid down in this Agreement, the Agreement for Sale shall stand dissolved.</p>
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Leasehold Property held by our Company

Sr. No.	Description of Property/ Area	Nature of Interest	Purpose	Term	Lease Rentals
1.	Vacant Plot situated at Mouza Khutala, Padoli, Chandrapur, Area 13,759.35 Sq.fts.(1278.75 Sq.Mtrs)	Lease Agreement dated November 1, 2000 executed between Shri.Sudhkar Ramchandra Mamidwar (HUF), Mr.Dattatray Ramchandra Mamidwar (HUF), Mr.Prakash Ramchandra Mamidwar (HUF), Mrs. Neeta Chandrashekhar Mamidwar Karta of Late Mr. Chandrashekhar Ramchandra Mamidwar (HUF), Mr.Kishor Ramchandra Mamidwar (HUF), Mrs. Seema Ramesh Mamidwar wife of Ramesh Ramchandra Mamidwar (the "Lessor")	Business Activities	10 years i.e. from the date of agreement	Rs. 13000/- per month

Sr. No.	Description of Property/ Area	Nature of Interest	Purpose	Term	Lease Rentals
		and our Company (the "Lessee")			
2.	Plan No. LM 3629D at Taratala Road Area: 4997.62 sq. mts.	Lease Agreement dated November 16, 1983 executed between the Board of Trustees of the Port of Calcutta (the "Lessor") and our Company (the "Lessee").	Manufacture of heavy earth moving equipments	30 years i.e from the date of agreement	Rs. 7747.82 per month, with an increase of 10% for every 10 years.
3.	Premises No.5-A, Lord Sinha Road, Kolkata –16 2880 Sq.ft.	Lease Agreement dated March 1, 1973 between executors of the estate of Smt.Bhagirathi Devi Jhunjhuwala (deceased), (the "Lessor") and our Company (the "Lessee")	Office premises	3 years i.e from the date of agreement	Rs. 2,400/- per month
4.	Premises at 77 Circular road , Ranchi 4100 Sq.ft.	Lease Agreement dated November 16, 1983 between S.K.Agrawal (the "Lessor") and our Company (the "Lessee")	Business activities	5 years from the date of agreement	Rs. 8,200/- per month
5.	Premises at Radha Bhavan, R.O. Baruah road, Seuji Ali Path, Guwahati Area 4500 Sq. ft.	Lease Deed dated April 1, 2007 between Smt. Saraswati Devi (the "Lessor") and our Company (the "Lessee")	District Office	3 years from April 1, 2007	Rs. 25,000/- payable as rent per month, and hike of 12% of the rent upon extension of the said lease, mutually agreed by the parties.
6.	Premises at Bhom villa, 1-Kumbha marg, sukhadia circle Udaipur Area 2280 Sq. ft	Lease Agreement dated September 9, 1997 between L.S.Metha ("Lessor") and our Company ("Lessee").	Office premises	A period of 5 years from the date of agreement. The lease agreement has been extended for a further period of 2 years w.e.f. October 1, 2005	Rs 16,000/- payable in the form of monthly rentals with an increase by 20% during 4 th and 5 th year .
7.	Premises building adjacent to NH-6, (Opposite to Gurudwara & Guru Nanak Market Complex), Panchagachhia Chowk, Baraipali Sambalpur) Orissa Area : 8000 Sq. Ft. ,open	Lease Agreement dated December 18, 2002 between Shri. Jyoti Prakash ("Lessor") and our Company ("Lessee").	Regional Office, Transit House , regional Manager's residence	A period 5 years from the date of agreement	Rs.35,000 /- payable in the form of monthly rentals for first 12 months with an increase of Rs. 2000/-per month every

Sr. No.	Description of Property/ Area	Nature of Interest	Purpose	Term	Lease Rentals
	space 10000 Sq.ft.				year and six months rent as interest free advance .Which will refundable at time of expiry of lease period
8.	Premises at Kamal Kunj, Kusuma P.O. K.G.Asharam, Dhanbad Area 50000 Sq.ft.	Lease Agreement dated February 23, 1999, between Shri. Ram Kumar Agarwal ("Lessor") and our Company ("Lessee").	Regional Office	The Lease Deed was initially for a period of 5 years from the date of the said agreement, which was subsequently renewed for further periods and presently the lease deed has been renewed for a period of five years commencing from April 1, 2004 till March 31, 2009.	Rs. 45,000/- per month
9.	Pemises at 62-C,D/C, Gandhi-Nagar, Jammu	Lease Agreement dated October 1, 2002 with Smt. Sushila Sharama and our Company	Rest house cum office purpose	3 years from the date of agreement. The lease agreement has been renewed for a further period of 3 years w.e.f April 1, 2007	Monthly rent payable Rs. 26,500/-
10.	Premises at D.No 8-45-11, 4 th street, Vidyanagar Colony, China Waltair, Visakhapatnam-530020 Area: 1950 sq. ft.	Lease Agreement dated December 9, 2006 between Smt. Shakuntala Tata ("Lessor") and our Company ("Lessee").	District office	11 months from the date of the agreement and shall be extended at the option of the Lessee	Monthly rent payable is Rs. 3500/-
11.	Premises at Flat no. FF, 21 st floor, Malligai	Lease Agreement dated December 1, 2006	Office Premises	2 years from the	Monthly rent payable is Rs.

Sr. No.	Description of Property/ Area	Nature of Interest	Purpose	Term	Lease Rentals
	Apartments, 19A Krishnapuram colony, Madurai-14.	between Mrs. Synthia Mary Mathew ("Lessor") and our Company ("Lessee").		date of the agreement	7.700/- and Rs.40,000/- refundable is advance to the owner. from tenant
12.	Premises at SR.MIG-3,Nehru Nagar, Bilaspur	Lease Agreement dated December 1, 1998 between Dr.S.R.Agrawal ("Lessor") and our Company ("Lessee").	Office Premises	11 months from the date of the agreement	Monthly rent payable is Rs. 1500/- and the lessee shall deposit a sum of Rs. 4500 as security deposit with lessor adjustable against the last month of rent
13.	Premises at 266/1 Dilbag Villa, Darshan Society road, Navarangpura, Ahmedabad.	Lease Agreement dated October 1, 2005 between Shri Dilbagsingh Jainsingh ("Lessor") and our Company ("Lessee")..	Office Premises	3 years from the date of the agreement	Monthly rent payable is Rs. 9,900/-
14.	Premises No.1,Errabalu Chetty Street, Chennai-1 1670 Sq.ft.	Lease Agreement dated December 9, 2006 between Smt.Shakuntala Tata ("Lessor") and our Company ("Lessee").	District office	Initially was for a period of 3 years which was later renewed for further years and the said lease deed was valid for 3 years commencing from April 1, 2002	Monthly rent payable is Rs. 15,500/-
15.	Premises No.6-318 F,Sai Baba Nagar, Kurnool Road, Ongole ,A.P.	Lease Agreement dated June 10, 2005 between Mr.V.Ch.Subha Rao ("Lessor") and our Company ("Lessee")..	Service Activity Center	24 months from the date of the agreement a	Monthly rent payable is Rs. 8000/-
16.	Premises No.243Mpl.Asst.No.256, Ward-16,Basaveswara Badavane, Hospet(Karnataka)	Lease Agreement dated October 30, 2006 between Mr.C.M. Santhaveeraiah ("Lessor") and our Company ("Lessee").	Service Activity Center	12 months from the date of the agreement	Monthly rent payable is Rs. 3850/- and advance of Rs. 25000/- ,refundable to tenant
17.	Survey No. 14 of Maulinguem Village (South),Bicholim Taluka, Goa	Lease Deed dated April 10, 1995 between Sesa Goa Limited (the 'Lessor') and our Company (the 'Lessee')	Residence of staff and also for the purpose of parking,	The lease deed was initially for a period of 11 months	Rs. 4000/- per month

Sr. No.	Description of Property/ Area	Nature of Interest	Purpose	Term	Lease Rentals
	Area: 4656 sq.mts		loading and unloading of Mining Machinery.	which was subsequently renewed. On October 1, 2004 the said deed was renewed for a period of 5 years commencing from On October 1, 2004	
18.	<p>Location 1: Land at Nundydroog Mine, near BEML factory at Kolar Gold Field (KGF).</p> <p>Area: 561 acres</p> <p>Location 2: Land at Nundydroog Mine, near Golconda Shaft, KGF.</p> <p>Area: 462 acres</p> <p>Location 3: Building/Land including Central Workshops of the Lessor at Oorgaum, KGF.</p> <p>Area: 32 acres</p> <p>Location 4: Building/Land including Nundydroog Workshops, Stores, Central Assy Complex of the Lessor at Oorgaum, KGF.</p> <p>Area: 22 acres</p> <p>Location 5: Land at Nundydroog Mine, near BEML at KGF</p> <p>Area: 32 acres</p> <p>Total area of 1109 acres</p>	<p>Lease Deed dated May 5, 2004 between M/s Bharat Gold Mines Limited ('Lessor') and our Company ('Lessee')</p> <p>The Lease Deed is duly stamped.</p>	Expansion of business, establishing new businesses and conducting activities of its Joint Ventures	10 years	One time payment of Rs. 1,00,00,000/- as non-refundable advance/deposit towards lease amount/rent for the property.
19.	Plot No. 308 and 309 situated at Village Jhingurdah in Singrauli Tehsil, District Sidhi	Lease Deed dated August 24, 1993 between Northern Coal Fields (the "Lessor") and our	Service Centre and Office	Period of 30 years from August 10, 1986	Rs. 86,031 per year at Rs. 0.50 per sq. ft. which is

Sr. No.	Description of Property/ Area	Nature of Interest	Purpose	Term	Lease Rentals
	Area: 1,72,062 sq.ft. (1600 hectares)	Company (the “Lessee”)			payable in advance yearly ending December. The Lessee shall pay an amount of Rs. 21,507.75 (three months rent) as Security Deposit

Certain Lease Deeds specified in the above table have expired. Our Company still continues to occupy those said premises/ plot of lands and the renewal of the lease deeds are in the process of finalization.

REGULATIONS AND POLICIES

Environment Regulation

There are three major statutes in India, which seek to regulate and protect the environment against pollution related activities in India, namely the Water (Prevention and Control of Pollution) Act 1974 (“**Water Pollution Act**”), the Air (Prevention and Control of Pollution) Act, 1981 (“**Air Pollution Act**”) and the Environment Protection Act, 1986 (“**Environment Act**”) are also applicable to hydro projects. Air Pollution Act was enacted to prevent, control and abate air pollution. The Central and State Boards constituted under the Water Pollution has been assigned to perform the functions under the Air Pollution Act as well. This Act, inter alia, stipulates that no person shall, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area.

The Environment Act has been enacted to protect and improve the environment. This Act empowers the Central Government to make rules for various purposes including prescribing the standards of quality of air, water or soil for various areas and purposes; and prescribing the maximum allowable limits of concentration of various environmental pollutants for different areas.

Forest (Conservation) Act, 1980 has been enacted for conservation of forests, and inter alia, stipulates that no State Government shall make, except with the approval of the Central Government, any order directing that any forest land may be assigned by way of lease or otherwise to any private person or corporation not owned or controlled by the Government. Section 80 IA of the Income Tax Act, 1961 inter alia provides that while computing the total income of an undertaking set up for generation of power, 100% deduction of the profit and gains is allowed. This deduction is allowed during any 10 consecutive years in a block of first 15 years.

In India the issue of management, storage and disposal of hazardous waste is regulated by the Hazardous Waste Management Rules, 1989 made under the Environment Protection Act. Under these rules, the Prevention and Control of Pollution Boards are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

The Ministry of Environment and Forests looks into Environment Impact Assessment (EIA). The Ministry receives proposals for expansion, modernization and setting up of projects and the impact, which such projects would have on the environment, is assessed by the Ministry before granting clearances for the proposed projects.

Restrictions On Foreign Ownership Of Indian Securities

Foreign investment in shares and convertible debentures of an Indian company is regulated through the foreign direct investment policy of the GoI (“FDI Policy”) and by the Reserve Bank of India (“RBI”) as per the provisions of the Foreign Exchange Management Act, 1999 (“FEMA”) and rules, regulations and guidelines thereunder, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India), 2000, being Notification No. FEMA 20/2000-RB dated May 3, 2000 (as amended) (“**FEMA Regulations**”), read with the Master Circular issued by the Reserve Bank of India bearing Master Circular No. /02/2006-07 dated July 1, 2006 (“**Master Circular**”). While the FDI Policy lays down the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA, along with rules, regulations and guidelines there under, including through the FEMA Regulations and the Master Circular, regulates the precise manner in which such investment may be made. Under the FDI Policy, unless specifically restricted, foreign direct investment is freely permitted in all sectors of Indian economy and without any prior approvals, but persons resident outside India are required to follow prescribed procedures for making such investment. In the event an approval of the GoI is required, the same may be obtained through the Foreign Investment Promotion Board (“FIPB”). In terms of the aforesaid FEMA Regulations read with the Master Circular, the automatic route of RBI for persons resident outside India is not available for certain industries, one of which is “*Defence and Strategic Industries*”. The business being carried on by our Company falls under the head of

“*Defence and Strategic Industries*”, and therefore, investments by persons resident outside India in the Issue would require the prior approval of the FIPB. Therefore, our Company, being person resident in India, requires approval from the FIPB for allotment of Equity Shares to Non- Resident Indians, FII’s registered with SEBI, Foreign Venture Capital Funds registered with SEBI and other permitted persons/entities, if any, resident outside India other than erstwhile Overseas Corporate Bodies, pursuant to the Issue.

Pursuant to our letter dated March 31, 2007, we have applied to the FIPB to permit our Company to issue and allot Equity Shares to Non Resident Indians, FII’s registered with SEBI, Foreign Venture Capital Funds and Foreign Venture Capital Investors registered with SEBI and other permitted persons/entities, if any, resident outside India other than erstwhile Overseas Corporate Bodies, pursuant to the Issue, as per SEBI Guidelines who are allowed to invest as per the SEBI Guidelines as applicable to the Issue, subject to limits as specified in the SEBI Guidelines. Our Company has further undertaken in the application to FIPB that the maximum post-Issue shareholding of persons resident outside India would be limited to 83,28,900 Equity Shares, being 20% of our post-Issue paid-up equity share capital, and basis of allotment in the Issue would be finalised accordingly and allotment of Equity Shares would be made accordingly. The calculation as to post Issue paid up capital is based on the assumption that 49,00,000 Equity Shares are issued under the Issue. The FIPB has approved the same vide letter dated May 31, 2007(the “**FIPB Approval Letter**”). The details of the same are as follows:

- (i) *Letter reference:* Letter No. FC.II.:110(2007)/94(2007) dated May 31, 2007 issued by FIPB Unit, Department of Company Affairs, Ministry of Finance, Government of India dated May 31, 2007;
- (ii) *Nature of investor(s) approved:*“NRI’s, FII’s, FVCF’s and FVCI’s registered with SEBI and other permitted persons/entities;
- (iii) *Quantum of investment(s) approved**: Cannot exceed 20% of the post-Issue paid up equity share capital of the Company.;
- (iv) *Other salient points:* Amount of consideration for the aforesaid investment(s) should be paid out of the inward remittance of foreign exchange through normal banking channels.

*- This also includes the current holding of persons resident outside India in the Company, and Equity Shares, if any, allotted in the Issue

Government Company

Our Company is a “government company” in terms of Section 617 of the Companies Act, since more than 51% of our paid-up share capital is held by the Central Government. Even after the Issue, Government holding is expected to continue beyond 51%, and therefore our Company is expected to be a “government company” even after the Issue. Section 620 of the Companies Act empowers the Central Government to modify the applicability of the Companies Act in relation to Government companies by notification, by specifying that one or more provisions of that Act will not apply to government companies, or will apply to government companies subject to exceptions, modifications and adaptations as may be specified in the notification. The Central Government, in exercise of its powers under Section 620, has issued several notifications from time to time, either exempting government companies from certain provisions of the Companies, or modifying their applicability to government companies.

The above information is given for the benefit of the bidders and neither our Company nor the BRLM are liable for any modifications that may happen after the date of this Red Herring Prospectus.

HISTORY AND OTHER CORPORATE MATTERS

Our Company was incorporated by Government of India as a public sector undertaking under the Administrative control of Ministry of Defence, Department of Defence Production and Supplies. We were incorporated as a private limited company vide our certificate of incorporation bearing number 1530 dated May 11, 1964 under the Companies Act by the name 'Bharat Earth Movers Limited'. On the formation of our Company, the rail coach of Hindustan Aeronautics Limited was transferred to us with land, building, plant and machinery, manpower and other infrastructure facilities as a going concern for a total consideration of approximately Rs. 6 crores, which was met by issue of shares for consideration other than cash.

In the year 1992, the GoI decided to dis-invest our Equity Shares and accordingly by a resolution passed at the EGM held on February 21, 1992, we were converted into a public limited company through filing a statement in lieu of prospectus with the RoC. We are a multi-technology company offering high quality products for diverse sectors of economy such as coal, mining, steel, limestone, power, irrigation, construction, road building, defence and railways. In the past four decades, we have come to the forefront of heavy engineering industry and have marked a significant presence in earthmoving industry.

Since our incorporation, we have changed our registered office once. At the time of formation of our Company, our registered office was situated at United Building, J. C. Road, Bangalore - 560002. Subsequently, we changed our registered office to the current Registered Office, which is at BEML Soudha, No. 23/1, 4th Main Road, Sampangiramanagar, Bangalore – 560 027.

We have our manufacturing units at Kolar Gold Fields Complex, Bangalore Complex and Mysore Complex. At our KGF Unit we are manufacturing heavy earth moving equipments like bulldozers, hydraulic excavators, mining shovels, backhoe loaders, walking draglines, loaders, etc. At our Bangalore Unit, we are manufacturing railway rolling stock, metro coaches, defence equipments and aggregates. At our Mysore unit, we are manufacturing dumpers, motor graders, engines of different sizes and capacities and also defence equipments. For details with respect to area of land and location, please refer to the section of "Property Details" of section on "Our Business" on page 54 of this Red Herring Prospectus.

Our Subsidiary

We have one subsidiary, namely Vignyan Industries Limited, which is engaged in supply of different types of castings to diverse clientele. For further details with respect to the subsidiary, please refer section titled "Our Promoter, Subsidiary and Group Companies" on page 109 of this Red Herring Prospectus.

Major Events:

YEAR	EVENT
1964	<ul style="list-style-type: none">• Incorporation of our company as a private limited company with the registered office at Bangalore. Simultaneously, we took over as a going concern the rail coach division of Hindustan Aeronautics Limited in Bangalore
1968	<ul style="list-style-type: none">• Establishment of the heavy earthmoving equipment division at Kolar Gold Fields.
1979	<ul style="list-style-type: none">• Collaboration agreement entered into by us with Komatsu Limited, Japan for technical know-how in the manufacture of a wide range of earthmoving equipments such as bulldozers
1985	<ul style="list-style-type: none">• Dump truck division established at Mysore
1986	<ul style="list-style-type: none">• Received National Import Substitution Award from Ministry of Science Technology, GoI
1987	<ul style="list-style-type: none">• An exclusive hydraulics and powerline division and a full fledged research and development center set up at Kolar Gold Field• Purchase of Mysore complex unit

1990	<ul style="list-style-type: none"> Received Corporate Excellence Award for outstanding performance from department of public enterprises, GoI Asia's largest 170 ton electric dump truck assembled and launched
1991	<ul style="list-style-type: none"> Engine division set up at Mysore for manufacturing heavy-duty diesel engines
1992	<ul style="list-style-type: none"> Conversion of our Company into a public limited company Sub-division of our Equity Shares of face value of Rs. 1000/- each to Equity Shares of Rs. 10/- each Recognition as an Export House with Star Exporter status
1994	<ul style="list-style-type: none"> Public Issue of 60,00,000 12.50% secured redeemable partly convertible debentures of Rs. 195/- each for cash at par aggregating to Rs. 117 crores offered to public Listing of the Equity Shares at the Stock Exchanges at Bangalore, Mumbai, Kolkata, Delhi and Chennai Mammoth equipment 'walking dragline' launched
1995	<ul style="list-style-type: none"> Rights issue of 10,00,000 12.50% secured redeemable partly convertible debentures of Rs. 180/- each. Crosses Rs. 1,00,000 lakh mark in sales turnover Received ISO 9000 certification
1996	<ul style="list-style-type: none"> Major counter trade agreement with Syria executed against import of rock phosphate
1997	<ul style="list-style-type: none"> Recipient of award for Best Employer of the Physically handicapped from Ministry of Welfare, GoI
1998	<ul style="list-style-type: none"> Bags orders against World Bank tenders valued at Rs. 70,000 lakh for equipment supply to CIL projects
1999	<ul style="list-style-type: none"> Integrated hi-tech applications program implemented in divisions covering manufacturing, operations and communications
2001	<ul style="list-style-type: none"> Awarded the Best Exporter by the Department of Industry & Commerce, GoK
2002	<ul style="list-style-type: none"> Awarded the Best Exporter by the Department of Industry & Commerce, GoK Regional award for highest exports awarded by Engineering Export Promotion Council, Southern Region
2003	<ul style="list-style-type: none"> Manufacture and supply of hi-tech stainless steel metro coaches to DMRC The Equipment division of Mysore unit was awarded the National Safety Award under the Scheme I and II Awarded the Best Exporter by the Department of Industry & Commerce, GoK Certificate of Excellence obtained from Engineering Export Promotion Council, Southern Region
2004	<ul style="list-style-type: none"> 7 T Class Excavator – BE71 and Backhoe loader – BL 9H were formally launched. Four cylinder indigenous engine B4D105 has been introduced as an earth moving equipment Awarded the Best Exporter by the Department of Industry & Commerce, GoK. Our Company's Equity Shares got voluntarily delisted from DSE and MSE, and application made for voluntary delisting of our Equity Shares to CSE.
2007	<ul style="list-style-type: none"> The credit rating of our Company has been done by ICRA Limited and it has assigned "IrAAA" (pronounced as Issuer Rating Triple A) to our Company. This rating indicates the highest credit quality rating assigned by ICRA Limited, which means our Company carries the lowest credit risk. Formation of Joint Venture Company in the name and style of BEML Midwest Limited on April 18, 2007 under the registration no. U13204AP2007PLC053653/2007-2008 with Midwest Granite Private Limited.

Our Corporate Structure

We have only one subsidiary company, namely Vignyan Industries Limited.

We have formed a Joint Venture Company, namely BEML Midwest Limited in which our Company holds 45% of the equity capital. For further details please refer to page 110 of this Red Herring Prospectus.

Our Main Objects

Our main objects as contained in our Memorandum of Association are:

- “1. (a) To carry on in India and elsewhere the business of manufacturing, assembling fitting up, repairing, converting, overhauling, maintaining and rendering assistance and services of all kind and description, buying, selling, importing, exporting, exchanging, altering, hiring, letting on hire, improving, repairing and dealing in tractors, bull dozers, scrapers, graders, rear dumps, bottom dumps, rear dump trucks, cranes, crane carriers, crawler tractors, loaders, shovels, compactors, crushing plants, draglines, dredgers, pavers, rollers, railway cars, snow removers, excavators, grain loaders, sheepsfoot rollers and engines of every description whether required for civil, commercial or military defence purposes and requirements or otherwise, boats, barges, steamers, cars, trucks chassis, motors, motor cycles, buses, lorries, diesel engines, oil engines, petrol engines, steam engines, turbines, tanks and carriages, vehicles, conveyances and conveyors of all kinds including railway coaches, railway wagons, railway equipments locomotives and locomotive fittings whether for use of land, water or in the air or whether propelled or moved by electricity, steam, oil vapour, gas, petroleum or any other motive or mechanical power and all component parts, fittings, tools, implement, accessories, materials and articles and things used in connection therewith in any way whatsoever.
- (b) To carry on the business of electrical engineers and manufacturers of all types of electrical machinery, apparatus and appliances required for or capable of being used in connection with the generation, distribution, supply, accumulation of electricity and in particular the manufacture of alternating current and direct current generators motors, rotary converters, transformers, or rectifiers indicating meters, integrating meters, recording meters, air-brake and oil-brake manual and remote control switches with overload and under voltage releases air and oil brake magnetic with overload and under-voltage releases, air and oil-cooled contractors and electrically operated starters and regulators with overload and under-voltage tripping devices for A.C. and D.C. meters, switch boards, protective devices fro A.C. and D.C. machines, lines and feeders, primary and secondary storage battery and accumulators, commercial, and domestic heating devices, electric furnaces and refrigerating and air conditioning apparatus and accessories, vacuum cleaners, lighting fixtures, electrical conveyors, lifts, medical ultra high frequency diathermy apparatus, X-ray apparatus, electrically propelled cars, railway signalling and inter-locking devices, wireless receivers, wireless transmitters, automatic and manually operated telephone instruments, high and low tension insulated cables for electrical power distribution telephone cables, cotton-covered and enamelled wires and things used in connection therewith in any way whatsoever.
- (c) To manufacture, sell, buy, repair, alter and exchange, let on hire, export, import and deal in all kinds of articles and things which may be required for the purposes of any of the businesses of the Company or commonly supplied or dealt in by persons engaged in any such business or which may seem capable of being profitably dealt with in connection with any of the business of the Company; and also to act as agents for Governments or authorities or for any manufacturers, merchants and others and to carry on agency business of every kind of any description connected with the business of the Company.
- (d) To purchase or otherwise acquire all or any part of the business, property including all assets such as machinery, housing, buildings, workshops, etc and liabilities of any person, corporation, Government or Company engaged in the manufacture of the articles and things which the Company is entitled to manufacture in India or elsewhere or any person, corporation, Government or Company the business of which is capable of being conducted directly or indirectly to benefit the Company, and without prejudice to the generality of the foregoing to acquire and take over from Hindustan Aircraft Limited, the project of manufacture of heavy construction and mining equipment, which is

being worked by it presently together with the benefit of all contracts rights and property as well as outgoings and liabilities relating to the said project.

- (e) To acquire, construct, build, set up, equip, provide and maintain factories, workshops, hangers, garages building yards and accommodations of all descriptions.
- (f) To establish, maintain and operate training colleges and technical institutions.
- (g) To carry on the business of mechanical engineering in all its branches in India and elsewhere.”

Changes in Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Resolution Date of Amendment	Amendment
January 30, 1967	The share capital of our Company was increased from 75,000 Equity Shares of Rs. 1000/- each to 100,000 Equity Shares of Rs. 1000/- each
July 22, 1969	The share capital of our Company was increased from 100000 equity shares of Rs. 1000/- to 150,000 Equity Shares of Rs. 1000/- each
April 27, 1982	The share capital of our Company was increased from 150,000 Equity Shares of Rs. 10/- each to 300,000 Equity Shares of Rs. 10/- each
June 23, 1987	The share capital of our Company was increased from 300,000 equity shares of Rs. 1000/- to 400,000 Equity Shares of Rs. 1000/- each
February 21, 1992	Split in face value of Equity Shares from Rs. 1000/- each to Rs. 10/- each. Thus, Authorised Equity Share Capital of Rs. 40,00,00,000 was divided into 4,00,00,000 Equity Shares of Rs. 10/- each
September 7, 1994	The share capital of our Company was increased from 4,00,00,000 Equity Shares of Rs. 10/- to 6,00,00,000 Equity Shares of Rs. 10/- each
July 13, 2005	The share capital of our Company was increased from 6,00,00,000 Equity Shares of Rs. 10/- to 10,00,00,000 Equity Shares of Rs. 10/- each

Brief details of agreements entered into by our Company

We have entered into technical collaboration agreements and/or Memorandum of Understandings (MoUs) with respect to manufacturing of our products, briefly classified into earth moving equipments, railway rolling stock and defence equipments. We have entered into such agreements / MoU's/ JV agreements with companies/ entities in India and abroad. Breach of any of the confidentiality/secretcy and other material clauses of these agreements/MoUs/JV agreements may form a ground for termination of the same or make us liable for penalties/other actions arising from the breach of contract. The general nature of agreements entered into by us for various products is as under:

a) Earth moving equipments

We have entered into various agreements and MoU's to manufacture, assemble and sell various earth moving equipment such as electric mining shovels, walking draglines, ropeshovel, dump trucks of different models, etc. Most of these MoU's grant to our Company the exclusive right to manufacture and sell these products within the territory of India.

b) Defence equipments

We have entered into various agreements and MoU's for the manufacturing and rendering of after sales services of armoured recovery vehicle supply of component parts and spare parts for manufacture of specific models. *Vide* these agreements and MoU's we have been granted exclusive rights to manufacture the above mentioned products and also a license to manufacture mineploughs and supply then to the GoI.

c) Railway Equipments

We have entered into MoU's with a view to expand the business opportunities for supplying EMUs/ coaches for metro rail projects in India. We have already supplied over 100 train sets to Delhi Metro Rail Corporation Limited.

d) Mining activities

We have entered into an agreement to carry out mine planning and development, overburden removal and production of minerals, transportation, rehabilitation, specialised civil construction and mine safety. We propose to supply mining equipment to the company as required for the mining operations and we are also responsible for maintenance of the equipment supplied by us.

Our Company believes that, disclosure of information (including parties, dates and material terms), relating to such agreements or MoU's could adversely affect the defence/security interests or harm the competitive position and trade secrets of our Company or the counter party. In view of the same, no disclosures regarding the name of the counterparties, the dates of the agreements and other material details have been made and such agreements have not been included in the material contracts and documents for inspection in the Red Herring Prospectus. Further, our Company is a "Public Authority" within the meaning of that term under section 2(1)(b) of the Right to Information Act, 2005 ("**RTI Act**"). Section 8 of that Act, lays down the grounds on which there is no obligation on a Public Authority to give information under that Act, and these grounds includes (a) security interests of the State, (b) information including commercial confidence, trade secrets or intellectual property, the disclosure of which would harm the competitive position of a third party.

Strategic Partners

We have not entered into any strategic agreements

Financial Partners

We do not have any financial partners.

OUR MANAGEMENT

Board of Directors

The following table sets forth current details regarding our Board of Directors:

Name, Address, Occupation and Term	Designation	Age	Other Directorships
<p>Mr. V. RS. Natarajan DIN: 00074698 S/o. Mr. Rangaswamy BEML House, No. 256, I Cross, Defence colony, HAL – II Stage Bangalore – 560 038</p> <p>Executive Director</p> <p>Term: 5 Years starting from December 1, 2002 or till the date of his superannuation or until further orders, whichever event occurs the earlier</p>	Chairman & Managing Director	54 years	None
<p>Mr. Ramesh C. Suthar DIN:00076667 S/o. (Late) Mr. Radhakrishna Suthar 261, 7th Main, 4th Cross, BEML Layout, 6th Stage, Tubara Halli, ITPL Road, Bangalore 560 006.</p> <p>Executive Director</p> <p>Term: Till superannuation, that is May 31, 2007.</p>	Director – Production	59 years	1. Vignyan Industries Limited
<p>Mr. N.K. Sreenivasan DIN: 00073817 S/o. Late Mr. N. Krishnamurthy No. 1588, 17th Main, JP Nagar II Phase, Bangalore – 560 078</p> <p>Executive Director</p> <p>Term: till the date of his superannuation being February 28, 2008 or until further orders, whichever event occurs the earliest</p>	Director – Marketing	59 years	None
<p>Mr. Ravindra Kumar Rustagi DIN: 0008542 S/o. Late B.D. Rustagi 718, 14th Cross, 8th Main, 3rd Phase, J.B. Nagar Bangalore 560 078</p>	Director – Human Resources	55 years	None

Name, Address, Occupation and Term	Designation	Age	Other Directorships
Executive Director Term: 5 Years starting from April 3, 2006 or till the date of his superannuation or until further orders, whichever is earlier			
Mr. Bhushan Lal Bajaj DIN: 00654438 S/o. Chaman Lal Bajaj #522, 7 TH Cross, 12 th Main, 4 th Block, Koramangala Bangalore-560 034 Executive Director Term: 5 years starting from September 1, 2006 or till the date of his superannuation being February 28, 2008 or until further orders, whichever event occurs the earliest	Director – Finance	57 years	None
Mr. Vishwanathan Mohan DIN: 01386171 S/o. Veeralur Vishwanathan No. 158, 7 th Cross Indiranagar II Stage, Bangalore- 560 038 Executive Director Term: Till the date of his superannuation or until further orders	Director- Defence Business	57 years	1. Vignyan Industries Limited
Mr. Mohammed Haleem Khan DIN:00073878 S/o. Late Mr. Gulab Khan C-11/52, Shah Jahan Road, New Delhi 110 003. Non-Executive Director Term: till further orders	Part-Time Director	54 years	1. Mishra Dhatu Nigam Limited 2. Trustee – Zakhir Hussain College
Dr. Mrs. Kiran Chadha DIN: 00833078 D/o Mr. Jagannath Plaha Green House, 946/81 Jyoti Park, Near New Colony Gurgaon – 122001 Non-Executive Director Term: until further orders	Part-Time Director	56 years	None

Name, Address, Occupation and Term	Designation	Age	Other Directorships
<p>Mr. A. Prasad DIN: 00274125 S/o. Mr. J.N. Prasad C-704/705. Sahara Apartments, Sector 6, Plot No. 11, Dwarka, New Delhi – 110 075</p> <p>Independent Director</p> <p>Term: 3 years starting from January 17, 2006 or until further orders, whichever is earlier</p>	Part-Time Director	66 years	1. SKIL Infrastructure Pvt. Limited
<p>Prof. Prakash G. Apte DIN: 00045798 S/o. Mr. Ramakrishna Gajanan Apte IIM Bangalore Bannerghatta Road, Bangalore – 560 076</p> <p>Independent Director</p> <p>Term: 3 years starting from January 17, 2006 or until further orders, whichever is earlier</p>	Part-Time Director	60 years	<p>1. Power Finance Corporation</p> <p>2. GMR Infrastructure Limited</p> <p>3. Board of Deposit Insurance and Credit Guarantee Corporation (DICGC), RBI</p> <p>4. UTI Trustee Company Private Limited</p>
<p>Mr. Birendra Kumar DIN:00163054 S/o. Late Mr. Devendra Kumar 3-C, Tower – D, Viceroy Park, Thakur Village, Kandivali (E), Mumbai – 400 101</p> <p>Independent Director</p> <p>Term: 3 years starting from January 17, 2006 or until further orders, whichever is earlier</p>	Part-Time Director	64 years	1. International Asset Reconstruction Company Private Limited
<p>Mr. KVK Seshavataram DIN: 00060874 S/o. Sitarama Brahman 1st Floor, KK Mansions, 45-58-16/5/1, Narasimha Nagar, Vishakapatnam – 530 024</p> <p>Independent Director</p> <p>Term: 3 years starting from January 17, 2006 or until further orders, whichever is earlier</p>	Part-Time Director	65 years	1. GMR Varalakshmi Foundation

Name, Address, Occupation and Term	Designation	Age	Other Directorships
<p>Mr. Arabinda Tripathy DIN: 00031742 S/o. Aniruddha Kumar Tripathy A 402, Jeevan Dham, Near Vastrapur Telephone Exchange, Ambavadi, Ahmedabad 380 015</p> <p>Independent Director</p> <p>Term: 3 years starting from June 28, 2006 or until further orders, whichever is earlier</p>	Part-Time Director	62 years	
<p>Mr. Shrinivas Narayan Chary DIN: 00495226 S/o. Thirumala Vanavoli Narayan Chary Apartment 403, Redwood, Raheja Residency, Koramangala, Bangalore – 560 034.</p> <p>Independent Director</p> <p>Term: 3 years starting from June 28, 2006 or until further orders, whichever is earlier</p>	Part-Time Director	65 years	None
<p>Mr. Nalini Ranjan Mohanty DIN: 00237732 S/o. Gaurang Charan Mohanty Flat No. 302, Scion Court, 1st Cross Kaggadaspura, C.V. Raman Nagar P.O., Bangalore – 560 001.</p> <p>Independent Director</p> <p>Term: 3 years starting from June 28, 2006 or until further orders, whichever is earlier</p>	Part-Time Director	62 years	<p>1. Indian Metals and Ferro Alloys Limited</p> <p>2. Kudremukh Iron Company Limited</p> <p>3. Sankhya Infotech Limited</p> <p>4. Dynamics Technologies Limited</p>
<p>Mr. Jayanta Kumar Bagchi DIN: 00495290 S/o. Late Bireswar Bagchi C-105, Anandlok Housing Society, Mayur Vihar, Phase I, New Delhi – 110 091</p> <p>Independent Director</p> <p>Term: 3 years starting from June 28, 2006 or until further orders, whichever is earlier</p>	Part-Time Director	67 years	None

Details of Directors

Mr. V. RS. Natarajan, Chairman and Managing Director

Mr. V. RS. Natarajan, 54 years, joined our Board with effect from December 1, 2002 as Chairman and Managing Director. He holds a Post Graduate Degree in Social Sciences and has been trained in Corporate Management in AOTS, Japan. Prior to joining our Board as the Chairman and Managing Director, he has varied corporate experience in both the public and the private sectors. His past employments include Lakshmi Group, Blue Star Limited, Binny Limited, Bharat Gold Mines Limited, KGF and Electronics Corporation of India Limited. Mr. Natarajan has been awarded the Individual Fellowship of Indian Institute of Production Engineers for outstanding contribution to production and productivity in June 2006; conferred “Outstanding Chief Executive” award for the year 2005 by the National Council of Indian Institute of Industrial Engineering in September 2006 and an “IT Excellence Award” as business head of the IT Business Division of ECIL, Hyderabad from the Hon’ble President of India Dr. APJ Abdul Kalam in the year 2002. Mr. Natarajan is a member of the Executive Committee of SCOPE, New Delhi and is the Chairman of Southern Region, SCOPE; the Chairman, Mining and Construction Equipment Division, Confederation of Indian Industry; Chairman of the Defence Committee – FICCI; Chairman of the Society of Defence Technologists; Chairman, Management Council for Combat Engineering, Ministry of Defence.

Mr. R.C. Suthar, Director (Production)

Mr. R.C. Suthar, 59 years joined our Board with effect from July 1, 2001. He is an Engineering Graduate (Hons.) from Regional Engineering College, Jaipur. He did post graduation in Industrial Quality Control from Yamanashi University of Japan and also acquired Diploma in Japanese Language from Osaka University of Foreign Studies, Osaka. He underwent training at M/s. Komatsu, Hino, Toyota and Nissan Automobiles in Japan, Rolls – Royce in UK and Turbomeca in France. Mr. Suthar started his career as lecturer and later joined Hindustan Aeronautics Limited and served over two decades covering areas of Manufacturing, Planning and Project work in various capacities. He joined our Company in 1989 as Deputy General Manager and rose to the level of General Manager in the year 1992, in-charge of Production and thereafter planning in KGF Complex. Subsequently, he became the Chief General Manager in the year 1995 in-charge of KGF Complex. He joined our Board of Directors as an Executive Director in the year 1997. He has vast experience in Planning and Production.

Mr. N.K. Sreenivasan, Director (Marketing)

Mr. N.K. Sreenivasan, 59 years joined our Board with effect from January 28, 2005. He is a graduate in Mechanical Engineering from the University of Mysore. Prior to joining our Company as General Manager, he was employed with Hindustan Construction Company and Coal India Limited subsidiaries. He is highly experienced in erection and maintenance of earth moving equipments, management information systems, working and erection of mining projects and marketing of products.

Mr. Ravindra Kumar Rustagi, Director (Human Resource)

Mr. Rustagi, 55 years, joined our Board with effect from April 3, 2006 as Director (HR). He holds a Masters degree of Science in Physics from Delhi University. He also holds a law degree from Delhi University and a diploma in Social Welfare from Calcutta University. He started his career with SAIL in September, 1973 moved over to NTPC in the year 1978 rising to the level of Executive Director (HR). He was instrumental in implementation of a transparent and objective performance management system for executives, IT enabled human resources management system, restructuring of leave for improved productivity. He has undergone training in personnel management and advanced management programme at the Administrative Staff College.

Mr. B.L. Bajaj, Director (Finance)

Mr. Bajaj, 57 years joined our Board with effect from September 1, 2006. He is a Chartered Accountant by profession. He has nearly three decades of experience in the public sector covering various facets of financial management. He was instrumental in professionalizing NBCC and increasing its turnover from Rs. 600 crores to Rs. 1300 crores in a short span of two years and in recognition the company was selected by Scope for the award

of excellence and outstanding contribution to the public sector management – Special Institutional (Turnaround) Category 2005-2006 and has been selected among the Top Ten (CPSEs) for MoU excellence award of Government of India for 2004-2005 and 2005-2006. Prior to joining our Board, he was employed with National Thermal Power Corporation Limited at its power stations and commercial offices as Additional General Manager – Finance. While at the National Thermal Power Corporation Limited, Mr. Bajaj was instrumental in the taking over of the Talcher Thermal power station from the Orissa State Government in the year 1995 and helped in turning around the plant in the first year itself after having successfully implemented new systems.

Mr. Vishwanath Mohan, Director (Defence Business)

Mr. Vishwanathan Mohan, 57 years of age joined our Board with effect from April 13, 2007. He is a Mechanical Engineer from Madurai University and has been a part of our Company since 1974. He dealt with various projects relating to manufacturing, defence planning and production. After gaining experience in the corporate office as head of Corporate Purchase Cell and before becoming a Director of our Company he held the post of Chief General Manager at KGF Complex. Further, he is on the board of directors of Vignyan Industries Limited

Mr. Mohammed Haleem Khan, Part-time Director

Mr. Mohammed Haleem Khan, 54 years joined our Board with effect from March 5, 2004. He is an Indian Administrative Services officer belonging to the 1977 batch. He holds a masters degree in Physics. He started his career as a lecturer in Physics. He has vast and varied experience having held important posts in various capacities including finance. To mention a few, until recently he was the Commissioner National Capital Region and Additional Chief Executive – New Okhla Industrial Development Authority and earlier he was the Principal Secretary, U.P. State, U.P. State Re-organisation Department; Commissioner, Kanpur Division; Labour Commissioner, Kanpur; Secretary, U.P. State Department of Rural Development; Secretary, U.P. State Land Development and Water Resources; Secretary, U.P. State Women Welfare and Child Development; Commissioner Bareilly Division, U.P. State; Director, Handlooms and Textiles, Kanpur; Managing Director, U.P. Small Scale Industries Corporation, Kanpur; District Magistrate and Collector, Sitapur District. He has published number of papers in the national and international forums on subjects / issues like “Expenditure Framework” for sub-national government at a workshop organised by World Bank Institute, Approach Paper titled “Minority Issues and State Intervention”, Preparation of Transport Perspective Plan for the State Government of U.P. He has undergone training in the subjects’ viz., Comprehensive package on Public Administration, Management, Industrial and Economic Policy, Enrichment of Personal and Professional life of Chief Executives, Project Formulation Management and Implementation. His achievements in the area of Re-engineering of Policies, Programs and Organisation have been taken note of and accorded national and international recognition.

Dr. Mrs. Kiran Chadha, Part-Time Director

Mrs. Chadha, 56 years joined our Board with effect from September 18, 2006. She holds a Doctorate in the Nationalisation of Oil & Petroleum Industry. Her qualifications include a Master of Philosophy in Social Sciences, an M.A in History and a Degree in Law. Prior to joining our Company, she was a director, International Co-operation in the Ministry of Defence. She has also held various posts such as director (Administration & Child and Woman Labour), director (Foreign Trade), director (Administration) and secretary (ICCW), joint director (Administration), director of Estates, deputy secretary and under secretary. She represented India as a delegate, for Inter Governmental Group of Experts on Iron Ore conducted by UNCTAD at Switzerland and led the Indian team on bilateral trade talks between India and Japan held at Tokyo. She is a recipient of Shreshtha Putri Award from the Governor of Himachal Pradesh in 2000. She was featured in Asia-Pacific who’s who Vol.II 1999. Her name was included in the eighth edition of International Directory of Distinguished Leadership released in 1998. She was also nominated as a director on the board of advisors by ABI, North Carolina, USA

Mr. A. Prasad, Part-Time Director

Mr. Prasad, 66 years joined our Board with effect from January 17, 2006. He is a Post Graduate in Economics from the Delhi School of Economics. Prior to joining our Company, he retired from the post of Member (Finance) and Ex-officio Secretary to the Government of India, Telecom Commission in the year 2001. In his capacity he was actively involved in conceiving and steering the Government’s initiative to build a competitive regime in the

telecom sector which resulted in technological up gradation of services, introduction of new services and reduction in tariff. Mr. A. Prasad was Additional Secretary and Financial Advisor in the Ministry of Steel and Mines, Joint Secretary in the Ministry of Industry, Deputy Director General in Telecom and Financial Advisor in railways. In these assignments he was associated as a board member with a large number of Schedule-A public sector undertakings like the Steel Authority of India, Kudremuch Iron-Ore Company, Hindustan Copper Limited, Hindustan Zinc Limited, National Aluminium Company, Heavy Engineering Corporation, Mining and Allied Machinery Corporation, etc. He was also acting Chairman of Steel Authority of India and Kudremuch Iron-Ore Company. In the year 1999, Mr. Prasad addressed the World Economic Forum meet in Washington, USA to acquaint the participants with the process of opening up of the telecom sector and its enormous social and economic implications. In the year 2001, Mr. Prasad received the “Avantika” Life-Time National Service Award for making a contribution to the harnessing of the telecom revolution for the benefit of the masses. In the year 2002, he received recognition from the Railway Staff College, Vadodara as their “Distinguished Alumnus” for outstanding service rendered in various fields within and outside the railways. From the year 2001 to 2003, Mr. Prasad headed the National Institute of Financial Management, Faridabad, a training, research and consultancy organisation set – up by the government for training of all-India finance and civil services. Mr. Prasad has authored many articles in his professional career. He has recently authored a book entitled “Fossils of Governance: A Journey” published by the Konark Publishers Private Limited.

Prof. Prakash G. Apte, Part-Time Director

Mr. Apte, 60 years joined our Board with effect from January 17, 2006. He is a Bachelor of Technology from the Indian Institute of Technology, Bombay. He holds a Doctorate in Economics from the Columbia University, USA and a Post Graduate Diploma in Management from the Indian Institute of Management, Kolkata. He was an instructor in Economics in Vassar College, Columbia University and a consultant at Edison Electric Institute, New York. He is an UNDP fellow in Computer Aided Management, University of Florida. He was chairman of the Academic Council of the CFA program of ICAI and Member of the Index Committee and Curriculum Formulation and Testing Committee for Derivative trading at NSE. He has published several books and articles on wide ranging topics. He is presently the director of the Indian Institute of Management, Bangalore.

Mr. Birendra Kumar, Part-Time Director

Mr. Kumar, 64 years joined our Board with effect from January 17, 2006. He is a Master of Science in Mathematics and a Certified Associate of the Indian Institute of Bankers. He has attended training and seminars in India and overseas. Mr. Kumar has held a number of challenging positions in India and abroad over a span of 36 years in State Bank of India. A few of Mr. Kumar’s assignments are Private Secretary to Chairman and Secretary, Central Board; State Bank of India, Representative, Washington; President and Chief Executive Officer, SBI (California) and Agency, Los Angeles; MD & CEO, SBI Capital Markets Limited; and Dy MD & Chief Credit Officer, SBI, Mumbai. Post his retirement from SBI, Mr. Kumar was Advisor, Financial Advisory Services, Price Waterhouse Coopers (Private) Limited, Mumbai till February end 2007. Mr. Kumar has thus varied experience in different aspects of banking such as commercial banking, international banking, investment banking and financial advisory. Mr. Kumar has since joined International Asset Reconstruction Company Private Limited as Managing Director & Chief Executive Officer.

Mr. KVK Seshavataram, Part-Time Director

Mr. Seshavataram, 65 years joined our Board with effect from January 17, 2006. He is a qualified Chartered Accountant, Cost Accountant and a Company Secretary. Prior to joining our Company, he had served in the private sector for eleven years and thereafter served PSEs for twenty four years rising to the level of chairman and managing director of Hindustan Zinc Ltd. He was a Member of the Industrial Advisory Panel of the International Lead and Zinc study group and director of the Executive Committee of the International Zinc Association, Brussels. He was also a member of the executive board of Standing Conference of Public Enterprises.

Mr. Arabinda Tripathy, Part-Time Director

Mr. Tripathy, 62 years joined our Board with effect from June 28, 2006. He is a Master of Science in Operational Research from the London School of Economics. He also holds a Bachelors Degree in Technology in Mechanical Engineering from the Indian Institute of Technology, Kharagpur. He holds a Doctorate in Operational Research from the London School of Economics, a Post Graduate Diploma in Business Management from Xavier's Labour Relations Institute, Jamshedpur. Prior to joining our Company, he worked with Tata Iron and Steel Company Limited in the area of Project Feasibility study and Management of Energy and Utility Services. He also worked as an Associate Professor in the Indian Institute of Management during the year 1981 and rose to the level of Professor. He was awarded various prizes/ fellowships such as Third World Prize in 1993 by the International Federation of Operational Research Societies, Portugal, J.N. Tata Endowment Award during the year 1975-76 and the Indo-EEC Exchange Fellowship at London Business School during the period January-June, 1990. He has published several books, monographs and papers on wide ranging topics.

Mr. Shrinivas Narayan Chary, Part-Time Director

Mr. Chary, 65 years joined our Board with effect from June 28, 2006. He is a Master in Technology (Honours) in Chemical Engineering from the Indian Institute of Technology, Mumbai. He also holds a Degree in M.S and M.B.A from the University of Rhode Island, USA. He was a professor at the Indian Institute of Management, Bangalore in the area of Operations Management. He has been a faculty member of the Indian Institute of Management, Bangalore for over 25 years. He is also attached to the Energy Sector at the institute. Prior to joining our Company, he was a director at the Kirloskar Institute of Advanced Management Studies, Karnataka from 1997-1999. He has conducted various management consulting assignments that include Organisational Restructuring, rationalisation and designing the entire Human Resource Management package for the Department of Telecommunications, evaluation of self-employment programmes of the Government with the State Bank of India, Materials Management, Organisational Restructuring and policy study for the Indian Navy during the period 1987-88. He has published/ authored several books, articles and papers on a wide range of topics.

Mr. Nalini Ranjan Mohanty, Part-Time Director

Mr. Mohanty, 62 years joined our Board with effect from June 28, 2006. He is an Engineering Graduate from the Regional Engineering College, Rourkela. Prior to joining our Company, he served as a chairman of Hindustan Aeronautics Limited till November 2004. He was managing director of Hindustan Aeronautics Limited, Nasik and director (Personnel) since August, 1994. He has also served as a lecturer in Mechanical Engineering at the Regional Engineering College, Rourkela. He was the president of the Aeronautical Society of India, a fellow of the Institution of Engineers (India) and a member of the Advisory Committee of Standing Conference of Public Enterprises. He is a member of the Defence Committee of the Federation of Indian Chamber of Commerce and Industries. He was bestowed with the Best Alumni Award by the Regional Engineering College, Rourkela in 1978. He was also conferred with various other awards viz. Indira Gandhi Sadbhavana Award, Rashtriya Ratan Award, Visveswaraya Samman, Ugadi Purashkar 2003 and Ruchi Bharat Gaurav Samman Award. He received the Outstanding Chief Executive of the Year 2002-03 award from the Indian Institution of Industrial Engineering for his services to the nation. He was bestowed with the Padma Shree award by the Government of India for his contribution in the field of Science and Technology.

Mr. Jayanta Kumar Bagchi, Part-Time Director

Mr. Bagchi, 67 years joined our Board with effect from June 28, 2006. He holds a Masters Degree in Science and Law. He was awarded a Ph.D. by the Guwahati University, Assam in Regional Cooperation among Jute Producing Countries. He also holds a Masters of Philosophy Degree in Development Studies from the University of Cambridge (U.K) in Raw Jute Production and Rural Development in West Bengal. He joined the Indian Administrative Service in 1963. He was instrumental in the formulation of Economic and Regulatory Policy of Jute Industry related to production, consumption, export and import of jute/ jute goods, monitored bilateral jute agreements and negotiated the jute agreement at Brussels. He represented India in FAO in Governmental Group Meetings. He was Secretary in the Ministry of Steel during the period 1995-97. He was also a member of the Regional Consultative Mission under ESCAP at Bangkok during the year 1981. He was bestowed with the Padma Shree award by the President of India for his services.

Borrowing powers of the Board

The Articles of Association of our Company authorises the Board to borrow, the extract of which is as follows:

Power to Borrow:

“RESOLVED that consent, under section 293 (1) (d) of the Companies Act, 1956 and the Articles of Association of the Company be and is hereby accorded to the Board of Directors to borrow any sum or sums of money from time to time which together with the money already borrowed by the Company (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) may exceed at any time the aggregate of the paid-up capital of the Company and its free reserves by a sum not exceeding Rs. 75 crores and that the Board of Directors be and are hereby empowered and authorised to arrange and fix the terms and conditions of such monies to be borrowed from time to time”

Compensation of our Directors

(i) Pay Scale of Managing Director/Whole-Time Director as on date of their appointment

Name of the Director	Date of Appointment Letter	Tenure	Scale of pay as per Appointment Letter (in Rs.)
Mr. V.R.S. Natarajan	August 29, 2002	5 years	27,750- 750- 31,500
Mr. Bhushan Lal Bajaj	June 6, 2006	5 years	25,750- 650- 30,950
Mr. Ravindra Kumar Rustagi	March 7, 2006	5 years	25,750- 650- 30,950
Mr. R.C. Suthar	July 1, 2001	Till date of superannuation that is May 31, 2007	25,750- 650- 30,950
Mr. N.K. Sreenivasan	January 27, 2005	Till the date of superannuation being February 28, 2008	25,750- 650- 30,950
Mr. Vishwanath Mohan	April 13, 2007	Till the date of superannuation or until further orders	25,750- 650- 30,950

(ii) Whole-Time Directors:

The remuneration payable to Whole-Time Directors is fixed by the Central Government. The remuneration payable to Whole-Time Directors for the financial year 2006-07 was as follows:

(In Rs.)

Sr. No	Name of the Director	Salary	Benefits	PF Contribution	Perquisites	Total
1.	Mr. V. RS. Natarajan	5,96,607	14,244	64,667	1,69,130	8,44,648
2.	Mr. Rabindra Kumar Rustagi	6,34,573	1,723	75,719	1,40,691	8,52,706
3.	Mr. N.K. Sreenivasan	5,23,352	77,432	62,373	25,856	6,89,013
4.	Mr. Ramesh C. Suthar	5,81,613	2,28,506	69,363	1,04,094	9,83,576
5.	Mr. Bhushan Lal Bajaj	3,24,085	3,00,233	38,638	64,324	7,27,280
6.	Mr. Vishwanath Mohan*	5,19,615	-	54,696	68,253	6,42,564

* Mr. Vishwanath Mohan was appointed as Director of our Company *vide* appointment letter dated April 13, 2007 from the Government of India, Ministry of Defence and thus the remuneration stated above is for the Fiscal year 2007-2008

(iii) Part-Time Directors

Our eligible Part-Time Directors are paid a sitting fee of Rs. 10,000/- for every Board and Committee meeting they attended with effect from May 28, 2007.

Shareholding of our Directors in our Company

As per our Articles, our Directors are not required to hold any Equity Shares in our Company. The following Directors of our Company hold Equity Shares on behalf of the President of India:

Name of the Director	No. of Equity Shares
Mr. V. RS. Natarajan	100
Mr. Mohmmad Haleem Khan	100

These shares are held by the aforesaid Directors in their capacity as nominees of GoI.

Changes in our Board of Directors during the last three years

The changes in our Board of Directors during the last three years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Mr. Vishwanathan Mohan	April 13, 2007	-	Appointment
Dr. Mrs. Kiran Chadha	September 18, 2006	-	Appointment
Mr. Bhushan Lal Bajaj	September 1, 2006	-	Appointment
Mr. Jayanta Kumar Bagchi	June 28, 2006	-	Appointment
Mr. Shrinivas Narayan Chary	June 28, 2006	-	Appointment
Mr. Nalini Ranjan Mohanty	June 28, 2006	-	Appointment
Mr. Arabinda Tripathy	June 28, 2006	-	Appointment
Mr. A. Prasad	January 17, 2006	-	Appointment
Prof. Prakash G. Apte	January 17, 2006	-	Appointment
Mr. Birendra Kumar	January 17, 2006	-	Appointment
Mr. KVK Seshavataram	January 17, 2006	-	Appointment
Mr. Ravindra Kumar Rustagi	April 3, 2006	-	Appointment
Mr. N.K. Sreenivasan	January 28, 2005	-	Appointment
Mr. Mohammad Haleem Khan	March 5, 2004	-	Appointment
Mr. V.S. Venkatanathan	April 1, 2001	November 30, 2006	Retirement
Mr. V. Somasundaran	December 30, 2005	September 18, 2006	Resignation
Mr. Prithvijit Mazumdar	April 1, 2002	September 1, 2006	Retirement
Mr. Alok Perti	October 20, 2005	December 30, 2005	Relinquishment
Mr. Tapan Ray	November 27, 2002	October 20, 2005	Relinquishment
Mr. Papanna Sathyanarayan	July 1, 2003	July 21, 2005	Reversion <i>vide</i> Government Order dated July 21, 2005.
Mr. APVN Sarma	January 31, 2002	February 22, 2005	Resignation
Late Mr. Nagaraja Kurpad Annappa	May 1, 2002	March 22, 2004	Demise
Mr. Abhijit Basu	February 2, 1999	January 20, 2004	Resignation

Corporate Governance

The Equity Shares of our Company are listed on the BSE, NSE and BgSE and we have entered into listing agreements with the respective stock exchanges. The SEBI Guidelines are applicable to our Company. Our Company is compliant with the corporate governance code as per Clause 49 of the listing agreement(s). Our Company is presently complying with and undertakes to continually comply with such provisions, including with respect to the appointment of independent directors to our Board and the constitution of the Audit Committee, Investor's Grievance Committee and Share Transfer Committee.

All committees of the Board like Audit Committee, Share Transfer Committee and Investor Grievance's Committee that are required under the code of corporate governance have been constituted since long and all meetings are held regularly.

The Board has fifteen Directors including Chairman and Managing Director, of which five are whole-time Directors and ten part-time directors appointed by the Ministry of Defence, Government of India.

The following committees have been formed in compliance with the corporate governance norms:

Audit Committee

In accordance with the new section 292A inserted in the Companies Act, 1956 by the Companies (Amendment) Act, 2000, our Board of Directors in its meeting held on September 21, 1992 constituted the Audit Committee consisting of Dr. R. Krishnan, Mr. BGR ESK Murthy, M.N Krishnappa and Mr. J.B. Diwale. The present members of the Committee are as follows:

Name of the Director	Designation
Mr. A. Prasad	Chairman, Part-Time Director
Mr. Mohammed Haleem Khan	Member, Part-Time Director
Mr. Birendra Kumar	Member, Part-Time Director
Mr. KVK Seshavataram	Member, Part-Time Director

The Audit Committee evaluates internal audit policies, plans, procedures and performance and reviews the other functions through various internal audit reports and other year-end certificates issued by the statutory auditors. Quarterly and Annual Accounts are reviewed by the Audit Committee, prior to their presentation to the Board along with the recommendations of the Audit Committee. Besides, Audit Committee is authorized to exercise all such powers as are required under the amended Clause 49 of the Listing Agreement.

The duties and powers of the audit committee are as per the guidelines set out under clause 49 of the Listing Agreement read with section 292A of the Act.

Remuneration Committee

Since our Company is a public sector undertaking, salary and perks of Directors are fixed by the GoI. Department of Public Enterprises constituted by the GoI goes into this aspect and thereafter fixes the remuneration. In view of this, we have not constituted a separate Remuneration Committee.

Investor's Grievance Committee

Our Board of Directors in its meeting held on June 30, 2000 constituted Investor's Grievance Committee consisting of Mr. Abhijit Basu, Mr. J.B Diwale and Mr. K.C Medapa as Compliance Officer. The members of the Committee as on date of filing this Red Herring Prospectus with SEBI are:

Name of the Director	Designation
Mr. Prakash Apte	Chairman, Part-Time Director
Mr. B.L. Bajaj	Member, Director-Finance

The Committee is authorised to primarily maintain a close watch on the investor's complaints and take steps to resolve the same to the satisfaction of the investors. During the year the ended March 31, 2007 we had received 60 complaints from investors including those received through SEBI and all 60 have been resolved. Complaints vary from allotment/ transfer of shares to non-receipt of dividend, etc. All complainants/ requests received from the shareholders are attended expeditiously within 30 days from the date of receipt. Mr. K.C. Medapa is the Compliance Officer to this Committee.

Share Transfer Committee

Our Board of Directors in its meeting held on May 4, 1992 constituted Share Transfer Committee consisting of Mr. J.B Diwale, Dr. K. Aprameyan and Mr. BGR Murthy as its first members of the Committee. The members of the Committee as on date of filing this Red Herring Prospectus with SEBI are:

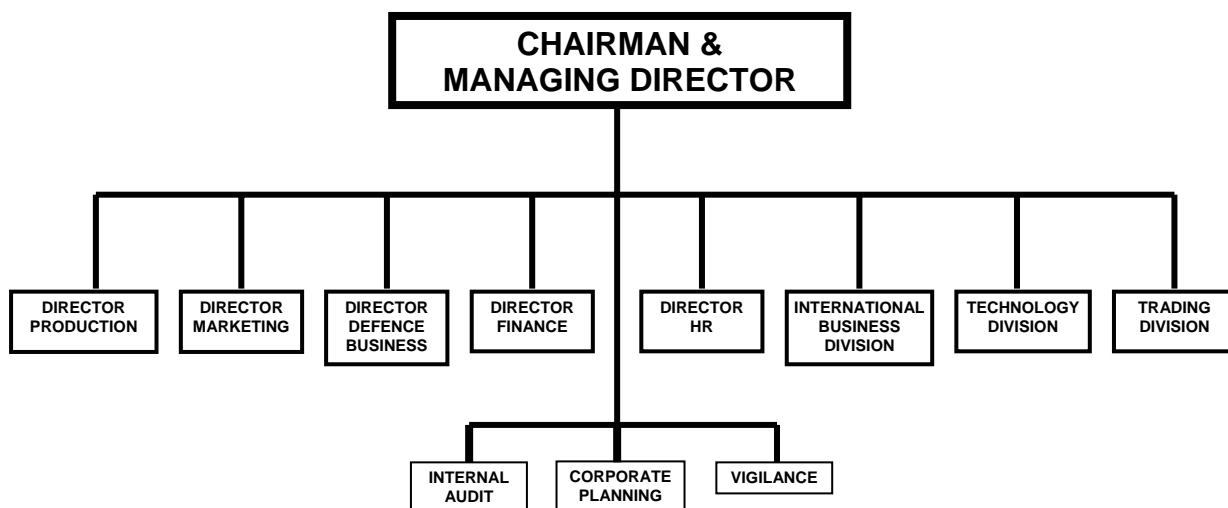
Name of the Director	Designation
Mr. R. C. Suthar	Chairman, Director-Production
Mr. R.K Rustagi	Member, Director-Human Resources
Mr. B.L Bajaj	Member, Director-Finance

The Committee held 20 meetings as on May 29, 2007. All the shares lodged for transfer, transmission, transposition, etc. were completed within 21 days of it being lodged subject to no-objections being raised by the seller on reference.

Code of Insider Trading

According to the regulation 12 of the SEBI (Prohibition of Insider Trading) Regulations, 1992, we have framed a code of conduct for directors and senior management which was approved by the management on March 9, 2004.

Organisation Structure



Key Managerial Personnel

The Key Managerial Personnel of our Company other than our Whole-time Directors comprise of the following employees:

Name	Age (Years)	Designation	Year of Joining	Qualifications	Prior Experience
Gautam Sen	53	Executive Director-Finance	August 29, 2005	M.COM, ICAI, ICWAI	1. Mira Kavitharaj (P) Ltd. 2. Gupta & Co. 3. Bharat Brakes & Valves Ltd. 4. Poysha India Co Ltd. 5. Hindustan Cables Ltd. 6. GSFC Ltd.
Krishna Reddy, AR	50	Executive Director-Rail	December 13, 2005	B.Tech (Mech), ME (IC Engines), Diploma in Quality Management, M.Phil, MDPA	1. Southern & West Central Railways 2. ICF 3. M/s RITES
Ramamurthy V	58	Executive Director-Defence	March 1, 1986	BE (Mech), ICWA (Inter)	1. Hindustan Aeronautics Ltd. 2. Ashok Leyland Limited
Abhijit Chatterjee	52	Chief General Manager – Finance	April 2, 1994	BCom (Hon), CA	1. Oil India Limited 2. India Steamship & Co. Ltd.
Ramana V.V.	57	Chief General Manager – Marketing-Finance	August 17, 1998	BCom, LLB, CA	1. Dredging Corporation of India Ltd. 2. Hindustan Cables 3. Bharat dynamics Ltd. 4. Bharat Heavy Electrical Ltd.
Pitchaiah M.	53	Chief General Manager – Finance	October 1, 2004	B.Com, CA	1. HMT Ltd. 2. AUMA (India) Ltd. 3. Hindustan Aeronautics Limited
Poongavanam M	56	Chief General Manager – Marketing	April 25, 1975	BE (Mech), PGD (MGMT) – IIM	1. Madras Port Trust
Subrat Kumar DAS	55	Chief General Manager	June 6, 2005	B.Sc. (Engg), PGD(Mech) – IIT, Madras	1. Hindustan Aeronautics limited 2. Rane Madras Ltd.
Dwarakanath P	50	Chief General Manager-SBU Head-Metro	November 12, 1979	B.Tech (Mech)	1. SBU Head-Metro
Chamola VM	47	Chief General Manager-HR	November 8, 2005	MA (Electronics), LLB, MBA	1. NJPC 2. NTPC, SSTPS, Shaktinagar 3. HAL

Durgesh CN	51	Chief General Manager (SBU-Spares and Service)	May 8, 1987	M.Tech (Industrial Engineering)	Nil
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The key managerial personnel whose names appear above are permanent employees and are on the rolls of our Company. None of the above mentioned key managerial personnel are related to each other. None of the key managerial personnel are appointed pursuant to any arrangement or understanding with major shareholder, customer or supplier.

Remuneration of Key Managerial Personnel

The remuneration of Key Managerial Personnel for the year 2006-2007 is as follows:

Sr. No.	Name of the Key Managerial Personnel	Total remuneration (in Rs.)
1.	Mr. Gautam Sen	7,77,377
2.	Mr. Krishna Reddy, AR	6,46,599
3.	Mr. Ramamurthy V	5,82,910
4.	Mr. Abhijit Chatterjee	4,09,050
5.	Mr. Ramana V.V.	6,52,557
6.	Mr. Pitchaiah M.	6,41,914
7.	Mr. Subrat Kumar Das	5,39,398
8.	Mr. Dwarakanath P	5,25,254
9.	Mr. Chamola VM	9,28,331
10.	Mr. Durgesh CN	6,01,686
11.	Mr. M. Poongavanam	5,63,683

Changes in our Key Managerial Personnel during the last one year

The following table shows the changes in the key managerial personnel except our Directors in the last one year:

Name of the employee	Designation	Date of Change	Reasons for change
Prakash M.V.	Chief General Manager	April 30, 2007	Retired
V. Mohan	Chief General Manager	April 13, 2007	Appointed by the GoI as Director (Defence Business)
Dr. R. Jaganathan	Chief General Manager- Engine Division	April 4, 2007	Personal reasons
Manivelan E	Chief General manager	March 31, 2007	Retired
Subba Rao P	Chief General Manager – Marketing	February 28, 2007	Retired
Venugopal M.R.	Chief General Manager – HR	February 28, 2007	Appointed by the GoI as Director (HR) of Heavy Engineering Corporation
P. Ramakrishna	Chief General Manager – Corporate	September 30, 2006	Retired

Shareholding of Key Managerial Personnel of our Company

None of the Key Managerial Personnel in our Company hold any shares of our Company as on the date of filing of this Red Herring Prospectus

Interest of Directors and Key Managerial Personnel

No amount or benefit has been paid or given within two preceding years or are intended to be given to any of our Directors or Key Managerial Personnel except the normal remuneration for services rendered as Officers or employees.

Bonus or Profit Sharing Plan of Key Managerial Personnel

Our Company does not have any bonus or profit-sharing plan for our Key Managerial Personnel.

OUR PROMOTER, SUBSIDIARY AND GROUP COMPANIES

Promoter

Our Promoter is the Ministry of Defence, Government of India represented through the President of India.

Payment or benefit to Promoters of our Company

There is no payment or benefit to be given to the Promoter of our Company other than being a shareholder of our Company.

Currency of Presentation

Throughout this Red Herring Prospectus unless the context otherwise requires all references to “Rupees” / “Rs.” is the legal currency of the Republic of India.

Subsidiaries

We have one subsidiary company namely, Vignyan Industries Limited (VIL).

VIL was incorporated and registered as a private company *vide* certificate of incorporation on September 25, 1963 under the registration no. 1510 of 1963. Subsequently, VIL was converted into a public company *vide* its fresh certificate of incorporation obtained on January 23, 1966. VIL became a subsidiary of BEML during the year 1985 by transfer of shares constituting over 75% from the GoK.

The authorised share capital of VIL is Rs. 38,000,000 divided into 380,000 equity shares of Rs.100/- each. Currently, we hold 96.56% of equity shares of VIL. The remaining shares are held by the public. VIL has its registered office situated at Haliyur Village, BH Road, Tarikere - 577228. The equity shares of VIL are not listed on any stock exchange.

VIL was referred to the Board for Industrial Finance and Reconstruction (BIFR) under the Sick Industrial Companies (Special Provisions) Act, 1985 by virtue of erosion of its networth in the year 1994.

Accordingly, a scheme of revival was sanctioned on June 6, 1995 by BIFR. According to the scheme the trade advances of Rs. 588.16 lakhs would not be written back in VIL's books. The repayment would start after VIL's networth becomes positive. The BIFR board *vide* its letter dated September 5, 2001 had asked the Central Board of Direct Tax (CBDT) to take pragmatic view and consider VIL's request for the grant of exemptions under section 41(1) of the Income Tax Act, 1961. CBDT through its letter dated September 18, 2002 had exempted Rs. 497.65 lakhs from being taxed under the said section subject to certain conditions being fulfilled by VIL. VIL had complied with the conditions and the same was adjusted in the profit and loss account for the year ended March 31, 2003.

At present, VIL is a profit making company recording a net profit after tax of Rs. 65.9 lakh for the year ended March 31, 2006.

The activities carried on by VIL include mainly manufacturing of wide range of steel castings. It meets about 80% of our casting requirements. VIL also supplies castings to diverse sectors including Bharat Heavy Electricals, Indian Railways, KCP Limited, etc. It has also developed stainless steel castings upto 500 kilograms single piece.

The board of directors of VIL: (as on March 31, 2006)

Sr. No.	Name	Designation
1.	Mr. R. C. Suthar	Chairman
2.	Mr. C. Keshavamurthy	Director
3.	Dr. M. N. Srinivasan	Director

4.	Mr. Pitchiah	Director
6.	Mr. V. Mohan	Director

Financial Performance

(Rs. in Lakhs)

For the period ended	March 31, 2006	March 31, 2005	March 31, 2004
Total Income	2,486.6	1,885.2	1,310.3
Profit (Loss) after Tax	65.9	42.0	1.2
Equity Share Capital	279.0	279.0	279.0
Reserves (excluding revaluation reserves)	172.3	106.4	64.3
Earnings per share (Rs.)	23.62	150.7	4.3
Book Value per share (Rs.)	161.76	138.14	123.05

Joint Venture Company

We have formed a Joint Venture Company, namely BEML Midwest Limited (“**BML**”) in which our Company holds 45% of the equity capital.

BML was incorporated and registered as a public limited company *vide* certificate of incorporation on April 18, 2007 under the registration no. U13204AP2007PLC053653/2007-2008.

The authorised share capital of BML is Rs. 100,00,00,000 divided into 100,00,000 equity shares of Rs.10/- each. Currently, we hold 45% of equity shares of BML. The remaining shares are held by the joint venture partner that is Midwest Granite Private Limited. BML has its registered office situated at No. 6-3-802, Zainab Commercial Complex, Ameerpet, Hyderabad 500 016. The equity shares of BML are not listed on any stock exchange.

The main objects of the company as stated in the Memorandum of Association of BEML Midwest Limited are as follows:

1. To carry on the business of prospecting, exploring, opening and working Mines, drill and sink shafts or wells and to pump, refine, raise, dig and quarry for coal, iron ore, Gold, Rare Earths, magnese, earth limestone, aluminium, titanium, mica, apalite, chrome, copper, gypsum, tin, zinc, bauxite and tungsten and other ores and minerals and process the same.
2. To acquire quarries and mines of coal, iron ore, Lime Stone, Gold, Rare Earths, Industrial Minerals, Granite Stones and stones of all kinds, either on lease or purchase from the Government, Quasi Governments, individuals, firms or companies and quarry the same directly or through contractors and to manufacture materials from waste quarry materials To acquire and manufacturing unit manufacturing processing, developing or otherwise deal with coal, iron ore, Lime Stone, Gold, Rare Earths, Industrial Minerals of all kinds.
3. To carry on the business of and to undertake design, development, manufacture, import, Export and deal in all kinds of machinery including machinery for Coal, Iron ore, Gold, Rare Earths and natural stone industry and to act as contractors, engineers, surveyors, consultants, advisors in the field and to acquire design or technical know-how and to do the jobs or turnkey projects or otherwise including design and performance testing and to enter into, provide/ obtain consultancy on turnkey basis, to have tie-up with any person in or outside India including a firm, Company or any organization and to crush, win, get, quarry, smelt, calcine, extract, recover, obtain, procure, refine, amalgamate, process and preparefor market-ore, metal mineral and mineral substances of all kinds, whether from the earth-beds, outer-space, river or sea and to carry on any other metallurgical operations.

4. To produce or otherwise engage generally in the production, sale and disposal of minerals, coal, iron ore, Gold, Rare Earths, limestone, copper, zinc, manganese, aluminium, titanium, mica, apalite, chrome, bauxite and its by products.’

The board of directors of BML: (as on May 28, 2007)

Sr. No.	Name	Designation
1.	Mr. V. RS, Natarajan	Chairman
2.	Mr. Raghava Reddy	Director
3.	Mr. M. Poongavanam	Director
4.	Mr. Haranath Babu	Director
5.	Mr. B.L. Bajaj	Director
6.	Mr. Aja Babu	Director
7.	Mr. Thirupathi Rao	Director

Group Companies

Our Company is listed on The Bombay Stock Exchange Limited, the National Stock Exchange of India Limited and Bangalore Stock Exchange Limited. We have filed periodic statements regarding our financial results and shareholding pattern with the above mentioned Stock Exchanges and the Registrar of Companies for the last three years and such statements are available on the websites of the respective regulators on a common e-filing platform. Also, we have in place an investor grievance handling mechanism which includes meeting of “Shareholders / Investors’ Grievance Committee” at frequent intervals, appropriate delegation of powers by our Board with regard to share transfer and clearly laid out systems and procedures for timely and satisfactory redressal of investor grievances, hence in terms of Clause 6.3 of the SEBI Guidelines we are exempt from disclosing information in respect of entities not covered under Section 370 (1)(B) of the Companies Act.

Common Pursuits

There are no common pursuits between us and our Subsidiary

Related Business transactions within our Subsidiary

Except as mentioned in the section titled “Auditors’ Report to the Restated Unconsolidated And Consolidated Financial Statements” beginning on page 112 of this Red Herring Prospectus there are no related business transactions within the group.

Sales or Purchases between our Company and our Subsidiary

There have been no sales or purchases between companies in the Group exceeding in value in the aggregate 10% of the total sales or purchases of our Company.

SECTION V – FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE RESTATED UNCONSOLIDATED AND CONSOLIDATED FINANCIAL STATEMENTS

Auditors' Report to the Restated Unconsolidated Financial Statements

TO,

**THE BOARD OF DIRECTORS
BHARAT EARTH MOVERS LIMITED
BEML SOUDHA
BANGALORE**

Re: Follow on Public Offering of Equity Shares by Bharat Earth Movers Limited

Dear Sirs,

We have examined the financial information contained in the statements annexed to this report which is proposed to be included in the offer document being issued by Bharat Earth Movers Limited ("Company") in connection with the Follow on Public Offering of Equity shares in the Company, which has been prepared in accordance with:

- (a) Part II of Schedule II of the Companies Act, 1956 ("the Act")
- (b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ("the Guidelines") issued by the Securities and Exchange Board of India ("SEBI") on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications, and
- (c) In accordance with your instructions dated 09/02/2007 received from the company requesting us to carry out work in connection with the Offer Document to be issued by the company in connection with its Follow on Public Offering of Equity Shares (referred to as "the Issue").

We report as under:

A. FINANCIAL INFORMATION FROM AUDITED STATEMENTS

We have examined the attached restated balance sheets of the company as at 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005, 31st March 2006 and 31st December 2006 (Annexure II) and the attached restated statements of Profit and Loss account for each of the Years/period ended on those dates (Annexure III). (These are together referred to as 'summary statements').

These summary statements have been extracted from the audited financial statements for the Years ended 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005 and 31st March 2006 and the period ended 31st December 2006. These are adopted by the board of directors/members for the respective period/years.

We did not audit the financial statements of the Company for the years ended 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005 and 31st March 2006.. These financial statements have been audited by previous firms of Chartered Accountants and have been accepted by us in so far as it relates to the amounts included in these financial statements.

Based on our examination of these statements, we confirm that:

1. The summary statements of the company have been restated with retrospective effect to reflect the significant accounting policies of the company (as disclosed in Annexure I) as adopted by the company.

2. The schedules to the statements of Profit and Loss Account and the Balance Sheet are disclosed in Annexure IV.
3. The summary of notes to the financial statements of the company, as restated, for the years ended 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005 and 31st March 2006 and the period ended 31st December 2006 are disclosed in Annexure V.
4. There are no material adjustments relating to previous years which need to be adjusted in summary statement in the years to which they relate.
5. The qualifications in the Auditors Report (to the extent quantifiable as per Para 6.10.2.7(b)(i) of the Guidelines) do not, in our opinion, relate to incorrect accounting practice or failure to make provisions or other adjustments or incorrect accounting policy as detailed in Para 6.10.2.7) of the Guidelines.
6. There are no extra-ordinary items which need to be disclosed separately in the summary statements.

B. FINANCIAL INFORMATION FROM OTHER STATEMENTS

We have examined the following financial information relating to Bharat Earth Movers Limited, proposed to be included in the Offer Document, as approved by the Board of Directors/ members and annexed to this report:

- i) Statement of cash flows of the company for the years ended 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005 and 31st March 2006 and the period ended 31st December 2006 (enclosed as Annexure VI).
- ii) Summary of accounting ratios based on the adjusted profits relating to earnings per share, net asset value, capital employed and return on net worth (enclosed as Annexure VII).
- iii) Capitalisation statement of the company (enclosed as Annexure VIII).
- iv) Tax shelter statement (enclosed as Annexure IX).
- v) Details of items of other income (enclosed as Annexure X).
- vi) Details of dividends paid by the company (enclosed as Annexure XI).
- vii) Statement of Loans (enclosed as Annexure XII)

In our opinion, the financial information of the company, as attached to this report as mentioned in paragraphs (A) and (B) above, read with respective significant accounting policies after making groupings and adjustments as stated in notes to accounts have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.

This report is intended solely for use for your information and for inclusion in the Offer Document in connection with the proposed Issue of the company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For RAO ASSOCIATES
CHARTERED ACCOUNTANTS

G. SUDHINDRA
PARTNER
Membership No.: 26171
Place: BANGALORE
Date: 29th MARCH 2007

Annexure I: Significant Accounting Policies

1. Fixed Assets:

Capitalization and Depreciation:

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

2. Inventory Valuation :

- i) Raw materials, Components Stores and Spare parts are valued at Weighted Average Cost or estimated net realizable value, whichever is lower.
- ii) Work-in-progress is valued at actual cost of materials, labour and production overheads based on normative capacity or adjusted / estimated realisable value, whichever is lower.
- iii) Finished stock is valued at actual cost or estimated realisable value whichever is lower.
- iv) Estimated costs are considered wherever actual costs are not available.
- v) The cost is adjusted for decline in value by writing down the value based on specific identification. Further provision for obsolescence is made depending on movement.
- vi) Based on technical assessment, provision is made for revalidation/refurbishment of finished goods to reflect the current status thereof.
- vii) Scrap is valued at estimated realisable value.

3. Advances from customers :

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

4. Sales / Other Income :

- i) Sales set up for products viz., equipments, aggregates, attachments and ancillary products, is made when these are unconditionally appropriated to the valid sales contract after pre-despatch inspection by the specified authority.
- ii) Sales set up for long production cycle items, is reckoned based on technical estimates when the percentage of completion of each identifiable unit of contract including despatches with customers is 30% or more of the total realisable value of such contract or estimate. Such revenue recognition is restricted to 97.5% of the reckoned realisable value and the balance 2.5% is accounted on completion of the contract.
- iii) Sales set up for spares is based on despatches / customer acceptance against valid sales contracts.
- iv) Where sale prices are not established, sales are set up provisionally at prices likely to be realized.
- v) Sales include excise duty wherever applicable but excludes sales tax and transit insurance and is adjusted for anticipated price reductions from contractual obligations such as liquidated damages and de-escalation.
- vi) Duty drawback claims on exports are accounted on preferring the claims.
- vii) Claims for escalation are recognized on acceptance by the customer.
- viii) Where the contract provides for installation and commissioning and price for the same is agreed separately, revenue for installation and commissioning is recognized on conclusion of installation and commissioning. Where installation and commissioning fee is not separately stipulated, the estimated cost as technically assessed for such installation and commissioning to be incurred are provided for. However, the revenue for the product delivered is recognized.

5. Retirement Benefits:

- (i) Accruing liability towards gratuity is ascertained on actuarial valuation and remitted to a separate Trust Fund.
- (ii) Liability towards leave salary accruals is provided on the basis of Actuarial Valuation.

6. Accounting for Foreign Currency Transactions :

- i) Transactions in foreign currency are recorded in rupees by applying to the foreign currency amount the exchange rate existing at the time of the transaction.
- ii) The outstanding balances of monetary items relating to foreign currency transactions are stated in rupees by adopting the rate of exchange prevailing at the date of Balance Sheet. Exchange differences consequent to reinstatement are credited / charged to revenue.
- iii) The gain or loss in the conversion and / or settlement of liabilities incurred for acquisition of fixed assets is adjusted to the cost of related fixed assets.
- iv) Differences upon settlement of transactions, other than those covered by (iii) above are credited / charged to revenue.

- v) In the case of forward exchange contracts, the premium or discount arising at the inception of the contract is accounted for over the life of the contract. Exchange differences on such a contract are recognized in the statement of profit or loss in the reporting period in which the exchange rate changes.

7. Contractual Obligations :

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

8. Research & Development :

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

9. Prior Period Items :

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

10. Under / Over Absorption of Cost :

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

11. Taxes on Income :

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

12. Others :

- i) The cost of special tools and jigs is amortised over production based on technical assessment. The value is net as per books.
- ii) Hand tools are charged to expenses at the time of issue.
- iii) Expenditure incurred on purchase of Technical Know-how fee is amortised over a period of six years on technical assessment.
- iv) Small value items are charged to production at the point of purchase.
- v) Expenditure on Voluntary Retirement Scheme is treated as deferred revenue expenditure to be amortised over a period of five years.
- vi) Investments: Long-term investments are carried at cost. Permanent decline in the value of such investments is recognized and provided for. Current investments are carried at lower of cost and quoted / fair value.

ANNEXURE II: STATEMENT OF ASSETS & LIABILITIES, AS RESTATED

The statements of Assets & Liabilities of the Company as at December 31, 2006 and March 31, 2006, 2005, 2004, 2003, 2002 are set out below:

(Rs. in Lakhs)

PARTICULARS		As at	As at 31st March				
		31/12/2006	2006	2005	2004	2003	2002
ASSETS							
A	Fixed Assets						
	Gross Block	57,731.50	56,511.51	54,395.37	54,333.62	53,424.93	52,850.55
	Less: Depreciation	44,933.77	43,991.58	42,737.80	40,948.73	39,212.70	37,648.37
	Add: Capital WIP	2,839.34	889.79	625.08	177.67	346.67	83.70
	Net Block	15,637.07	13,409.72	12,282.65	13,562.56	14,558.90	15,285.88
B	Investments	252.64	252.64	252.64	278.65	662.54	784.42
C	Current Assets, Loans & Advances						
	Inventories	86,749.50	64,908.20	62,079.61	57,326.78	74,850.18	63,886.25
	Sundry Debtors	79,962.57	77,020.60	60,820.14	44,356.38	49,418.34	56,729.55
	Cash & Bank Balances	26,780.63	38,000.17	39,691.80	50,794.87	20,148.60	25,895.64
	Other Current Assets	1,219.66	649.26	1,450.45	1,266.11	936.39	440.98
	Loans & Advances	14,262.66	15,397.50	21,801.29	6,663.90	16,450.53	8,471.08
	Total Current Assets, Loans and Advances	2,08,975.02	1,95,975.73	1,85,843.29	1,60,408.04	1,61,804.04	1,55,423.50
D	TOTAL ASSETS	2,24,864.73	2,09,638.09	1,98,378.58	1,74,249.25	1,77,025.48	1,71,493.80
LIABILITIES							
A	Loan Funds						
	Secured Loans	9,928.55	2,488.27	7,554.02	3,148.27	3,129.61	28,088.30
	Unsecured Loans	0.00	0.00	0.00	180.25	219.80	1944.77
	Total Loan Funds	9,928.55	2,488.27	7,554.02	3,328.52	3,349.41	30,033.07
B	Deferred Tax Liability	809.88	112.88	264.07	1,557.88	2,106.34	2,599.44
C	Current Liabilities & Provisions						
	Current Liabilities	1,17,020.78	1,18,430.34	1,13,696.07	1,10,670.83	1,17,521.43	85,792.70
	Provisions	223.88	3,216.54	7,425.80	1,804.47	829.05	440.93
	Total Current Liabilities & Provisions	1,17,244.66	1,21,646.88	1,21,121.87	1,12,475.30	1,18,350.48	86,233.63
D	TOTAL LIABILITIES	1,27,983.09	1,24,248.03	1,28,939.96	1,17,361.70	1,23,806.23	1,18,866.14
	Net Assets	96,881.64	85,390.06	69,438.62	56,887.55	53,219.25	52,627.66

	Represented by :						
	Share Capital - (1)	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22
	Add: Free Reserves & Surplus -(2)	95,425.91	84,283.81	69,781.05	56,437.24	54,826.91	53,046.66
	Less: Miscellaneous Expenditure - (3)	(2,231.49)	(2,580.97)	(4,029.65)	(3,236.91)	(5,294.88)	(4,106.22)
	Net Worth - (1)+(2)-(3)	96,881.64	85,390.06	69,438.62	56,887.55	53,219.25	52,627.66
	Total Shareholders funds	96,881.64	85,390.06	69,438.62	56,887.55	53,219.25	52,627.66

ANNEXURE III: STATEMENT OF PROFIT AND LOSS, AS RESTATED

The statements of restated Profit and loss account of the Company as at December 31, 2006 and March 31, 2006, 2005, 2004, 2003, 2002 are set out below:

(Rs. in Lakhs)

PARTICULARS	As at	As at 31st March				
	31/12/2006	2006	2005	2004	2003	2002
INCOME						
Sales Less Excise Duty						
Manufactured products	123,785.09	172,814.96	143,571.11	139,529.41	130,679.76	111,451.93
Traded Products	24,760.00	33,139.00	29,708.00	27,689.00	26,432.00	23,457.00
Total	148,545.09	205,953.96	173,279.11	167,218.41	157,111.76	134,908.93
Other Income	3,623.20	7,117.31	5,878.10	4,306.41	5,550.76	1,681.37
Increase / (Decrease) in Work in Progress/ Finished Stock	7,461.69	(2,627.43)	2,994.30	(7,388.19)	5,898.56	1,195.21
Excise Duty on Closing stock	1,483.42	1,444.75	1,368.69	2,622.11	2,589.30	2,484.68
Total Income	161,113.40	211,888.59	183,520.20	166,758.74	171,150.38	140,270.19
EXPENDITURE						
Cost of Raw Materials & Spares consumed/ sold	101,940.64	127,623.64	103,505.53	105,319.15	111,449.33	90,318.12
Employees Remuneration & Benefits	25,647.48	33,357.04	35,616.37	34,678.21	33,407.06	32,562.34
Depreciation	978.36	1,412.37	2,299.00	1,828.79	1,930.59	2,213.76
Other Expenses	20,597.98	26,989.78	21,216.41	26,217.88	27,148.25	19,671.43
	149,164.46	189,382.83	162,637.31	168,044.03	173,935.23	144,765.65
Less: Expenditure other than materials allocated to Capital & Other Accounts	(5,400.44)	(6,484.08)	(6,485.60)	(6,383.29)	(6,922.04)	(8,006.12)
	143,764.02	182,898.75	156,151.71	161,660.74	167,013.19	136,759.53
Interest	300.28	461.30	178.72	148.41	299.54	2,226.15
Total Expenditure	144,064.30	183,360.05	156,330.43	161,809.15	167,312.73	138,985.68
Profit for the year	17,049.10	28,528.54	27,189.77	4,949.59	3,837.65	1,284.51
Prior Period Adjustments	-	(13.34)	(89.75)	(68.55)	50.69	(16.26)
Profit before Tax	17,049.10	28,541.88	27,279.52	5,018.14	3,786.96	1,300.77
Less: Provision for Tax (Including Deferred Tax and Fringe Benefit Tax)	5,907.00	9,849.32	9,751.19	2,576.13	1,176.90	765.58

	Profit after Tax available for appropriations	11,142.10	18,692.56	17,528.33	2,442.01	2,610.06	535.19
	Add: Profit brought forward from previous year	4,145.86	1,643.10	299.29	338.21	157.20	212.94
	Profit available for appropriation	15,287.96	20,335.66	17,827.62	2,780.22	2,767.26	748.13
	Appropriations:						
	Proposed Dividend	-	2,572.12	3,123.28	734.89	734.89	440.93
	Tax on Dividend	-	360.74	438.04	96.04	94.16	-
	Interim Dividend and Tax thereon	-	1,256.94	623.20	-	-	-
	General Reserve	-	12,000.00	12,000.00	1,650.00	1,600.00	150.00
	Balance transferred to Balance Sheet	15,287.96	4,145.86	1,643.10	299.29	338.21	157.20

ANNEXURE IV – SCHEDULES TO FINANCIAL STATEMENTS OF THE COMPANY

(Rs. in Lakhs)

		As at Dec 31	As at March 31,				
	Particulars	2006	2006	2005	2004	2003	2002
1.	Share Capital						
	Authorised:						
	10,00,00,000 Equity Shares of Rs. 10/- each	10,000.00	10,000.00	6,000.00	6,000.00	6,000.00	6,000.00
	(Prior to 2005-06 6,00,00,000 Equity shares of Rs.10/- each)						
	Issued :						
	3,70,00,000 Equity Shares of Rs. 10/- each	3,700.00	3,700.00	3,700.00	3,700.00	3,700.00	3,700.00
	Subscribed :						
	3,67,44,500 Equity Shares of Rs. 10/- each	3,674.45	3,674.45	3,674.45	3,674.45	3,674.45	3,674.45
	Add : Forfeited Shares	12.77	12.77	12.77	12.77	12.77	12.77
	TOTAL	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22
	Note : 60,63,000 Equity Shares of total value of Rs.6,06,30,000						
	have been issued for consideration other than cash						
2.	Reserves and Surplus						
	(a) Capital Reserve - Surplus on Sale of Assets						
	Balance as per last Balance Sheet	105.66	105.66	105.66	105.66	105.66	105.66
	(b) Research & Development Capital Grant						
	UNDP Grant	-	-	-	0.75	3.55	6.35
	Less: Transfer to Miscellaneous Income	-	-	-	0.75	2.80	2.80
		-	-	-	-	0.75	3.55
	(c) Securities Premium Account						
	Balance as per last Balance Sheet	10,401.66	10,401.66	10,401.66	10,401.66	10,401.66	10,401.66
	(d) Debenture Redemption Reserve						
	Balance as per Balance Sheet	-	-	-	-	-	1,050.00
	Less: Transferred to General Reserve	-	-	-	-	-	1,050.00
		-	-	-	-	-	-
	(e) Reserve for Nonimara Excellence Award	1.44	1.44	1.44	1.44	1.44	1.44
	(f) General Reserve						
	Balance as per last Balance Sheet	69,629.19	57,629.19	45,629.19	43,979.19	42,377.15	43,911.01
	Add: Transfer to General Reserve	-	12,000.00	12,000.00	1,650.00	1,600.00	150.00
	Add: Write back of excess provision of dividend					2.04	-
	Add: Transfer from Debenture Redemption Reserve					-	1,050.00
	Add/Less: Deferred Tax						(2,733.86)

		As at Dec 31	As at March 31,				
	Particulars	2006	2006	2005	2004	2003	2002
	Asset/Liability						
	TOTAL (f)	69,629.19	69,629.19	57,629.19	45,629.19	43,979.19	45,377.15
	(g) Balance in Profit & Loss Account	15,287.96	4,145.86	1,643.10	299.29	338.21	157.20
	TOTAL (a to g)	95,425.91	84,283.81	69,781.05	56,437.24	54,826.91	53,046.66
3.	Secured Loans						
	(a) Debentures						
	15%-25,00,000 Privately placed Non-Convertible (E-Series)	-	-	-	-	-	833.33
	Debentures of the face value of Rs.100 each to Army Group						
	Insurance Fund on 01.07.94 redeemable at the end of 6th,7th & 8th year in equal instalments, secured by a charge against certain fixed assets of the Company						
	(b) Loans from Banks						
	(Cash credit and short term credit availed from Banks						
	Secured by hypothecation of inventories (except those pertaining to railcoaches), book debts, receivables, other movable assets and plant & machineries etc.)	9,928.55	2,488.27	7,554.02	3,148.27	3,129.61	27,254.97
	TOTAL (a + b)	9,928.55	2,488.27	7,554.02	3,148.27	3,129.61	28,088.30
4.	Unsecured Loan						
	Fixed Deposits	-	-	-	180.25	219.80	1,933.97
	Debenture Interest accrued and due	-	-	-	-	-	5.11
	Deferred Payment Liabilities	-	-	-	-	-	5.69
	TOTAL	-	-	-	180.25	219.80	1,944.77
5.	Deferred Tax Liability						
	Balance as per last Balance Sheet	112.88	264.07	1,557.88	2,106.34	2,599.44	-
	Add: Net Deferred Tax Adjustment for the year	697.00	(151.19)	(1,293.81)	(548.46)	(493.10)	2,599.44
	TOTAL	809.88	112.88	264.07	1,557.88	2,106.34	2,599.44
6.	Capital Work-in-progress						
	Building etc., under construction	1,361.39	580.08	446.23	152.36	176.69	37.10
	Equipment under inspection & in transit	1,128.30	160.27	52.23	12.90	169.00	45.62
	Advances for Capital Expenditure	349.65	149.44	126.62	12.41	0.98	0.98

		As at Dec 31	As at March 31,				
	Particulars	2006	2006	2005	2004	2003	2002
	TOTAL	2,839.34	889.79	625.08	177.67	346.67	83.70
7.	Investments						
	(A) Non-Trading (Unquoted – fully paid up) – Long term (at cost)						
	(a) In Vignyan Industries Ltd., Subsidiary Company						
	2,69,376 Equity Shares of face value of Rs. 100 each	252.60	252.60	252.60	252.60	252.60	252.60
	(b) In Ordinary Shares of Co-operative societies						
	250 Shares of Rs. 10 each of BEML Consumer Co-operative Society Ltd., KGF	0.03	0.03	0.03	0.03	0.03	0.03
	10 Shares of Rs.100 each of Gulmohar Mansion Apartments Co-operative Housing Society Ltd., Bangalore	0.01	0.01	0.01	0.01	0.01	0.01
	(c) In Government securities:						
	National Savings Certificates	-	-	-	-	-	0.01
	(Deposited with Govt. Authorities / Banks)						
	(d) In Institutional Investment Special Funds Unit Scheme-UTI	-	-	-	-	115.64	115.64
	(e) In Tax Free Konkan Railway Bonds	-	-	-	-	10.00	10.00
	Total Non-Trading (Unquoted) Investments	252.64	252.64	252.64	252.64	378.28	378.29
	(B) Trading (Quoted) - Current						
	In Investment in US 64/US 2002 - UTI at Cost	-	-	-	26.01	406.13	406.13
	Less: Diminution in value	-	-	-	-	121.88	-
	Net Realisable Value	-	-	-	26.01	284.26	406.13
	TOTAL (A + B)	252.64	252.64	252.64	278.65	662.54	784.42
8.	Inventories						
	Raw materials and components	22,412.36	18,630.34	16,472.69	10,439.55	16,095.38	16,285.01
	Stores and Maintenance Spare parts including construction materials	928.08	732.34	677.23	689.72	860.75	835.46
	Scrap	314.79	416.97	326.58	118.00	149.70	100.44
	Patterns	-	-	-	-	-	-
	Excise Duty on Scrap	32.85	66.33	47.01	10.39	23.55	14.97
	Hand tools	505.90	467.75	440.79	433.20	448.92	424.29
	Stock-in-trade:						
	Finished stock	4,552.42	3,238.67	4,541.96	9,143.52	9,758.69	11,048.81
	Spares	17,807.67	15,977.62	12,506.86	13,531.73	16,725.89	15,790.12

		As at Dec 31	As at March 31,				
	Particulars	2006	2006	2005	2004	2003	2002
	Excise Duty on Stock-in-trade	1,450.57	1,412.67	1,380.84	2,613.51	2,568.69	2,472.64
	Work-in-Progress	25,497.63	19,349.69	20,673.83	13,077.97	19,850.99	12,662.31
	Goods under inspection and in Transit	13,247.23	4,615.82	5,011.82	7,269.19	8,367.62	4,252.20
	TOTAL	86,749.50	64,908.20	62,079.61	57,326.78	74,850.18	63,886.25
9.	Sundry Debtors (Unsecured)						
	Debts outstanding for a period exceeding six months						
	Considered Good	26,744.33	10,215.66	9,198.56	7,466.18	11,815.15	16,983.25
	Considered Doubtful	758.02	682.85	778.66	840.56	1,175.46	1,146.12
		27,502.35	10,898.51	9,977.22	8,306.74	12,990.61	18,129.37
	Other Debts Considered Good	53,218.24	66,804.94	51,621.58	36,890.20	37,603.19	39,746.30
	Less: Provision for Doubtful Debts	758.02	682.85	778.66	840.56	1,175.46	1,146.12
	TOTAL	79,962.57	77,020.60	60,820.14	44,356.38	49,418.34	56,729.55
10.	Cash and Bank Balances						
	Cash on Hand	23.90	676.54	722.54	703.49	603.08	618.21
	Cheques on Hand	39.00	17,271.38	7,681.48	35,585.18	12,397.06	22,680.81
	Remittances in Transit	97.03	892.88	1,623.49	635.93	990.87	292.38
	With Scheduled Banks : In Current Accounts	2,420.70	3,659.37	2,633.89	3,036.84	3,526.39	2,304.24
	In Deposit Accounts	24,200.00	15,500.00	27,030.40	10,833.43	2,631.20	-
	TOTAL	26,780.63	38,000.17	39,691.80	50,794.87	20,148.60	25,895.64
11.	Other Current Assets						
	Misc. Deposits	-	-	-	-	-	-
	Gold coins on hand	9.25	9.25	9.27	-	-	-
	Interest accrued on Bank Deposits	600.10	47.91	477.95	98.82	-	-
	Interest accrued on Loans	-	-	-	8.63	-	-
	Special tools & jigs (net)	610.31	592.10	963.23	1,158.66	936.39	440.98
	TOTAL	1,219.66	649.26	1,450.45	1,266.11	936.39	440.98
12.	Loans and Advances						
	(a) Loans (Considered Good – Secured)						
	Loans to Subsidiary Company (VIL)	38.93	38.93	58.37	97.29	97.29	97.29
	(b) Advances						
	Advances recoverable in cash or in kind or for value to be received						
	For Goods and Services						
	To Subsidiary Company (VIL)	244.37	162.21	109.21	78.83	248.04	589.49
	To Others	8,845.79	12,626.42	18,662.47	4,756.26	12,947.05	4,134.27
	Prepaid expenses & Other advances	865.75	861.24	875.41	1,000.10	1,661.91	1,970.62
	Balances with Government	2,292.89	1,412.87	2,058.25	695.62	1,119.84	1,007.52

		As at Dec 31	As at March 31,				
	Particulars	2006	2006	2005	2004	2003	2002
	Departments for Customs Duty, Excise Duty, etc., including receivables						
	Balance with Public Utility Concerns	672.46	671.43	428.64	427.99	338.33	338.98
	Advance Income Tax and Fringe Benefit Tax (net of provision)	1,677.80	-	-	-	257.08	805.88
	Less: Provision for Doubtful Advances	375.33	375.60	391.06	392.19	219.01	472.97
	TOTAL (a + b)	14,262.66	15,397.50	21,801.29	6,663.90	16,450.53	8,471.08
13.	Current Liabilities						
	Acceptances	290.65	273.83	3,343.49	106.76	34.99	58.74
	Sundry Creditors	29,554.86	29,855.79	22,803.52	13,430.50	11,691.86	10,571.94
	Advances and Deposits	52,668.88	56,372.23	55,493.16	70,200.22	84,566.50	60,466.27
	Amount transferable to Investors Education Fund*						
	(a) Unpaid/Unclaimed Dividend	42.16	45.54	31.79	26.59	-	-
	(b) Unpaid/Unclaimed Debentures	15.06	15.06	21.60	21.88	-	-
	(c) Unpaid/Unclaimed Fixed Deposits	0.12	0.12	0.27	0.32	-	-
	Other Liabilities	34,397.58	31,867.77	31,990.88	26,866.90	21,214.93	14,529.66
	Interest accrued but not due on Loan/Deposit	51.47	-	11.36	17.66	13.15	166.09
	TOTAL	117,020.78	118,430.34	113,696.07	110,670.83	117,521.43	85,792.70
	* There were no amounts due to be credited to Investors' Education and Protection Fund.						
14.	Provisions						
	Income Tax and Fringe Benefit Tax (Net of Advance Tax)	-	59.80	3,297.89	388.43	-	-
	Proposed Dividend	-	2,572.12	3,123.28	734.89	734.89	440.93
	Additional Tax on Dividend	-	360.74	438.04	96.04	94.16	-
	Others	223.88	223.88	566.59	585.11	-	-
	TOTAL	223.88	3,216.54	7,425.80	1,804.47	829.05	440.93
15.	Miscellaneous Expenditure (to the extent not written off or adjusted)						
	(a) Technical Knowhow						
	Opening balance	-	-	-	-	-	1.57
	Additions during the year	-	-	-	-	-	1.54
	Less: Amortisation during the year	-	-	-	-	-	3.11
	Technical Knowhow (net)	-	-	-	-	-	-
	(b) Development cost on R&D Projects						
	Opening Balance	-	-	306.23	744.26	681.61	571.06
	Additions / transfer during the year	-	-	(306.23)	(332.08)	182.98	232.17
	Less: Amortisation during the year	-	-	-	105.95	120.33	121.62
	Development Cost on R&D	-	-	-	306.23	744.26	681.61

		As at Dec 31	As at March 31,				
	Particulars	2006	2006	2005	2004	2003	2002
	Projects (Net)						
	(c) Expenditure on Voluntary Retirement Scheme						
	Opening balance	2,580.97	4,029.65	2,927.28	4,543.82	3,414.41	3,090.38
	Additions during the year	676.26	77.53	3,223.05	64.15	2,797.26	1,469.09
	Less : Amortisation during the year	1,025.74	1,526.21	2,120.68	1,680.69	1,667.85	1,145.06
	Closing Balance	2,231.49	2,580.97	4,029.65	2,927.28	4,543.82	3,414.41
	(d) Other Deferred Revenue Expenditure						
	Opening Balance	-	-	3.40	6.80	10.20	13.60
	Additions during the year	-	-	-	-	-	-
	Less: Amortisation/transfers during the year	-	-	3.40	3.40	3.40	3.40
	Expenditure on Deferred Revenue Expenditure (Net)	-	-	-	3.40	6.80	10.20
	TOTAL (a to d)	2,231.49	2,580.97	4,029.65	3,236.91	5,294.88	4,106.22
16.	Sales						
	Earthmoving Equipment	72,773.30	89,699.38	72,160.31	57,978.24	68,491.98	44,323.83
	Railway Products	4,534.11	10,484.15	10,927.90	1,012.04	-	2,808.93
	Defence Products	41,638.46	68,270.43	48,753.01	74,859.70	59,341.67	54,124.18
	Spares	42,250.10	53,151.19	53,341.46	43,012.07	40,664.55	41,221.76
	Non Company Products	575.35	84.00	144.82	-	-	-
	Commissioning, Servicing & Desilting	-	1,122.80	757.20	652.73	742.05	1,177.15
	Export Incentives	120.21	32.84	124.00	141.62	114.93	133.03
		161,891.53	222,844.79	186,208.70	177,656.40	169,355.18	143,788.88
	Less : Sales returns & Adjustments	1,774.04	2,260.41	607.72	1,081.81	1,238.18	1,374.01
		160,117.49	220,584.38	185,600.98	176,574.59	168,117.00	142,414.87
	Less: Excise Duty	11,572.40	14,630.42	12,321.87	9,356.18	11,005.24	7,505.94
	TOTAL	148,545.09	205,953.96	173,279.11	167,218.41	157,111.76	134,908.93
17.	Other Income						
	Profit on sale of Investments	-	-	13.69	-	-	-
	Commission and fees	8.99	21.68	12.54	6.13	6.39	5.43
	Surplus on sale of Assets	8.57	17.31	12.11	9.79	23.74	2.97
	Disposal of Scrap / Surplus Materials	1,250.04	1,698.22	1,057.97	640.75	620.80	511.36
	Interest - On Loans to Subsidiary	-	5.11	8.92	8.63	-	-
	- Investments	-	-	-	2.62	15.61	-
	- On Call & Term Deposits from banks & others	1,346.64	1,330.00	1,748.22	853.12	2,211.92	115.39
	- Tax Free Bonds	-	-	-	0.96	1.05	-

		As at Dec 31	As at March 31,				
	Particulars	2006	2006	2005	2004	2003	2002
	- On Other Advances	22.04	37.41	34.60	57.91	331.78	43.72
	- On Income Tax Refund	-	-	1.53	609.76	33.08	-
	Miscellaneous Income	509.86	1,147.79	708.25	490.99	346.81	331.19
	Provision in previous year no longer required:						
	- Doubtful debts & advances	95.52	364.38	356.31	641.39	865.48	534.20
	- Others	381.54	2,495.41	1,923.96	984.36	1,094.10	137.11
	TOTAL	3,623.20	7,117.31	5,878.10	4,306.41	5,550.76	1,681.37
18.	Increase/ decrease in Work-in-progress & Finished Stock						
	Opening Stock						
	Work-in-progress	19,349.69	20,673.83	13,077.97	19,850.99	12,662.31	15,652.75
	Finished Stock	3,238.67	4,541.96	9,143.52	9,758.69	11,048.81	6,863.16
		22,588.36	25,215.79	22,221.49	29,609.68	23,711.12	22,515.91
	Closing Stock						
	Work-in-progress	25,497.63	19,349.69	20,673.83	13,077.97	19,850.99	12,662.31
	Finished Stock	4,552.42	3,238.67	4,541.96	9,143.52	9,758.69	11,048.81
		30,050.05	22,588.36	25,215.79	22,221.49	29,609.68	23,711.12
	Increase / (Decrease)						
	Work-in-progress	6,147.94	(1,324.14)	7,595.86	(6,773.02)	7,188.68	(2,990.44)
	Finished Stock	1,313.75	(1,303.29)	(4,601.56)	(615.17)	(1,290.12)	4,185.65
	TOTAL	7,461.69	(2,627.43)	2,994.30	(7,388.19)	5,898.56	1,195.21
19.	Cost of Raw Materials and Spares - Consumed / sold						
	<u>(a) Opening Stock</u>						
	Raw Material & Components	19,362.68	17,149.92	11,129.27	16,956.13	17,120.47	15,294.72
	Spares	15,977.62	12,506.86	13,531.73	16,725.89	15,790.12	16,273.83
	Total Opening Stock	35,340.30	29,656.78	24,661.00	33,682.02	32,910.59	31,568.55
	<u>(b) Add : Purchases</u>						
	Raw Material & Components	94,923.45	118,442.94	94,620.92	86,557.86	100,808.79	79,919.79
	Spares	13,634.28	17,060.05	14,014.45	9,789.93	12,582.34	11,465.52
	Non Company Products for Exports	-	69.05	81.34	-	-	-
	Total Purchases	108,557.73	135,572.04	108,716.71	96,347.79	113,391.13	91,385.31
	<u>(c) Less : Closing Stock</u>						
	Raw Material & Components	23,340.44	19,362.68	17,149.92	11,129.27	16,956.13	17,120.47
	Spares	17,807.67	15,977.62	12,506.86	13,531.73	16,725.89	15,790.12
	Total Closing Stock	41,148.11	35,340.30	29,656.78	24,661.00	33,682.02	32,910.59
	Total (a) + (b) - (c)	102,749.92	129,888.52	103,720.93	105,368.81	112,619.70	90,043.27
	<u>Less: Transfer to Capital and other Revenue Accounts :</u>						
	- Research & Development	19.62	17.70	70.73	126.68	228.21	177.26

		As at Dec 31	As at March 31,				
	Particulars	2006	2006	2005	2004	2003	2002
	- Tooling	42.20	69.17	83.14	20.52	33.12	5.81
	- Warranty Claims	642.83	712.25	926.89	370.42	600.85	552.76
	- Other Accounts	104.63	1,465.76	(865.36)	(467.96)	308.19	(1,010.68)
		809.28	2,264.87	215.40	49.66	1,170.37	(274.85)
	TOTAL	101,940.64	127,623.64	103,505.53	105,319.15	111,449.33	90,318.12
20.	Employees' Remuneration and Benefits						
	Salaries, Wages and Bonus	18,267.33	23,487.72	23,374.74	22,041.55	20,944.46	20,493.80
	Leave Salary & Contractual Obligations	634.47	1,780.39	2,105.54	2,462.74	2,022.46	2,215.94
	<u>Contribution to :</u>						
	Gratuity Fund	856.22	585.86	2,114.84	2,379.90	2,051.24	2,283.95
	Provident Fund & Family Pension Scheme	1,738.20	2,206.12	2,122.63	2,146.93	2,157.46	2,615.13
	Amortisation - Voluntary Retirement Scheme	1,025.74	1,526.22	2,120.68	1,680.68	1,667.86	1,145.06
	Other Expenses on Welfare Schemes (excl. Salaries & Wages)	3,263.92	4,043.00	4,058.54	4,244.96	4,819.88	4,060.75
	Less: Receipts	138.40	272.27	280.60	278.55	256.30	252.29
		3,125.52	3,770.73	3,777.94	3,966.41	4,563.58	3,808.46
	TOTAL	25,647.48	33,357.04	35,616.37	34,678.21	33,407.06	32,562.34
21.	Other Expenses						
	Stores Consumed	923.46	1,186.72	1,006.25	795.51	805.47	738.21
	Consumable Tools	571.43	834.23	549.16	577.42	621.99	638.32
	Power & Fuel	2,131.57	2,805.36	2,498.64	2,121.08	1,958.14	1,692.74
	Rent	118.01	150.86	166.14	156.80	156.14	90.02
	Hire Charges	161.39	124.97	63.35	41.42	43.01	22.52
	Repairs & Maintenance						
	- Machinery and Equipment	631.78	1,003.13	769.73	597.09	706.20	531.03
	- Buildings	383.83	321.95	466.98	161.61	197.24	165.86
	- Others	341.00	360.66	362.22	439.77	494.96	421.65
	Royalty	0.37	3.00	3.00	3.48	3.00	10.80
	Research & Development	1,167.65	1,723.33	1,646.78	1,473.04	1,542.84	1,400.07
	Amortisation of Special Tools and Jigs	360.30	926.44	682.08	453.84	612.63	277.69
	Development Cost on R&D Projects	-	-	-	105.95	120.33	121.63
	Stationery Supplies	142.23	158.34	146.11	164.45	163.35	139.24
	Insurance	87.79	111.37	141.75	146.65	159.64	177.22
	Rates and Taxes	149.10	249.22	256.34	1,490.98	159.88	191.99
	Bank charges	-	264.67	300.06	283.50	429.29	431.99
	Postage, Telegrams, Telephones and Telex	162.12	219.68	213.20	223.03	241.26	162.12

		As at Dec 31	As at March 31,				
	Particulars	2006	2006	2005	2004	2003	2002
	Selling Agents Commission	217.82	135.17	66.81	222.05	96.19	217.82
	Remuneration to Auditors	4.41	11.18	7.06	7.74	9.21	4.41
	Executive Director's Remuneration	-	-	-	-	-	-
	Legal Expenses	100.49	56.31	32.36	68.16	65.99	24.93
	Travelling Expenses	961.19	1,214.42	1,071.20	1,058.01	1,203.93	993.93
	Publicity and Public Relations	312.00	394.51	243.19	267.82	135.13	43.55
	Loss on Fixed Assets discarded	8.55	13.46	52.39	10.70	9.11	78.68
	Obsolescence	701.21	743.31	667.06	1,730.03	1,938.70	1,019.23
	Bad debts Written Off	-	51.66	15.42	169.17	800.84	128.55
	Defects and Spoilages	78.97	171.07	163.53	188.86	251.09	180.01
	Excise Duty	1,635.24	1,733.48	1,555.75	2,964.19	2,794.79	1,664.33
	Provision for Doubtful Debts and Advances	170.43	260.74	294.88	479.66	652.52	652.28
	Warranty & Unexpired Obligations	4,482.80	6,586.22	3,463.41	4,744.60	6,201.41	1,873.20
	Miscellaneous Expenses	4,592.84	5,174.32	4,311.56	5,071.27	4,574.46	5,437.27
	TOTAL	20,597.98	26,989.78	21,216.41	26,217.88	27,148.25	19,671.43
22.	Expenditure other than materials allocated to Capital & Other Accounts						
	- Research & Development	1,148.03	1,706.89	1,576.04	1,366.15	1,471.53	1,388.25
	- Tooling	61.08	117.42	146.51	187.93	119.79	96.19
	- Warranty Claims	509.31	635.92	632.96	597.34	576.70	514.15
	- Other Accounts	3,682.02	4,023.85	4,130.09	4,231.87	4,754.02	6,007.53
	TOTAL	5,400.44	6,484.08	6,485.60	6,383.29	6,922.04	8,006.12
23.	Interest						
	Debentures	-	-	-	-	31.25	234.47
	Bank and Others	300.28	461.30	178.72	148.41	268.29	1,991.68
	TOTAL	300.28	461.30	178.72	148.41	299.54	2,226.15
24.	Prior Period Adjustments						
	Materials	-	(2.31)	-	1.09	-	-
	Depreciation	-	1.25	(0.09)	-	(3.45)	(2.23)
	Interest	-	(7.52)	-	-	-	(56.05)
	Others	-	(4.76)	(89.66)	(69.64)	54.14	42.02
	TOTAL	-	(13.34)	(89.75)	(68.55)	50.69	(16.26)
24(a)	Provision for Tax						
	Current Tax	5,050.00	9,750.51	11,045.00	3,124.59	1,670.00	900.00
	Deferred Tax	697.00	(151.19)	(1,293.81)	(548.46)	(493.10)	(134.42)
	Fringe Benefit Tax	160.00	250.00	-	-	-	-
	TOTAL	5,907.00	9,849.32	9,751.19	2,576.13	1,176.90	765.58

ANNEXURE V: NOTES ON ACCOUNTS

1. CONTINGENT LIABILITY

(Rs. in Lakhs)

	PARTICULARS	As at	As at 31 st March				
		31/12/2006	2006	2005	2004	2003	2002
a	Estimated amount of Contracts remaining to be executed on capital accounts and not provided for	2,078.12	2,396.77	200.25	266.31	146.96	12.67
b	On account of Letter of credit issued by Banks on behalf of the Company	14,270.36	11,816.63	8,913.00	4,586.07	9,862.25	15,669.34
c	(i)Counter Guarantees given to Banks for guarantees issued by the Banks on behalf of the Company	11,191.58	14,728.99	18,313.21	12,560.57	14,557.13	11,858.28
	(ii)Corporate Guarantees given to Banks for credit extended to subsidiary and to customers for performance guarantee	100.00	100.00	116.54	116.54	100.00	0.00
d	Claims against the Company not acknowledged as debts	8,494.94	8,392.86	3,049.21	2,759.81	3,913.94	3,688.39
e	(i) Disputed statutory demands like Sales Tax, Service Tax etc.	1,335.47	1,215.29	1,206.20	NA	NA	NA
	(ii) Others	7,159.47	7,177.57	1,843.01	NA	NA	NA
f	Bills / Promissory notes discounted with banks	0.00	0.00	0.00	0.00	0.00	11,219.23
g	Guarantees given to Banks / Institutions against credit extended to customers	0.00	0.00	0.00	0.00	0.00	188.57
	NA = Not Available						

2. OTHER NOTES

(Rs. in Lakhs)

Particulars	Dec-2006	2005-06	2004-05	2003-04	2002-03	2001-02
1. Inventory of raw materials. Components, WIP and spare parts include materials with vendors, sub-contractors and others returnable in kind. - Of which, confirmations are awaited for material worth.	N A	869.34 74.74	1724.33 60.18	468.91 42.49	1147.22 27.00	448.35 22.43
2. Warranty & Unexpired obligation - includes	1,720.50	1,958.11	1,946.31	1,865.67	3,368.39	NA

anticipated liability, pending results of user confirmatory trials from a customer.						
3. Expenditure in foreign exchange on account of Royalty, know-how, professional, consultation fees, Interest, and other matters;	1,411.22	456.92	226.64	44.64	3.15	352.41
4. Earnings in foreign exchange on account of exports (FOB basis) / other income	5,175.07	4,459.24	3,908.94	4,344.20	1,247.55	3,388.3
5. Related party transaction Transactions with key management personnel: Total remuneration: (Rs.) Sri.V RS Natarajan Sri V S Venkatanathan Sri R C Suthar Sri P Mazumdar Sri P Sathyanarayan Sri N K Srinivasan Sri B.V.Ramana Sri. K.A.Nagaraja Sri.R.K.Rustogi Sri.B.L.Bajaj * part of the year	6,26,271 6,91,287* 7,41,895 5,31,723* 5,09,168 6,35,698* 2,92,689*	8,44,962 8,44,778 10,18,112 7,89,007 4,44,347* 7,26,457 -- --	10,13,720 7,79,956 8,10,428 6,85,293 9,37,791 2,42,818 -- --	7,40,343 7,91,671 8,04,038 7,56,170 6,03,095 -- 6,34,462 8,68,438	NA	NA
6. 'The Accounting Standard on Impairment of Assets (AS-28) has become mandatory with effect from April 1, 2004. To ascertain the impairment of assets, if any, the estimated recoverable amount of the assets has been assessed by a registered chartered engineer and valuer. The recoverable amount is more than the carrying amount. Therefore there is no impairment of assets.	Applicable	Applicable	Applicable	NA	NA	NA
7. Major components of Deferred Tax Assets & Liabilities Deferred Tax Asset ⇒ Provisions to be allowed on actual payment / write off Deferred Tax Liabilities ⇒ Depreciation ⇒ Un-amortised expenditure ⇒ Others	1,972.87 1,821.78 960.97	1,856.07 1,912.33 56.62	2,040.45 2,032.99 271.53	1,694.43 2,636.91 197.97 417.43	931.01 2,799.67 73.40 164.28	758.00 3,066.71 150.39 140.34

Net deferred tax liability	809.88	112.88	264.07	1,557.88	2,106.34	2,599.44
8. The Earnings per share has been arrived at on the basis of net profit available after Tax divided by the weighted average number of shares outstanding during the period.						
Profit after tax in Rs. lakhs	11,142.10	18,692.56	17,528.33	2,442.01	2,610.06	535.19
No of shares in lakhs	367.445	367.445	367.445	367.445	367.445	367.445
Earning per share- Rs	30.32	50.87	47.70	6.65	7.10	1.46
9. Segmenting reporting Revenue (Gross)						
Railway products	4,534	10,509	10,059	2,547	0	2,405
Defence Products	44,758	70,298	60,100	77,699	64,502	58,324
EM eqpts. & spares	1,10,825	1,39,777	1,11,566	92,027	1,15,446	86,931
Total	1,60,117	2,20,584	1,81,725	1,72,273	1,79,948	1,47,660
Segment results						
Railway products	(1,848)	(1,578)	(2,474)	(6,139)	(5,022)	(3,494)
Defence Products	9,728	7,144	4,583	5,020	3,985	1,566
EM eqpts. & spares	10,506	24,781	23,708	14,435	5,720	7,574
Total	18,386	30,347	25,816	13,316	4,683	5,646
Other unallocated exp	7,244	11,654	8,287	10,874	2,073	5,111
Net profit	11,142	18,693	17,529	2,442	2,610	535

10. The Company opines that it does not have any liability on account of Interest under "Interest on delayed payments to Small Scale and Ancillary Undertakings Act, 1993

11. Sundry Debtors, Loans and Advances and deposits are subject to confirmation. There are certain old balances pending review / adjustments.

12. Corresponding figures of the previous year have been regrouped / recast to make them comparable for the period under review.

13. The Auditors Qualifications for the years ended 31st March 2002 to 31st March 2006 regarding overstatement of Revenue and consequential effect on Profits for the relevant years only, which is detailed hereunder, is not, in the opinion of the management related to incorrect accounting practice or incorrect accounting policy and have been suitably addressed to in the annual accounts for these respective years placed and approved by the members of the Company.

(Rs. in lakhs)

PARTICULARS	31/03/2002	31/03/2003	31/03/2004	31/03/2005	31/03/2006
Sales	85.00	5,906.71	807.99	24,306.19	20,668.89
Profit on Sales	49.32	885.01	(5.72)	5,869.35	4,687.50

14. Fixed Assets includes :

- expenditure on development of land at KGF (1849 acres and 5 guntas) received free of cost from Government of Karnataka
- value of 145 acres and 16 guntas of land for which deeds are not with the company.

- (c) Cost of building valued at Rs.26.82 lakhs on lease with an option to buy for a nominal sum of Rs.0.15 lakhs at the end of 99 years from the date of taking possession viz., February'83 / April'84
- (d) cost of building pending registration / khatha transfer valued at Rs.307.53 lakhs
15. The total amount towards Lease / Sale of facilities belonging to Bharat Gold Mines Limited (a company under orders of winding up by BIFR) is yet to be ascertained. The company has started utilizing the facilities from May 2005 and a sum of Rs.100 lakhs has been paid, which is included under capital work-in-progress (sch.6). As the nature of transaction is undecided no amount has been charged to the Profit and Loss Account till date. The amount is not likely to be material.
16. Advances include amount of Rs.1066.86 lakhs receivable from a society - R&D Centre of Excellence for Metro Coaches out of Government of India grant to be received.
17. Depreciation rate adopted by the company in respect of following assets is significantly higher than the statutory minimum rates prescribed under the Companies Act.,1956.

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

For year ending 31st March 2002

18. The Balance Sheet and Profit and Loss Account adopted by the Board of Directors on 17th July 2002 and reported by the Statutory Auditors on even-date have been revised in the light of observations arising from Audit by the Comptroller and Auditor General of India resulting increase in profit Rs.15.72 lakhs (net) due to increase in income by Rs.39.36 lakhs and increase in expenditure by Rs.23.64 lakhs in addition to reduction in sales by Rs.522 lakhs.

For year ending 31st March 2004

19. WIP includes R&D work orders Rs.234.77 lakh of which lying with customers for field trial basis Rs.72.28 lakh and sent for demonstration Rs.24.69 lakhs.
20. Provision amounting to Rs.310.46 lakh has been made during the year consequent upon introduction of provisioning norms for WIP, FGI, disputed claims and demands against the company.
21. Salaries and wages include a sum of Rs.778.15 lakhs towards annual ex-gratia payable for the year to the employees / officers which was hitherto accounted on declaration.
22. Rates and Taxes includes provision for following claims contested by the Company:
- (a) One time betterment Charges of Rs. 580.43 Lakhs levied by Bangalore Mahanagara Palike (BMP).
- (b) Property Tax of Rs. 751.59 Lakhs levied by BMP and City Municipal Corporation during the year including earlier years.

**ANNEXURE VI - CASHFLOW STATEMENT OF THE COMPANY AS AT
DECEMBER 31, 2006, AND MARCH 31, 2006, 2005, 2004, 2003, 2002**

(Rs. in Lakhs)

Particulars	For 9 months ended Dec 31,	For the year ended March 31,				
	2006	2006	2005	2004	2003	2002
CASH FLOW FROM OPERATING ACTIVITIES						
Net profit before tax & extra-ordinary items	17,049.10	28,541.88	27,279.52	5,018.14	3,786.96	1,300.77
Adjustment for						
-Depreciation	978.36	1,412.37	2,299.00	1,828.79	1,930.59	2,213.76
-Profit / Loss on sale of Investments / Fixed Assets	(0.02)	(3.85)	26.59	0.91	(14.63)	(2.97)
-UNDP Grant	0.00	0.00	0.00	(0.75)	(2.81)	(2.81)
-Amortisation	1,386.04	2,452.66	2,806.16	2,289.25	2,404.22	1,547.78
-Interest paid	300.28	461.30	178.72	148.41	299.54	2,226.15
-Interest received	(1,346.64)	(1,335.11)	(1,757.14)	(865.33)	(2,593.44)	(159.11)
-Diminution of Investments	0.00	0.00	0.00	0.00	2.03	0.00
Other Provisions	0.00	(342.71)	(18.52)	585.11	0.00	0.00
	1,318.02	2,644.66	3,534.81	3,986.39	2,025.50	5,822.80
Operating profit before working capital changes	18,367.12	31,186.54	30,814.33	9,004.53	5,812.46	7,123.57
Adjustment for						
-Trade and other Receivables	(129.36)	(8,927.38)	(31,610.42)	14,591.52	(1,216.46)	1,421.93
-Inventories	(21,841.31)	(2,828.59)	(4,446.60)	17,810.10	(10,963.93)	(46.41)
-Trade Payables	(1,409.55)	4,734.27	3,025.24	(6,850.58)	31,850.04	4,396.42
	(23,380.22)	(7,021.70)	(33,031.78)	25,551.04	19,669.65	5,771.94
CASH GENERATED FROM OPERATIONS	(5,013.10)	24,164.84	(2,217.45)	34,555.57	25,482.11	12,895.51
Tools & Jigs	(378.51)	(555.31)	(486.65)	(676.12)	(1,108.04)	(249.19)
Technical knowhow	0.00	0.00	0.00	0.00	0.00	(1.54)
Development Cost on Research & Development	0.00	0.00	0.00	0.00	(182.98)	(232.17)
VRS Expenditure	(676.26)	(77.53)	(3,223.05)	(64.15)	(2,797.26)	(1,469.09)
Direct Tax Paid (Net)	(6,947.60)	(13,238.59)	(8,135.54)	(2,479.08)	(1,121.20)	(207.99)
NET CASH FROM OPERATING ACTIVITIES	(13,015.47)	10,293.41	(14,062.69)	31,336.22	20,272.63	10,735.53
CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of Fixed Assets	(3,222.04)	(3,433.29)	(1,084.57)	(854.26)	(1,221.84)	(500.49)
Sale of Fixed Assets	16.37	28.44	25.20	20.89	32.86	185.44
Sale of Investments	0.00	0.00	39.70	383.89	0.00	429.63
Interest Received	794.45	1,765.15	1,386.63	757.88	2,593.44	159.11

NET CASH USED/FROM IN INVESTING ACTIVITIES	(2,411.22)	(1,639.70)	366.96	308.40	1,404.46	273.69
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from Fixed Deposits	0.00	0.00	(180.25)	(39.55)	(1,714.17)	(262.93)
Proceeds from Borrowings	7,440.28	(5,065.75)	4,405.76	18.66	(24,969.49)	(1,058.78)
Interest Paid	(300.28)	(461.30)	(178.72)	(148.41)	(299.54)	(2,226.15)
Dividend Paid	(2,932.86)	(4,818.27)	(1,454.13)	(829.05)	(440.93)	(404.92)
NET CASH (USED)/FROM IN FINANCING ACTIVITIES	4,207.14	(10,345.32)	2,592.66	(998.35)	(27,424.13)	(3,952.78)
Net Increase/Decrease in Cash and Cash Equivalents	(11,219.55)	(1,691.61)	(11,103.07)	30,646.27	(5,747.04)	7,056.44
Cash and Cash Equivalents as at the beginning	38,000.17	39,691.80	50,794.87	20,148.60	25,895.64	18,839.21
Cash and Cash Equivalents as at the end	26,780.63	38,000.17	39,691.80	50,794.87	20,148.60	25,895.64

ANNEXURE VII - SUMMARY OF ACCOUNTING RATIOS

Summary of Accounting Ratios of the Company as at December 31, 2006 and March 31, 2006, 2005, 2004, 2003, and 2002 are set out below:

(Rs. in Lakhs)

PARTICULARS	As at	As at 31st March				
	31/12/2006	2006	2005	2004	2003	2002
Profit after Tax	11,142.10	18,692.56	17,528.33	2,442.01	2,610.06	535.19
Interest on Long Term Debt	-	-	7.18	22.46	165.35	505.46
Number of shares outstanding during the year (In lakhs)	367.45	367.45	367.45	367.45	367.45	367.45
Long Term Debt outstanding	-	-	-	180.25	219.80	2,767.30
Net Worth	96,881.64	85,390.06	69,438.62	56,887.55	53,219.25	52,627.66
Earning per Share (Rs.)	30.32*	50.87	47.70	6.65	7.10	1.46
Asset value per Share (Rs.)	263.66	232.39	188.98	154.82	144.84	143.23
Return on Net Worth	11.50%	21.89%	25.24%	4.29%	4.90%	1.02%
Return on Capital Employed	11.50%	21.89%	25.25%	4.32%	5.19%	1.88%

* Note: Not Annualised

- Earning per Share = Profit after Tax / Number of shares outstanding during the year
- Net Worth = Share Capital + Reserves & Surplus - Miscellaneous Expenditure
- Asset value per share = Net Worth / Number of shares outstanding during the year
- Return on Net Worth = Profit after Tax / Net Worth
- Return on Capital Employed = (Profit after Tax + Interest on Long Term Debt) / (NetWorth + Long Term Debt)

ANNEXURE VIII - CAPITALISATION STATEMENT

(Rs. in Lakhs)

PARTICULARS	As at	As at 31st March				
	31/12/2006	2006	2005	2004	2003	2002
Total Debt:						
Short term Debt	9,928.55	2,488.27	7,554.02	3,163.97	3,220.29	27,347.32
Long term Debt	0.00	0.00	0.00	180.25	219.80	2,767.30
Total Debt	9,928.55	2,488.27	7,554.02	3,344.22	3,440.09	30,114.62
Shareholders Funds:						
Share Capital	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22
Reserve & Surplus	95,425.91	84,283.81	69,781.05	56,437.24	54,826.91	53,046.66
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Net Reserves (Net for Revaluation)	95,425.91	84,283.81	69,781.05	56,437.24	54,826.91	53,046.66
Less: Miscellaneous Expenditure	(2,231.49)	(2,580.97)	(4,029.65)	(3,236.91)	(5,294.88)	(4,106.22)
Net Worth	96,881.64	85,390.06	69,438.62	56,887.55	53,219.25	52,627.66
Long term Debt / Net Worth	0:1	0:1	0:1	0.003:1	0.004:1	0.05:1

The post-issue share capital, reserves and surplus and debt equity ratio will be computed on the conclusion of the book building process.

ANNEXURE IX - STATEMENT OF TAX SHELTERS

The statements of Tax Shelter, as restated of the Company as at December 31, 2006 and March 31, 2006, 2005, 2004, 2003, 2002 are set out below:

(Rs. in Lakhs)

PARTICULARS	As at	As at 31st March				
	Dec 31, 2006	2006	2005	2004	2003	2002
Profit before Tax as per books of accounts	17,049.10	28,541.88	27,279.52	5,018.14	3,786.96	1,300.77
Income Tax Rate	33.66%	33.66%	36.5925%	35.875%	36.75%	35.70%
TAX AT NOTIONAL RATES	5738.73	9607.20	9982.26	1800.26	1391.71	464.37
Permanent Differences:						
Profit / Loss on sale of Assets	(0.02)	(3.86)	40.27	0.91	(14.62)	75.64
Exempt Income	0.00	0.00	0.00	(0.96)	(1.05)	(41.62)
Sale of R&D product-transfer to expenditure	0.00	0.00	0.00	164.02	0.00	0.00
Donation	0.00	19.65	0.00	0.02	0.00	0.00
ROC Fees- Increase in Authorised Capital	0.00	22.05	0.00	0.00	0.00	0.00
Deduction U/s 80HHC	0.00	0.00	0.00	(44.61)	(25.40)	(23.59)
Long Term Capital Gain taxed at differential rate	0.00	0.00	(13.69)	0.00	0.00	0.00
TOTAL PERMANENT DIFFERENCES	(0.02)	37.84	26.58	119.38	(41.07)	10.43
Timing Differences:						
Deduction U/s 36(1)	0.00	0.00	0.00	0.09	0.00	0.00
Difference between depreciation as per Cos. Act & depreciation as per I.T. Act 1961	266.41	313.63	1,194.24	597.47	634.04	750.41
Provisions	74.91	(1,016.52)	554.27	1,735.40	(946.35)	118.07
Amortisation	(18.21)	371.13	501.67	256.33	(353.45)	102.24
Statutory dues U/s 43B	(151.04)	(103.02)	643.49	1,227.80	664.47	443.50
Other Expenses	(1,354.28)	(1,356.47)	(1,290.09)	(622.71)	(92.32)	(885.36)
TOTAL TIMING DIFFERENCES	(1,182.21)	(1,791.25)	1,603.58	3,194.38	(93.61)	528.86
TOTAL PERMANENT + TIMING DIFFERENCES	(1,182.23)	(1,753.41)	1,630.16	3,313.76	(134.68)	539.29
TAX SAVING THEREON	(397.94)	(590.20)	596.52	1,188.81	(49.49)	192.53
Profit as per Income Tax Returns	15,866.87	26,788.47	28,909.68	8,331.90	3,652.28	1,840.06
Long Term Capital Gain taxed at differential rate	0.00	0.00	13.69	0.00	0.00	0.00
Taxable Income	15,866.87	26,788.47	28,923.37	8,331.90	3,652.28	1,840.06
Tax at Normal Rates	5,340.79	9,017.00	10,578.77	2,989.07	1,342.21	656.90
Tax at Differential Rates on Long Term Capital Gain	0.00	0.00	1.43	0.00	0.00	0.00
Interest U/s 234 A/B/C	0.00	0.00	261.35	50.98	10.93	3.05
Total Tax Liability as per Return	5,340.79	9,017.00	10,841.56	3,040.05	1,353.14	659.95

Note: The Provision for Income Tax has been calculated based on Income earned during Nine months period ended December 31, 2006. However, Tax year end of the Company being March 31, 2007, the final liability for the Assessment Year 2007-08 will be determined on the Total Income of the Company for the year ended March 31, 2007.

ANNEXURE X - STATEMENT OF OTHER INCOME OF THE COMPANY

(Rs. in Lakhs)

PARTICULARS	As at	As at 31st March				
	31/12/2006	2006	2005	2004	2003	2002
Profit on sale of Investments	-	-	13.69	-	-	-
Commission and fees	8.99	21.68	12.54	6.13	6.39	5.43
Surplus on sale of Assets	8.57	17.31	12.11	9.79	23.74	2.97
Disposal of Scrap / Surplus Materials	1,250.04	1,698.22	1,057.97	640.75	620.80	511.36
Interest - On Loans to Subsidiary	-	5.11	8.92	8.63	-	-
- Investments	-	-	-	2.62	15.61	-
- On Call & Term Deposits from banks & others	1,346.64	1,330.00	1,748.22	853.12	2,211.92	115.39
- Tax Free Bonds ²	-	-	-	0.96	1.05	-
- On Other Advances	22.04	37.41	34.60	57.91	331.78	43.72
- On Income Tax Refund	-	-	1.53	609.76	33.08	-
Miscellaneous Income	509.86	1,147.79	708.25	490.99	346.81	331.19
Provision in previous year no longer required:	477.06	2,859.79	2,280.27	1,625.75	1,959.58	671.31
TOTAL	3,623.20	7,117.31	5,878.10	4,306.41	5,550.76	1,681.37

ANNEXURE XI - STATEMENT OF DIVIDEND PAID**(Rs. in Lakhs)**

PARTICULARS	As at	As at 31st March				
	31/12/2006	2006	2005	2004	2003	2002
Equity Share Capital	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22
Less: Forfeited Shares	12.77	12.77	12.77	12.77	12.77	12.77
Balance Equity Share Capital	3,674.45	3,674.45	3,674.45	3,674.45	3,674.45	3,674.45
No.of Equity Shares (in Lakhs) of Rs.10 each	368.72	368.72	368.72	368.72	368.72	368.72
Rate of dividend (%)						
Interim	0.00%	30.00%	15.00%	0.00%	0.00%	0.00%
Final	0.00%	70.00%	85.00%	20.00%	20.00%	12.00%
Amount of dividend on Equity Shares						
Interim	-	1,102.34	551.17	-	-	-
Final	-	2,572.12	3,123.28	734.89	734.89	440.93
Total dividend Tax paid	-	515.35	510.07	96.04	94.16	-

ANNEXURE XII - STATEMENT OF LOANS (SECURED AND UNSECURED) OF THE COMPANY

(Rs. in Lakhs)

PARTICULARS		As at	As at 31st March				
		31/12/2006	2006	2005	2004	2003	2002
SECURED LOANS							
a	15% - 2500000 privately placed Non-convertible (E-Series) Debentures of face value of Rs.100 each to Army Group Insurance Fund on 1.07.94 redeemable at the end of 6th, 7th, 8th year in equal installments, secured by as charge against certain fixed assets of the Company	-	-	-	-	-	833.33
b	Loans from Banks (Cash credits and short term credit availed from banks & Secured by hypothecation of inventories and book debts (except those pertaining to rail coaches)	9,928.55	2,488.27	7,554.02	3,148.27	3,129.61	27,254.97
	Total (A)	9,928.55	2,488.27	7,554.02	3,148.27	3,129.61	28,088.30
UNSECURED LOANS							
a	Fixed Deposits	-	-	-	180.25	219.80	1,933.97
b	Debenture Interest Accrued & due	-	-	-	-	-	5.11
c	Deferred payment Liabilities	-	-	-	-	-	5.69
	Total (B)	-	-	-	180.25	219.80	1,944.77
	Total (A+B)	9,928.55	2,488.27	7,554.02	3,328.52	3,349.41	30,033.07

Auditors' Report to the Restated Consolidated Financial Statements

TO,

**THE BOARD OF DIRECTORS
BHARAT EARTH MOVERS LIMITED
BEML SOUDHA
BANGALORE**

Re: Follow on Public Offering of Equity Shares by Bharat Earth Movers Limited

Dear Sirs,

We have examined the financial information contained in the statements annexed to this report which is proposed to be included in the offer document being issued by Bharat Earth Movers Limited ("Company") in connection with the Follow on Public Offering of Equity shares in the Company, which has been prepared in accordance with:

- (a) Part II of Schedule II of the Companies Act, 1956 ("the Act")
- (b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ("the Guidelines") issued by the Securities and Exchange Board of India ("SEBI") in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications, and
- (c) In accordance with instructions dated 09/02/2007 received from the Company requesting us to carry out work in connection with the Offer Document to be issued by the Company in connection with its Public Offering of Equity Shares (referred to as "the Issue").

We report as under:

A. FINANCIAL INFORMATION FROM AUDITED CONSOLIDATED STATEMENTS

We have examined the attached restated consolidated Balance Sheet of the Company and its subsidiary Vignyan Industries Limited as at 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005, 31st March 2006 and 31st December 2006 (Annexure II) and the restated statements of Profit and Loss Account for each of the Years/period ended on those dates (Annexure III). (These are together referred to as 'summary statements').

These summary statements have been extracted from the audited financial statements for the Years ended 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005 and 31st March 2006 and the Nine Months period ended 31st December 2006. These are adopted by the board of directors/members for the respective period/years.

We did not audit the financial statements of the Company for the years ended 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005 and 31st March 2006. We also did not audit the financial statements of the subsidiary for the years ended 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005, 31st March 2006 and the nine months period ended 31st December 2006. These financial statements have been audited by previous/other firms of Chartered Accountants and have been accepted by us in so far as it relates to the amounts included in these consolidated financial statements.

Based on our examination of these statements, we confirm that:

1. The summary statements of the company have been restated with retrospective effect, where applicable, to reflect the Significant Accounting Policies as adopted by the Company (Annexure I).

2. The schedules to the statements of consolidated Profit and Loss Account and the consolidated Balance Sheet are disclosed in Annexure IV.
3. The summary of Notes to the financial statements of the company, as restated, for the years ended 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005 and 31st March 2006 and the nine months period ended 31st December 2006 are disclosed in Annexure V.
4. There are no material adjustments relating to previous years which need to be adjusted in summary statements in the years to which they relate.
5. The qualifications in the Auditors Report relating to the period 31st March 2002 till 31st March 2006 (to the extent quantifiable as per Para 6.10.2.7(b)(i) of the Guidelines) do not, in our opinion, relate to incorrect accounting practice or failure to make provisions or other adjustments or to an incorrect accounting policy.
6. There are no extra-ordinary items which need to be disclosed separately in the summary statements.

B. FINANCIAL INFORMATION FROM OTHER STATEMENTS

We have examined the following consolidated financial information relating to the Company and its subsidiary, proposed to be included in the Offer Document, as approved by the Board of Directors and annexed to this report:

- i) Statement of restated consolidated Cash flows of the Company and its subsidiary for the years ended 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005 and 31st March 2006 and the period ended 31st December 2006 (enclosed as Annexure VI).
- ii) Summary of Accounting Ratios based on the adjusted profits relating to earnings per share, net asset value, return on net worth and return on capital employed (enclosed as Annexure VII).
- iii) Capitalisation statement (enclosed as Annexure VIII).
- iv) Tax shelter statement (enclosed as Annexure IX).
- v) Details of items of other income (enclosed as Annexure X).
- vi) Details of dividends paid by the company (enclosed as Annexure XI).
- vii) Details of Loans taken by the Company (enclosed as Annexure XII).

In our opinion, the consolidated financial information of the Company and its subsidiary, attached to this report as mentioned in paragraphs (A) and (B) above, read with respective Significant Accounting Policies after making suitable groupings and adjustments have been prepared in accordance with Part II of Schedule II of the Companies Act 1956 and the Guidelines issued by SEBI.

This report is intended solely for use for your information and for inclusion in the Offer Document in connection with the proposed issue of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For RAO ASSOCIATES
CHARTERED ACCOUNTANTS

(G. SUDHINDRA)
PARTNER
Membership No.: 26171
Place: BANGALORE
Date: 29th MARCH 2007

Annexure I: Consolidated Significant Accounting Policies

1. Fixed Assets:

Capitalization and Depreciation:

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

2. Inventory Valuation :

- i) Raw materials, Components Stores and Spare parts are valued at Weighted Average Cost or estimated net realizable value, whichever is lower.
- ii) Work-in-progress is valued at actual cost of materials, labour and production overheads based on normative capacity or adjusted / estimated realisable value, whichever is lower.
- iii) Finished stock is valued at actual cost or estimated realisable value whichever is lower.
- iv) Estimated costs are considered wherever actual costs are not available.
- v) The cost is adjusted for decline in value by writing down the value based on specific identification. Further provision for obsolescence is made depending on movement.
- vi) Based on technical assessment, provision is made for revalidation/refurbishment of finished goods to reflect the current status thereof.
- vii) Scrap is valued at estimated realisable value.

3. Advances from customers :

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

4. Sales / Other Income :

- i) Sales set up for products viz., equipments, aggregates, attachments and ancillary products, is made when these are unconditionally appropriated to the valid sales contract after pre-despatch inspection by the specified authority.
- ii) Sales set up for long production cycle items, is reckoned based on technical estimates when the percentage of completion of each identifiable unit of contract including despatches with customers is 30% or more of the total realisable value of such contract or estimate. Such revenue recognition is restricted to 97.5% of the reckoned realisable value and the balance 2.5% is accounted on completion of the contract.
- iii) Sales set up for spares is based on despatches / customer acceptance against valid sales contracts.
- iv) Where sale prices are not established, sales are set up provisionally at prices likely to be realized.
- v) Sales include excise duty wherever applicable but excludes sales tax and transit insurance and is adjusted for anticipated price reductions from contractual obligations such as liquidated damages and de-escalation.
- vi) Duty drawback claims on exports are accounted on preferring the claims.
- vii) Claims for escalation are recognized on acceptance by the customer.
- viii) Where the contract provides for installation and commissioning and price for the same is agreed separately, revenue for installation and commissioning is recognized on conclusion of installation and commissioning. Where installation and commissioning fee is not separately stipulated, the estimated cost as technically assessed for such installation and commissioning to be incurred are provided for. However, the revenue for the product delivered is recognized.

5. Retirement Benefits:

- (i) Accruing liability towards gratuity is ascertained on actuarial valuation and remitted to a separate Trust Fund.
- (ii) Liability towards leave salary accruals is provided on the basis of Actuarial Valuation.

6. Accounting for Foreign Currency Transactions :

- i) Transactions in foreign currency are recorded in rupees by applying to the foreign currency amount the exchange rate existing at the time of the transaction.
- ii) The outstanding balances of monetary items relating to foreign currency transactions are stated in rupees by adopting the rate of exchange prevailing at the date of Balance Sheet. Exchange differences consequent to reinstatement are credited / charged to revenue.
- iii) The gain or loss in the conversion and / or settlement of liabilities incurred for acquisition of fixed assets is adjusted to the cost of related fixed assets.
- iv) Differences upon settlement of transactions, other than those covered by (iii) above are credited / charged to revenue.

- v) In the case of forward exchange contracts, the premium or discount arising at the inception of the contract is accounted for over the life of the contract. Exchange differences on such a contract are recognized in the statement of profit or loss in the reporting period in which the exchange rate changes.

7. Contractual Obligations :

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

8. Research & Development :

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

9. Prior Period Items :

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

10. Under / Over Absorption of Cost :

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

11. Taxes on Income :

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

12. Others :

- i) The cost of special tools and jigs is amortised over production based on technical assessment. The value is net as per books.
- ii) Hand tools are charged to expenses at the time of issue.
- iii) Expenditure incurred on purchase of Technical Know-how fee is amortised over a period of six years on technical assessment.
- iv) Small value items are charged to production at the point of purchase.
- v) Expenditure on Voluntary Retirement Scheme is treated as deferred revenue expenditure to be amortised over a period of five years.
- vi) Investments: Long-term investments are carried at cost. Permanent decline in the value of such investments is recognized and provided for. Current investments are carried at lower of cost and quoted / fair value.

ANNEXURE II: CONSOLIDATED STATEMENT OF ASSETS & LIABILITIES, AS RESTATED

The statements of Assets & Liabilities of the Company and its subsidiary Vignyan Industries Limited as at December 31, 2006 and March 31, 2006, 2005, 2004, 2003, 2002 are set out below:

(Rs. in Lakhs)

PARTICULARS		As At December 31,	As at March 31,				
		2006	2006	2005	2004	2003	2002
ASSETS							
A	Fixed Assets						
	Gross Block	58,362.73	57,124.29	54,974.03	54,805.91	53,886.92	53,309.73
	Less: Depreciation	45,270.38	44,305.28	43,026.40	41,214.49	39,458.56	37,874.36
	Add: Capital Works in Progress	2,839.35	889.79	647.10	177.67	346.67	83.70
	Net Block	15,931.70	13,708.80	12,594.73	13,769.09	14,775.03	15,519.07
B	Investments	0.04	0.04	0.04	26.05	409.94	531.82
C	Current Assets, Loans & Advances						
	Inventories	87,295.64	65,288.55	62,421.77	57,608.30	75,156.39	64,201.24
	Sundry Debtors	79,901.41	76,982.77	60,853.92	44,433.35	49,494.06	56,924.67
	Cash & Bank Balances	26,781.39	38,000.54	39,692.16	50,795.20	20,177.19	25,896.16
	Other Current Assets	1,219.71	649.31	1,450.49	1,266.18	936.45	441.04
	Loans & Advances	14,133.56	15,315.56	21,738.20	6,570.54	16,196.10	7,867.06
	Total Current Assets, Loans and Advances	209,331.71	196,236.73	186,156.54	160,673.57	161,960.19	155,330.17
D	TOTAL ASSETS	225,263.45	209,945.57	198,751.31	174,468.71	177,145.16	171,381.06
LIABILITIES							
A	Minority Interest	18.39	15.51	13.25	11.80	11.76	0.00*
B	Loan Funds						
	Secured Loans	10,012.66	2,523.51	7,586.16	3,163.97	3,220.29	28,169.85
	Unsecured Loans	0.00	0.00	0.00	180.25	219.80	1,944.77
	Total Loan Funds	10,012.66	2,523.51	7,586.16	3,344.22	3,440.09	30,114.62
C	Deferred Tax Liability	834.29	138.08	275.07	1,540.05	2,087.19	2,599.44
D	Current Liabilities & Provisions						
	Current Liabilities	116,993.74	118,506.75	113,919.64	110,792.97	117,313.18	85,944.14
	Provisions	289.12	3,220.84	7,433.96	1,818.41	1,001.96	594.99
	Total Current Liabilities & Provisions	117,282.86	121,727.59	121,353.60	112,611.38	118,315.14	86,539.13
E	TOTAL LIABILITIES	128,148.20	124,404.69	129,228.08	117,507.45	123,854.18	119,253.19
	Net Assets	97,115.25	85,540.88	69,523.23	56,961.26	53,290.98	52,127.87

	Represented by :						
	Share Capital - (1)	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22
	Add: Free Reserves & Surplus -(2)	95,675.83	84,456.38	69,894.66	56,510.95	54,898.64	52,546.86
	Less: Miscellaneous Expenditure - (3)	(2,247.80)	(2,602.72)	(4,058.65)	(3,236.91)	(5,294.88)	(4,106.21)
	Net Worth - (1)+(2)-(3)	97,115.25	85,540.88	69,523.23	56,961.26	53,290.98	52,127.87
	Total Shareholders funds	97,115.25	85,540.88	69,523.23	56,961.26	53,290.98	52,127.87

*Note: As share of loss of Minority has exceeded the Share Capital, the same is adjusted against Majority Interest as per AS - 21

ANNEXURE III: CONSOLIDATED STATEMENT OF PROFITS, AS RESTATED

The statements of restated Profit and loss account of the Company and its subsidiary Vignyan Industries Limited as at December 31, 2006 and March 31, 2006, 2005, 2004, 2003, 2002 are set out below:

(Rs. in Lakhs)

PARTICULARS	As At December 31,	As at March 31,				
		2006	2005	2004	2003	2002
INCOME						
<u>Sales Less Excise Duty</u>						
Manufactured products	123,836.08	172,877.39	143,713.50	139,624.14	130,778.33	111,646.94
Traded Products	24,760.00	33,139.00	29,708.00	27,689.00	26,432.00	23,457.00
Total	148,596.08	206,016.39	173,421.50	167,313.14	157,210.33	135,103.94
Other Income	3,139.33	6,414.99	5,598.18	4,111.93	5,360.66	1,499.59
Increase / (Decrease) in Work in Progress/ Finished Stock	7,630.82	(2,638.39)	3,017.51	(7,396.91)	5,866.87	1,202.02
Excise Duty on Closing stock	1,483.42	1,444.75	1,368.69	2,622.11	2,589.30	2,484.68
Total Income	160,849.65	211,237.74	183,405.88	166,650.27	171,027.16	140,290.23
EXPENDITURE						
Cost of Raw Materials & Spares consumed/ sold	100,860.44	125,807.50	102,309.46	104,432.78	110,417.52	89,446.11
Employees Remuneration & Benefits	25,908.35	33,718.05	35,948.80	34,976.00	33,747.45	32,848.19
Depreciation	1,001.27	1,437.47	2,321.84	1,848.79	1,950.46	2,233.76
Other Expenses	21,014.66	27,625.70	21,847.40	26,666.75	27,116.87	20,241.67
Minority Interest	2.88	2.27	1.44	0.04	20.07	0.55
	148,787.60	188,590.99	162,428.94	167,924.36	173,252.37	144,770.28
Less: Expenditure other than materials allocated to Capital & Other Accounts	(5,400.44)	(6,484.08)	(6,485.60)	(6,383.29)	(6,922.04)	(8,006.12)
	143,387.16	182,106.91	155,943.34	161,541.07	166,330.33	136,764.16
Interest	302.82	467.26	181.75	151.27	305.33	2,231.50
Total Expenditure	143,689.98	182,574.17	156,125.09	161,692.34	166,635.66	138,995.66
Profit for the year	17,159.67	28,663.57	27,280.79	4,957.93	4,391.50	1,294.57
Prior Period Adjustments	0.29	21.85	(89.50)	(63.51)	60.48	(16.14)
Profit before Tax	17,159.38	28,641.72	27,370.29	5,021.44	4,331.02	1,310.71
Less: Provision for Tax (Including Deferred Tax and Fringe Benefit Tax)	5,939.93	9,890.22	9,802.04	2,577.45	1,157.75	765.58
Profit after Tax available for appropriations	11,219.45	18,751.50	17,568.25	2,443.99	3,173.27	545.13
Add: Profit brought forward from previous year	4,291.82	1,730.12	346.40	383.34	(360.88)	(315.08)
Profit available for appropriation	15,511.27	20,481.62	17,914.64	2,827.33	2,812.39	230.05
Appropriations:						
Proposed Dividend	0.00	2,572.12	3,123.28	734.89	734.89	440.93
Tax on Dividend	0.00	360.74	438.04	96.04	94.16	0.00
Interim Dividend & Tax thereon	0.00	1,256.94	623.20	0.00	0.00	0.00
General Reserve	0.00	12,000.00	12,000.00	1,650.00	1,600.00	150.00
Balance transferred to Balance Sheet	15,511.27	4,291.82	1,730.12	346.40	383.34	(360.88)

ANNEXURE IV – SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND IT'S SUBSIDIARY

(Rs. in Lakhs)

	Particulars	As at Dec 31,	As at March 31,				
		2006	2006	2005	2004	2003	2002
1	Share Capital						
	Authorised:						
	10,00,00,000 Equity Shares of Rs. 10/- each	10,000.00	10,000.00	6,000.00	6,000.00	6,000.00	6,000.00
	(Prior to 2005-06 6,00,00,000 Equity shares of Rs.10/- each)						
	Issued :						
	3,70,00,000 Equity Shares of Rs. 10/- each	3,700.00	3,700.00	3,700.00	3,700.00	3,700.00	3,700.00
	Subscribed :						
	3,67,44,500 Equity Shares of Rs. 10/- each	3,674.45	3,674.45	3,674.45	3,674.45	3,674.45	3,674.45
	Add : Forfeited Shares	12.77	12.77	12.77	12.77	12.77	12.77
	TOTAL	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22
	Note : 60,63,000 Equity Shares of total value of Rs.6,06,30,000 have been issued for consideration other than cash						
2	Reserves and Surplus						
	(a) Capital Reserve - Surplus on Sale of Assets						
	Balance as per last Balance Sheet	105.66	105.66	105.66	105.66	105.66	105.66
	(b) Research & Development Capital Grant						
	UNDP Grant	-	-	-	0.75	3.55	6.35
	Less: Transfer to Miscellaneous Income	-	-	-	0.75	2.80	2.80
		-	-	-	-	0.75	3.55
	(c) Securities Premium Account						
	Balance as per last Balance Sheet	10,401.66	10,401.66	10,401.66	10,401.66	10,401.66	10,401.66
	(d) Debenture Redemption Reserve						
	Balance as per Balance Sheet	-	-	-	-	-	1,050.00
	Less: Transferred to General Reserve	-	-	-	-	-	1,050.00
	(e) Reserve for Nonimara Excellence Award	1.44	1.44	1.44	1.44	1.44	1.44
	(f) General Reserve						
	Balance as per last Balance Sheet	69,629.19	57,629.19	45,629.19	43,979.19	42,377.15	43,911.01
	Add: Transfer to General Reserve	-	12,000.00	12,000.00	1,650.00	1,600.00	150.00
	Add: Write back of excess provision of dividend					2.04	-
	Add: Transfer from Debenture Redemption Reserve					-	1,050.00
	Add/Less: Deferred Tax Asset/Liability						(2,733.86)
	TOTAL (f)	69,629.19	69,629.19	57,629.19	45,629.19	43,979.19	45,377.15

	Particulars	As at Dec 31,	As at March 31,				
		2006	2006	2005	2004	2003	2002
	(g) Capital Reserve on consolidation of Subsidiary Company	26.60	26.60	26.60	26.60	26.60	26.60
	(h) Minority Interest	-	-	-	-	-	(8.31)
	(i) Balance in Profit & Loss Account	15,511.27	4,291.82	1,730.12	346.40	383.34	(360.88)
	TOTAL (a to i)	95,675.83	84,456.38	69,894.66	56,510.95	54,898.64	52,546.86
3	Secured Loans						
	(a) Debentures						
	15%-25,00,000 Privately placed Non-Convertible (E-Series) Debentures of the face value of Rs.100 each to Army Group Insurance Fund on 01.07.94 redeemable at the end of 6 th , 7 th & 8 th year in equal instalments, secured by a charge against certain fixed assets of the Company	-	-	-	-	-	833.33
	(b) Loans from Banks						
	(i) (Cash credit and short term credit availed from Banks Secured by hypothecation of inventories (except those pertaining to railcoaches), book debts, receivables, other movable assets and plant & machineries etc.)	10,012.66	2,523.51	7,554.02	3,148.27	3,220.29	27,254.97
	(ii) Secured by hypothecation of inventories, Debts and other movable assets and Corporate Guarantee of the Company for Rs.100 lakhs	-	-	32.14	15.70	-	81.55
	TOTAL (a + b)	10,012.66	2,523.51	7,586.16	3,163.97	3,220.29	28,169.85
4	Unsecured Loan						
	Fixed Deposits	-	-	-	180.25	219.80	1,933.97
	Debenture Interest accrued and due	-	-	-	-	-	5.11
	Deferred Payment Liabilities	-	-	-	-	-	5.69
	TOTAL	-	-	-	180.25	219.80	1,944.77
5	Deferred Tax Liability						
	Balance as per last Balance Sheet	138.08	275.07	1,540.05	2,087.19	2,599.44	-
	Add: Net Deferred Tax Adjustment for the year	696.21	(136.99)	(1,264.98)	(547.14)	(512.25)	2,599.44
	TOTAL	834.29	138.08	275.07	1,540.05	2,087.19	2,599.44
6	Capital Work-in-progress						
	Building etc., under construction	1,361.39	580.08	446.23	152.36	176.69	37.10
	Equipment under inspection & in	1,128.30	160.27	52.23	12.90	169.00	45.62

	Particulars	As at Dec 31,	As at March 31,				
		2006	2006	2005	2004	2003	2002
	transit						
	Advances for Capital Expenditure	349.65	149.44	148.64	12.41	0.98	0.98
	TOTAL	2,839.35	889.79	647.10	177.67	346.67	83.70
7	Investments						
	(a) In Ordinary Shares of Co-operative societies						
	250 Shares of Rs. 10 each of BEML Consumer Co-operative Society Ltd., KGF	0.03	0.03	0.03	0.03	0.03	0.03
	10 Shares of Rs.100 each of Gulmohar Mansion Apartments Co-operative Housing Society Ltd., Bangalore	0.01	0.01	0.01	0.01	0.01	0.01
	In Government securities:						
	National Savings Certificates (Deposited with Govt. Authorities / Banks)	-	-	-	-	0.01	0.01
	In Institutional Investment Special Funds Unit Scheme-UTI	-	-	-	-	115.64	115.64
	In Tax Free Konkan Railway Bonds	-	-	-	-	10.00	10.00
	(b) Trading (Quoted) - Current						
	In Investment in US 64/US 2002 - UTI at Cost	-	-	-	26.01	406.13	406.13
	Less: Diminution in value	-	-	-	-	121.88	-
	Net Realisable Value	-	-	-	26.01	284.25	406.13
	TOTAL (a + b)	0.04	0.04	0.04	26.05	409.94	531.82
8	Inventories						
	Raw materials and components	22,468.70	18,712.07	16,518.24	10,462.28	16,125.20	16,304.24
	Stores and Maintenance Spare parts including construction materials	1,017.96	797.03	732.41	726.68	906.25	864.82
	Scrap	314.79	416.97	326.58	118.00	149.70	100.44
	Patterns	-	-	-	-	-	5.46
	Excise Duty on Scrap	32.85	66.33	47.01	10.39	23.55	14.97
	Hand tools	505.90	467.75	440.79	433.20	448.92	424.29
	Stock-in-trade:						
	Finished stock	4,552.42	3,238.67	4,541.96	9,143.52	9,758.69	11,048.81
	Spares	17,807.67	15,977.62	12,506.86	13,531.73	16,725.89	15,790.12
	Excise Duty on Stock-in-trade	1,450.57	1,412.67	1,380.84	2,613.51	2,568.69	2,472.64
	Work-in-Progress	25,897.22	19,580.16	20,915.26	13,296.19	20,077.93	12,920.94
	Goods under inspection and in Transit	13,247.55	4,619.28	5,011.82	7,272.80	8,371.57	4,254.51
	TOTAL	87,295.64	65,288.55	62,421.77	57,608.30	75,156.39	64,201.24
9	Sundry Debtors (Unsecured)						
	Debts outstanding for a period exceeding six months						
	Considered Good	26,761.65	10,217.67	9,232.97	7,504.28	11,874.25	17,009.53

	Particulars	As at Dec 31,	As at March 31,				
		2006	2006	2005	2004	2003	2002
	Considered Doubtful	758.02	682.85	780.29	842.21	1,177.11	1,147.77
		27,519.67	10,900.52	10,013.26	8,346.49	13,051.36	18,157.30
	Other Debts Considered Good	53,139.76	66,765.10	51,620.95	36,929.07	37,619.81	39,915.14
	Less: Provision for Doubtful Debts	758.02	682.85	780.29	842.21	1,177.11	1,147.77
	TOTAL	79,901.41	76,982.77	60,853.92	44,433.35	49,494.06	56,924.67
10	Cash and Bank Balances						
	Cash on Hand	24.30	676.55	722.55	703.50	603.34	618.43
	Cheques on Hand	39.00	17,271.38	7,681.48	35,585.18	12,397.06	22,680.81
	Remittances in Transit	97.03	892.88	1,623.49	635.93	1,018.89	292.38
	With Scheduled Banks : In Current Accounts	2,421.06	3,659.73	2,634.03	3,036.84	3,526.70	2,304.36
	In Deposit Accounts	24,200.00	15,500.00	27,030.62	10,833.75	2,631.20	0.18
	TOTAL	26,781.39	38,000.54	39,692.16	50,795.20	20,177.19	25,896.16
11	Other Current Assets						
	Misc. Deposits	-	-	5.43	-	-	-
	Gold coins on hand	9.25	9.25	9.27	-	-	-
	Interest accrued on Bank Deposits	600.10	47.91	472.52	98.82	-	-
	Interest accrued on Loans	0.05	0.05	0.04	8.70	0.06	0.06
	Special tools & jigs (net)	610.31	592.10	963.23	1,158.66	936.39	440.98
	TOTAL	1,219.71	649.31	1,450.49	1,266.18	936.45	441.04
12	Loans and Advances						
	(a) Loans						
	Considered Good (Secured)	-	-	-	-	-	-
	(b) Advances						
	Advances recoverable in cash or in kind or for value to be received						
	For Goods and Services	8,848.94	12,631.48	18,662.59	4,747.74	12,974.24	4,134.51
	Prepaid expenses & Other advances	880.34	888.77	897.90	1,019.56	1,653.07	1,982.29
	Balances with Government Departments for Customs Duty, Excise Duty, etc., including receivables	2,319.05	1,444.02	2,084.85	712.74	1,129.37	1,011.03
	Balance with Public Utility Concerns	729.12	728.14	485.17	484.39	393.96	408.02
	Advance Income Tax and Fringe Benefit Tax (net of provision)	1,732.69	-	-	-	264.72	805.88
	Less: Provision for Doubtful Advances	376.58	376.85	392.31	393.89	219.26	474.67
	TOTAL (a + b)	14,133.56	15,315.56	21,738.20	6,570.54	16,196.10	7,867.06
13	Current Liabilities						
	Acceptances	290.65	273.83	3,343.49	106.76	34.99	58.74
	Sundry Creditors	29,586.05	29,935.00	22,926.16	13,424.05	11,735.09	10,675.54
	Advances and Deposits	52,668.88	56,372.23	55,493.16	70,200.22	84,608.52	60,466.27
	Amount transferable to Investors						

	Particulars	As at Dec 31,	As at March 31,				
		2006	2006	2005	2004	2003	2002
	Education Fund*						
	(a) Unpaid/Unclaimed Dividend	42.16	45.54	31.79	26.59	-	-
	(b) Unpaid/Unclaimed Debentures	15.06	15.06	21.60	21.88	-	-
	(c) Unpaid/Unclaimed Fixed Deposits	0.12	0.12	0.27	0.32	-	-
	Other Liabilities	34,339.33	31,864.97	32,091.81	26,995.49	20,923.21	14,577.50
	Interest accrued but not due on Loan/Deposit	51.47	-	11.36	17.66	11.37	166.09
	TOTAL	116,993.74	118,506.75	113,919.64	110,792.97	117,313.18	85,944.14
	* There were no amounts due to be credited to Investors' Education and Protection Fund.						
14	Provisions						
	Income Tax and Fringe Benefit Tax (Net of Tax Paid)	-	31.62	3,306.05	387.16	-	-
	Proposed Dividend	-	2,572.12	3,123.28	734.89	734.89	440.93
	Additional Tax on Dividend	-	360.74	438.04	96.04	94.16	-
	Others	289.12	256.36	566.59	600.32	172.91	154.06
	TOTAL	289.12	3,220.84	7,433.96	1,818.41	1,001.96	594.99
15	Miscellaneous Expenditure (to the extent not written off or adjusted)						
	(a) Technical Know-how						
	Opening balance	-	-	-	-	-	1.57
	Additions during the year	-	-	-	-	-	1.54
	Less: Amortisation during the year	-	-	-	-	-	3.11
	Closing Balance	-	-	-	-	-	-
	(b) Development cost on R&D Projects						
	Opening Balance	-	-	306.23	744.26	681.61	571.06
	Additions / transfer during the year	-	-	(306.23)	(332.08)	182.98	232.17
	Less: amortization during the year	-	-	-	105.95	120.33	121.62
	Closing Balance	-	-	-	306.23	744.26	681.61
	(c) Expenditure on Voluntary Retirement Scheme						
	Opening balance	2,602.72	4,058.65	2,927.28	4,543.82	3,414.41	3,090.38
	Additions during the year	676.26	77.54	3,259.30	64.15	2,797.26	1,469.09
	Less : Amortisation during the year	1,031.18	1,533.47	2,127.93	1,680.69	1,667.85	1,145.06
	Closing Balance	2,247.80	2,602.72	4,058.65	2,927.28	4,543.82	3,414.41
	(d) Other Deferred Revenue Expenditure						
	Opening Balance	-	-	3.40	6.80	10.19	13.60
	Additions during the year	-	-	-	-	-	-
	Less: amortization/transfers during the year	-	-	3.40	3.40	3.39	3.41

	Particulars	As at Dec 31,	As at March 31,				
		2006	2006	2005	2004	2003	2002
	Closing Balance	-	-	-	3.40	6.80	10.19
	TOTAL (a to d)	2,247.80	2,602.72	4,058.65	3,236.91	5,294.88	4,106.21
16	Sales						
	Castings	59.31	72.62	165.63	109.89	114.34	195.01
	Earthmoving Equipment	72,773.30	89,699.38	72,160.31	57,978.24	68,491.98	44,323.83
	Railway Products	4,534.11	10,484.15	10,927.90	1,012.04	-	2,808.93
	Defence Products	41,638.46	68,270.43	48,753.01	74,859.70	59,341.67	54,124.18
	Spares	42,250.10	53,151.19	53,341.46	43,012.07	40,664.55	41,221.76
	Non Company Products	-	84.00	144.82	-	-	-
	Commissioning, Servicing & Desilting	575.35	1,122.80	757.20	652.73	742.05	1,177.15
	Export Incentives	120.21	32.84	124.00	141.62	114.93	133.03
	Less : Sales returns & Adjustments	1,774.04	2,260.41	607.72	1,081.81	1,238.18	1,374.01
	Less: Excise Duty	11,580.72	14,640.61	12,345.11	9,371.34	11,021.01	7,505.94
	TOTAL	148,596.08	206,016.39	173,421.50	167,313.14	157,210.33	135,103.94
17	Other Income						
	Profit on sale of Investments	-	-	13.69	-	-	-
	Commission and fees	8.99	21.67	12.54	6.13	6.39	5.43
	Surplus on sale of Assets	8.57	17.31	12.11	17.10	25.27	6.69
	Disposal of Scrap / Surplus Materials	759.33	988.61	780.37	437.25	394.17	307.16
	VRS Grant	-	-	-	-	24.45	8.67
	Interest - On Loans to Subsidiary	-	-	-	-	-	-
	- Investments	-	-	-	2.62	16.66	15.61
	- On Call & Term Deposits from banks & others	1,346.64	1,330.00	1,748.22	853.12	2,213.22	99.78
	- Tax Free Bonds	-	-	-	0.96	-	-
	- On Other Advances	22.04	37.41	34.60	57.92	330.49	43.73
	- On Income Tax Refund	-	-	1.53	609.76	33.08	-
	Miscellaneous Income	516.72	1,160.19	725.68	501.32	356.97	341.21
	Provision in previous year no longer required:						
	- Doubtful debts & advances	95.52	364.38	356.31	641.39	865.48	534.20
	- Others	381.54	2,495.41	1,913.13	984.36	1,094.48	137.11
	TOTAL	3,139.33	6,414.99	5,598.18	4,111.93	5,360.66	1,499.59
18	Increase/ decrease in Work-in-progress & Finished Stock						
	Opening Stock						
	Work-in-progress	19,580.16	20,915.26	13,296.19	20,077.93	12,920.94	15,904.57
	Finished Stock	3,238.67	4,541.96	9,143.52	9,758.69	11,048.81	6,863.16
		22,818.83	25,457.22	22,439.71	29,836.62	23,969.75	22,767.73
	Closing Stock						
	Work-in-progress	25,897.22	19,580.16	20,915.26	13,296.19	20,077.93	12,920.94

	Particulars	As at Dec 31,	As at March 31,				
		2006	2006	2005	2004	2003	2002
	Finished Stock	4,552.42	3,238.67	4,541.96	9,143.52	9,758.69	11,048.81
		30,449.64	22,818.83	25,457.22	22,439.71	29,836.62	23,969.75
	Increase / (Decrease)						
	Work-in-progress	6,317.06	(1,335.10)	7,619.07	(6,781.74)	7,156.99	(2,983.63)
	Finished Stock	1,313.75	(1,303.29)	(4,601.56)	(615.17)	(1,290.12)	4,185.65
	TOTAL	7,630.82	(2,638.39)	3,017.51	(7,396.91)	5,866.87	1,202.02
19	Cost of Raw Materials and Spares - Consumed / sold						
	<u>(a) Opening Stock</u>						
	Raw Material & Components	19,509.10	17,250.65	11,188.96	17,031.45	17,169.06	15,349.94
	Spares	15,977.62	12,506.86	13,531.73	16,725.89	15,790.12	16,273.83
		35,486.72	29,757.51	24,720.69	33,757.34	32,959.18	31,623.77
	<u>(b) Add : Purchases</u>						
	Raw Material & Components	93,481.53	116,074.58	93,465.89	85,655.86	99,803.72	79,041.15
	Spares	13,995.79	17,657.97	14,014.45	9,789.93	12,582.34	11,465.52
	Non Company Products for Exports	-	69.05	81.34	-	-	-
		107,477.32	133,801.60	107,561.68	95,445.79	112,386.06	90,506.67
	<u>(c) Less : Closing Stock</u>						
	Raw Material & Components	23,486.66	19,509.10	17,250.65	11,188.96	17,031.45	17,169.06
	Spares	17,807.67	15,977.62	12,506.86	13,531.73	16,725.89	15,790.12
		41,294.33	35,486.72	29,757.51	24,720.69	33,757.34	32,959.18
	Total (a) + (b) - (c)	101,669.71	128,072.39	102,524.86	104,482.44	111,587.90	89,171.26
	<u>Less: Transfer to Capital and other Revenue Accounts :</u>						
	- Research & Development	19.62	17.69	70.73	126.68	228.21	177.26
	- Tooling	42.20	69.17	83.14	20.52	33.12	5.81
	- Warranty Claims	642.83	712.25	926.89	370.42	600.85	552.76
	- Other Accounts	104.63	1,465.76	(865.36)	(467.96)	308.19	(1,010.68)
		809.28	2,264.87	215.40	49.66	1,170.37	(274.85)
	TOTAL	100,860.44	125,807.50	102,309.46	104,432.78	110,417.52	89,446.11
20	Employees' Remuneration and Benefits						
	Salaries, Wages and Bonus	18,452.24	23,746.55	23,611.78	22,253.10	21,184.42	20,702.84
	Leave Salary & Contractual Obligations	634.47	1,780.39	2,105.54	2,462.74	2,022.46	2,215.94
	<u>Contribution to :</u>						
	Gratuity Fund	874.72	611.44	2,139.74	2,411.83	2,078.33	2,301.15
	Provident Fund & Family Pension Scheme	1,757.23	2,230.35	2,146.10	2,169.87	2,179.75	2,637.51
	Amortisation - Voluntary Retirement Scheme	1,031.18	1,533.47	2,127.93	1,680.68	1,692.31	1,153.73
	Other Expenses on Welfare	3,296.91	4,088.12	4,098.31	4,276.33	4,838.28	4,089.31

	Particulars	As at Dec 31,	As at March 31,				
		2006	2006	2005	2004	2003	2002
	Schemes (excl. Salaries & Wages)						
	Less: Receipts	138.40	272.27	280.60	278.55	248.10	252.29
		3,158.51	3,815.85	3,817.71	3,997.78	4,590.18	3,837.02
	TOTAL	25,908.35	33,718.05	35,948.80	34,976.00	33,747.45	32,848.19
21	Other Expenses						
	Stores Consumed	923.46	1,186.72	1,006.25	795.51	805.47	738.21
	Consumable Tools	571.43	834.23	549.16	577.42	621.99	638.32
	Power & Fuel	2,396.21	3,164.24	2,797.31	2,377.40	2,173.39	1,903.26
	Rent	118.01	150.86	166.14	156.80	156.14	90.02
	Hire Charges	161.39	124.97	63.35	41.42	43.01	22.52
	Repairs & Maintenance						
	- Machinery and Equipment	635.90	1,012.11	814.15	605.43	711.44	541.98
	- Buildings	392.07	339.13	504.81	162.51	197.81	165.92
	- Others	347.57	365.05	365.49	442.98	503.03	428.31
	Royalty	0.37	3.00	3.00	3.48	-	10.80
	Research & Development	1,167.65	1,723.33	1,646.78	1,473.04	1,542.84	1,400.07
	Amortisation of Special Tools and Jigs	360.30	926.44	682.08	453.84	612.63	277.69
	Development Cost on R&D Projects	-	-	-	105.95	120.33	121.63
	Machining charges	10.87	19.74	16.37	13.90	13.12	8.44
	Fettling charges.	63.40	139.16	140.73	132.10	106.96	102.87
	Moulding charges	40.19	58.35	57.45	12.23	8.92	-
	Stationery Supplies	143.62	160.82	149.09	165.99	164.83	140.48
	Insurance	88.33	112.12	144.39	148.35	163.58	179.02
	Rates and Taxes	150.35	255.79	259.23	1,491.94	168.87	193.55
	Bank charges	0.79	265.48	301.09	284.44	430.69	433.51
	Postage, Telegrams, Telephones and Telex	164.38	222.88	216.16	224.76	243.33	315.76
	Selling Agents Commission	218.33	135.65	69.41	222.70	96.40	201.31
	Remuneration to Auditors	4.76	11.58	7.26	8.04	9.61	10.87
	Executive Director's Remuneration	-	-	-	-	-	2.39
	Legal Expenses	100.49	56.31	32.36	68.16	65.99	24.93
	Travelling Expenses	966.36	1,221.30	1,077.77	1,061.37	1,207.80	997.84
	Publicity and Public Relations	312.00	394.51	243.19	267.82	135.15	43.56
	Loss on Fixed Assets discarded	8.55	13.46	52.39	10.70	9.11	78.68
	Obsolescence	701.21	743.31	667.06	1,730.03	1,938.70	1,019.23
	Bad debts	0.74	58.57	15.42	171.10	216.79	128.55
	Defects and Spoilages	78.97	171.07	163.53	188.86	251.09	180.01
	Excise Duty	1,638.04	1,734.10	1,557.39	2,969.34	2,967.25	1,854.01
	Provision for Doubtful Debts and Advances	170.43	260.74	294.88	479.66	652.52	652.28
	Warranty & Unexpired Obligations	4,482.80	6,586.22	3,463.41	4,744.60	6,201.41	1,874.31
	Miscellaneous Expenses	4,595.67	5,174.47	4,320.31	5,074.88	4,576.67	5,461.34
	TOTAL	21,014.66	27,625.70	21,847.40	26,666.75	27,116.87	20,241.67

	Particulars	As at Dec 31,	As at March 31,				
		2006	2006	2005	2004	2003	2002
22	Expenditure other than materials allocated to Capital & Other Accounts						
	- Research & Development	1,148.03	1,706.89	1,576.04	1,366.15	1,471.53	1,388.25
	- Tooling	61.08	117.42	146.51	187.93	119.79	96.19
	- Warranty Claims	509.31	635.92	632.96	597.34	576.70	514.15
	- Other Accounts	3,682.02	4,023.85	4,130.09	4,231.87	4,754.02	6,007.53
	TOTAL	5,400.44	6,484.08	6,485.60	6,383.29	6,922.04	8,006.12
23	Interest						
	Debentures	-	-	-	-	31.25	234.47
	Bank and Others	302.82	467.26	181.75	151.27	274.08	1,997.03
	TOTAL	302.82	467.26	181.75	151.27	305.33	2,231.50
24	Prior Period Adjustments						
	Materials	-	(2.31)	-	1.09	-	-
	Depreciation	-	1.27	(0.09)	(64.60)	(3.45)	(2.23)
	Interest	-	(7.52)	-	-	-	(56.05)
	Others	0.29	30.43	(89.41)	-	63.93	42.14
	TOTAL	0.29	21.85	(89.50)	(63.51)	60.48	(16.14)
24(a)	Provision for Tax						
	Current Tax	5,082.75	9,775.11	11,052.83	3,124.59	1,670.00	900.00
	Previous year Tax	-	-	14.19	-	-	-
	Deferred Tax	696.21	(136.99)	(1,264.98)	(547.14)	(512.25)	(134.42)
	Fringe Benefit Tax	160.97	252.10	-	-	-	-
	TOTAL	5,939.93	9,890.22	9,802.04	2,577.45	1,157.75	765.58

ANNEXURE V: CONSOLIDATED NOTES ON ACCOUNTS ATTACHED TO RESTATED FINANCIAL STATEMENTS

1. BASIS OF CONSOLIDATION

The Financial Statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statement as laid down under the Accounting Standard on Consolidated Financial Statement issued by ICAI. The financial statements of Bharat Earth Movers Limited, the parent company, have been combined on a line by line basis by adding together book value of similar items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealized gain/ loss. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group. Minority Interest has been excluded. Minority Interest represents that part of the Net Profit or Loss and Net Assets of subsidiary that are not, directly or indirectly, owned or controlled by the Company.

2. CONTINGENT LIABILITY

(Rs. in Lakhs)							
	PARTICULARS	As at	As at 31st March				
		31/12/2006	2006	2005	2004	2003	2002
a	(i)Counter Guarantees given to Banks for guarantees issued by the Banks on behalf of the Company	11,191.58	14,728.99	18,313.21	12,560.57	14,557.13	11,858.28
	(ii)Corporate Guarantees given to Banks for credit extended to subsidiary and to customers for performance guarantee	100.00	100.00	116.54	116.54	100.00	0.00
b	Claims against the Company not acknowledged as debts	8,519.83	8,417.75	3,074.10	2,784.70	3,938.83	3,713.28
c	(i) Disputed statutory demands like Sales Tax, Service Tax etc.	1,360.36	1,240.18	1,231.09	NA	NA	NA
	(ii) Others	7,159.47	7,177.57	1,843.01	NA	NA	NA
d	Guarantees given to Banks / Institutions against credit extended to customers	0.00	0.00	0.14	5.14	5.14	193.71

NA = Not Applicable.

3. OTHER NOTES

(Rs. in Lakhs)						
Particulars	Dec-2006	2005-06	2004-05	2003-04	2002-03	2001-02
1. Inventory of raw materials. Components, WIP and spare parts include materials with vendors, sub-contractors and others returnable in kind.	N A	869.34	1,724.33	468.91	1,147.22	448.35
- Of which, confirmations are awaited for material worth.	NA	74.74	60.18	42.49	27.00	22.43
2. Warranty & Unexpired obligation - includes anticipated liability, pending results of user	1,720.50	1,958.11	1,946.31	1,865.67	3,368.39	NA

confirmatory trials from a customer.						
3. Related party transaction Transactions with key management personnel: Total remuneration: (Rs.) Sri.V RS Natarajan Sri V S Venkatanathan Sri R C Suthar Sri P Mazumdar Sri P Sathyanarayan Sri N K Srinivasan Sri B.V.Ramana Sri. K.A.Nagaraja Sri.R.K.Rustogi Sri.B.L.Bajaj * part of the year	6,26,271 6,91,287* 7,41,895 5,31,723* 5,09,168 6,35,698* 2,92,689*	8,44,962 8,44,778 10,18,112 7,89,007 4,44,347* 7,26,457 -- --	10,13,720 7,79,956 8,10,428 6,85,293 9,37,791 2,42,818 -- --	7,40,343 7,91,671 8,04,038 7,56,170 6,03,095 -- 6,34,462 8,68,438	NA	NA
4. 'The Accounting Standard on Impairment of Assets (AS-28) has become mandatory with effect from April 1, 2004. To ascertain the impairment of assets, if any, the estimated recoverable amount of the assets has been assessed by a registered chartered engineer and valuer. The recoverable amount is more than the carrying amount. Therefore there is no impairment of assets.	Applicable	Applicable	Applicable	NA	NA	NA
5. Major components of Deferred Tax Assets & Liabilities Deferred Tax Asset ⇒ Provisions to be allowed on actual payment / write off Deferred Tax Liabilities ⇒ Depreciation ⇒ Un-amortised expenditure ⇒ Others Net deferred tax liability	1,993.76 834.29	1,876.96 138.08	2,074.28 275.07	1,756.77 1,540.05	996.69 2,087.19	758.00 2,599.44
6. The Earnings per share has been arrived at on the basis of net profit available after Tax divided by the weighted average number of shares outstanding during the period. Profit after tax in Rs. lakhs No of shares in lakhs Earning per share- Rs	11,219.45 367.45 30.53	18,751.50 367.45 51.03	17,568.23 367.45 47.81	2,443.99 367.45 6.65	3,173.28 367.45 8.64	545.13 367.45 1.48
7. Segmenting reporting Revenue (Gross) Railway products Defence Products EM eqpts. & spares	4,590 44,758 1,10,828	10,582 70,298 1,39,777	11,087 56,299 1,18,380	1,643 81,200 93,842	6 59,292 1,08,933	2,879 58,406 81,325

Total	1,60,176	2,20,657	1,85,766	1,76,685	1,68,231	1,42,610
Segment results						
Railway products	(1,768)	(1,512)	(2,434)	(6,138)	(4,990)	(3,494)
Defence Products	9,729	7,144	4,583	5,019	3,985	1,566
EM eqpts. & spares	10,501	24,774	23,706	14,462	6,251	7,584
Total	18,463	30,406	25,855	13,343	5,246	5,656
Other unallocated expenses	7,244	11,654	8,287	10,899	2,073	5,111
Net profit	11,219	18,752	17,568	2,444	3,173	545

8. The Company opines that it does not have any liability on account of Interest under "Interest on delayed payments to Small Scale and Ancillary Undertakings Act, 1993.
9. Sundry Debtors, Loans and Advances and deposits are subject to confirmation. There are certain old balances pending review / adjustments.
10. Corresponding figures of the previous year have been regrouped / recast to make them comparable for the period under review.
11. The Auditors Qualifications for the years ended 31st March 2002 to 31st March 2006 regarding overstatement of Revenue and consequential effect on Profits for the relevant years only, which is detailed hereunder, is not, in the opinion of the management related to incorrect accounting practice or incorrect accounting policy and have been suitably addressed to in the annual accounts for these respective years placed and approved by the members of the Company.

(Rs. in lakhs)

PARTICULARS	31/03/2002	31/03/2003	31/03/2004	31/03/2005	31/03/2006
Sales	85.00	5,906.71	807.99	24,306.19	20,668.89
Profit on Sales	49.32	885.01	(5.72)	5,869.35	4,687.50

12. Fixed Assets includes :

- (a) expenditure on development of land at KGF (1849 acres and 5 guntas) received free of cost from Government of Karnataka
- (b) value of 145 acres and 16 guntas of land for which deeds are not with the company.
- (c) Cost of building valued at Rs.26.82 lakhs on lease with an option to buy for a nominal sum of Rs.0.15 lakhs at the end of 99 years from the date of taking possession viz., February'83 / April'84
- (d) cost of building pending registration / khatha transfer valued at Rs.307.53 lakhs

13. The total amount towards Lease / Sale of facilities belonging to Bharat Gold Mines Limited (a company under orders of winding up by BIFR) is yet to be ascertained. The company has started utilizing the facilities from May 2005 and a sum of Rs.100 lakhs has been paid, which is included under capital work-in-progress (sch.6). As the nature of transaction is undecided no amount has been charged to the Profit and Loss Account till date. The amount is not likely to be material.
14. Advances include amount of Rs.1066.86 lakhs receivable from a society - R&D Centre of Excellence For Metro Coaches out of Government of India grant to be received.
15. Depreciation rate adopted by the company in respect of following assets is significantly higher than the statutory minimum rates prescribed under the Companies Act, 1956.

Assets	Rate adopted (%)	Rate as per Schedule XIV(%)
Water supply installations	7.42	1.63
Welfare equipments	7.42	4.75
Medical diagnostic equipment	7.42	7.07

Power generating equipment	15	4.75
Electrical installation	15	4.75
Communication equipment	15	4.75
Office equipment	15	4.75
Computers	33.33	16.21
Mobile phones	33.33	4.75

For year ending 31st March 2002

16. The Balance Sheet and Profit and Loss Account adopted by the Board of Directors on 17th July 2002 and reported by the Statutory Auditors on even-date have been revised in the light of observations arising from Audit by the Comptroller and Auditor General of India resulting increase in profit Rs. 15.72 lakhs (net) due to increase in income by Rs.39.36 lakhs and increase in expenditure by Rs.23.64 lakhs in addition to reduction in sales by Rs.522 lakhs.

For year ending 31st March 2004

17. WIP includes R&D work orders Rs. 234.77 lakhs of which lying with customers for field trial basis Rs. 72.28 lakhs and sent for demonstration Rs. 24.69 lakhs.
18. Provision amounting to Rs. 310.46 lakhs has been made during the year consequent upon introduction of provisioning norms for WIP, FGI, disputed claims and demands against the company.
19. Salaries and wages include a sum of Rs.778.15 lakhs towards annual ex-gratia payable for the year to the employees / officers which was hitherto accounted on declaration.
20. Rates and Taxes includes provision for following claims contested by the Company:
- (a) One time betterment Charges of Rs. 580.43 Lakhs levied by Bangalore Mahanagara Palike (BMP)
 - (b) Property Tax of Rs. 751.59 Lakhs levied by BMP and City Municipal Corporation during the year including earlier years.

**ANNEXURE VI: CONSOLIDATED CASH FLOW STATEMENT OF THE COMPANY AND ITS
SUBSIDIARY AS AT DECEMBER 31, 2006, AND MARCH 31, 2006, 2005, 2004, 2003, 2002**

(Rs. in Lakhs)

PARTICULARS		As At December 31,	As at March 31,				
		2006	2006	2005	2004	2003	2002
ASSETS							
A	CASH FLOW FROM OPERATING ACTIVITIES						
	NET PROFIT BEFORE TAX & EXTRA- ORDINARY ITEMS	17,159.38	28,641.72	27,370.29	5,021.44	4,331.02	1,310.71
	Adjustment for						
	-Depreciation	1,001.27	1,437.47	2,321.84	1,848.79	1,950.46	2,233.76
	-Profit / Loss on sale of Investments / Fixed Assets	(0.02)	(3.85)	26.59	(6.40)	(14.63)	(2.97)
	-UNDP Grant	0.00	0.00	0.00	(0.75)	(2.81)	(2.81)
	-Amortisation	1,386.04	2,459.90	2,806.14	2,289.25	2,404.21	1,547.77
	-Interest paid	302.82	467.26	181.75	151.27	305.33	2,231.50
	-Interest received	(1,346.64)	(1,330.00)	(1,748.22)	(856.71)	(2,593.45)	(159.12)
	-Minority Interest	2.88	2.27	1.44	0.04	20.07	0.55
	-Diminution of Investments	0.00	0.00	0.00	0.00	121.89	0.00
	Provision for Doubtful debts & Advances	0.00	0.00	0.00	0.00	0.00	0.00
	Other Provisions	32.75	(329.03)	(14.93)	584.24	18.85	14.81
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	18,538.48	31,345.74	30,944.90	9,031.17	6,540.94	7,174.20
	Adjustment for						
	-Trade and other Receivables	(132.95)	(8,926.34)	(31,603.07)	14,417.17	(1,796.82)	1,394.61
	-Inventories	(22,007.08)	(2,866.77)	(4,507.23)	17,834.79	(10,955.16)	(47.02)
	-Trade Payables	(1,410.75)	4,673.32	3,200.44	(6,683.53)	31,720.66	4,366.96
	CASH GENERATED FROM OPERATIONS	(5,012.30)	24,225.95	(1,964.96)	34,599.60	25,509.62	12,888.75
	Tools & Jigs	(378.51)	(555.31)	(486.65)	(676.12)	(1,108.04)	(249.19)
	Technical knowhow	0.00	0.00	0.00	0.00	0.00	(1.54)
	Development Cost on Research & Development	0.00	0.00	0.00	0.00	(182.98)	(232.17)
	VRS Expenditure	(670.82)	(77.53)	(3,252.06)	(64.15)	(2,797.26)	(1,469.09)
	Direct Tax Paid (Net)	(6,981.32)	(13,265.29)	(8,157.56)	(2,479.08)	(1,121.20)	(207.99)
	NET CASH FROM OPERATING ACTIVITIES	(13,042.95)	10,327.82	(13,861.23)	31,380.25	20,300.14	10,728.77
B	CASH FLOW FROM INVESTING ACTIVITIES						
	Purchase of Fixed Assets	(3,240.49)	(3,445.39)	(1,212.95)	(864.67)	(1,224.66)	(502.54)
	Sale of Fixed Assets	16.37	28.44	25.20	28.20	32.86	185.44
	Sale of Investments	0.00	0.00	39.70	383.89	0.00	429.63
	Interest Received	794.45	1,765.15	1,386.63	757.89	2,593.45	159.12
	NET CASH USED/FROM IN INVESTING ACTIVITIES	(2,429.67)	(1,651.80)	238.58	305.31	1,401.65	271.65
C	CASH FLOW FROM						

	FINANCING ACTIVITIES						
	Proceeds from Fixed Deposits		0.00	(180.25)	(39.55)	(1,714.17)	(262.93)
	Proceeds from Borrowings	7,489.15	(5,082.10)	4,335.75	(47.69)	(24,960.36)	(1,045.21)
	Interest Paid	(302.82)	(467.26)	(181.75)	(151.27)	(305.33)	(2,231.50)
	Dividend Paid	(2,932.86)	(4,818.27)	(1,454.13)	(829.05)	(440.93)	(404.92)
	NET CASH (USED)/FROM IN FINANCING ACTIVITIES	4,253.47	(10,367.63)	2,519.62	(1,067.56)	(27,420.79)	(3,944.56)
	Net Increase/Decrease in Cash and Cash Equivalents	(11,219.15)	(1,691.62)	(11,103.04)	30,618.01	(5,718.99)	7,055.86
	Cash and Cash Equivalents as at the beginning	38,000.54	39,692.16	50,795.20	20,177.19	25,896.16	18,840.30
	Cash and Cash Equivalents as at the end	26,781.39	38,000.54	39,692.16	50,795.20	20,177.19	25,896.16

ANNEXURE VII: CONSOLIDATED SUMMARY OF ACCOUNTING RATIOS

Summary of Accounting Ratios of the Company and its subsidiary as at December 31, 2006 and March 31, 2006, 2005, 2004, 2003, 2002 are set out below:

(Rs. in Lakhs)

PARTICULARS	As At December 31,	As at March 31,				
		2006	2005	2004	2003	2002
Profit after Tax	11,219.45	18,751.50	17,568.25	2,443.99	3,173.27	545.13
Interest on Long Term Debt	0.00	0.00	7.18	22.46	165.35	505.46
Number of shares outstanding during the year (In lakhs)	367.45	367.45	367.45	367.45	367.45	367.45
Long Term Debt outstanding	0.00	0.00	0.00	180.25	219.80	2767.30
Net Worth	97,115.25	85,540.88	69,523.23	56,961.26	53,290.98	52,127.87
Earning per Share (Rs.)	30.53*	51.03	47.81	6.65	8.64	1.48
Asset value per Share (Rs.)	264.30	232.80	189.21	155.02	145.03	141.87
Return on Net Worth (%)	11.55%	21.92%	25.27%	4.29%	5.95%	1.05%
Return on Capital Employed	11.55%	21.92%	25.28%	4.32%	6.24%	1.91%

* Note: Not Annualised

- Earning per Share = Profit after Tax / Number of shares outstanding during the year
- Net worth = Share Capital + Reserves & Surplus - Miscellaneous Expenditure
- Asset value per share = Net Worth / Number of shares outstanding during the year
- Return on Net Worth = Profit after Tax / Net worth
- Return on Capital Employed = (Profit after Tax + Interest on Long Term Debt) / (Net worth + Long Term Debt)

ANNEXURE VIII: CONSOLIDATED CAPITALISATION STATEMENT

(Rs. in Lakhs)

PARTICULARS	As At December 31,	As at March 31,				
	2006	2006	2005	2004	2003	2002
Total Debt:						
Short term Debt	10,012.66	2,523.51	7,586.16	3,163.97	3,220.29	27,347.32
Long term Debt	0.00	0.00	0.00	180.25	219.80	2,767.30
Total Debt	10,012.66	2,523.51	7,586.16	3,344.22	3,440.09	30,114.62
Shareholders Funds:						
Share Capital	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22
Reserve & Surplus	95,675.83	84,456.38	69,894.66	56,510.95	54,898.64	52,546.86
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Net Reserves (Net for Revaluation)	95,675.83	84,456.38	69,894.66	56,510.95	54,898.64	52,546.86
Less: Miscellaneous Expenditure	(2,247.80)	(2,602.72)	(4,058.65)	(3,236.91)	(5,294.88)	(4,106.21)
Net Worth	97,115.25	85,540.88	69,523.23	56,961.26	53,290.98	52,127.87
Long term Debt / Net Worth	0:1	0:1	0:1	0.003:1	0.004:1	0.05:1

The post-issue share capital, reserves and surplus and debt equity ratio will be computed on the conclusion of the book building process.

ANNEXURE IX: CONSOLIDATED TAX SHELTER STATEMENT

The statements of Tax Shelter, as restated of the Company and its subsidiary as at December 31, 2006 and March 31, 2006, 2005, 2004, 2003, 2002 are set out below:

(Rs. in Lakhs)

PARTICULARS	As At December 31,	As at March 31,				
		2006	2005	2004	2003	2002
Profit before Tax as per books of accounts	17,159.38	28,641.72	27,370.29	5,021.44	4,331.02	1,310.71
Income Tax Rate	0.34	0.34	0.37	0.36	0.37	0.36
TAX AT NOTIONAL RATES	5,775.85	9,640.80	10,015.47	1,801.44	1,591.65	467.92
Permanent Differences:						
Profit / (Loss) on sale of Assets	(0.02)	(3.86)	40.27	0.91	(14.62)	75.64
Exempt Income	-	-	-	(0.96)	(1.05)	(41.62)
Sale of R&D product-transfer to expenditure	-	-	-	164.02	-	-
Donation	-	19.65	-	0.02	-	-
ROC Fees- Increase in Authorised Capital	-	22.05	-	-	-	-
Deduction U/s 80HHC	-	-	-	(44.61)	(25.40)	(23.59)
Long Term Capital Gain taxed at differential rate	-	-	(13.69)	-	-	-
TOTAL PERMANENT DIFFERENCES	(0.02)	37.84	26.58	119.38	(41.07)	10.43
Timing Differences:						
Deduction U/s 36(1)	-	-	-	0.09	-	-
Difference between depreciation as per Cos. Act & depreciation as per I.T. Act 1961	266.41	310.43	1,162.31	622.46	590.61	719.31
Provisions	74.91	(1,016.52)	554.27	1,735.40	(946.35)	118.07
Amortisation	(18.21)	371.13	501.67	256.33	(353.45)	102.24
Statutory dues U/s 43B	(151.04)	(133.83)	602.03	1,193.82	681.19	457.50
Other Expenses	(1,464.56)	(1,422.33)	(1,307.47)	(617.02)	(609.67)	(878.20)
TOTAL TIMING DIFFERENCES	(1,292.49)	(1,891.12)	1,512.81	3,191.08	(637.67)	518.92
TOTAL PERMANENT + TIMING DIFFERENCES	(1,292.51)	(1,853.28)	1,539.39	3,310.46	(678.74)	529.35
TAX SAVING THEREON	(435.06)	(623.81)	563.30	1,187.63	(249.44)	188.98

Profit as per Income Tax Returns	15,866.87	26,788.44	28,909.68	8,331.90	3,652.28	1,840.06
Long Term Capital Gain taxed at differential rate	-	-	13.69	-	-	-
Taxable Income	15,866.87	26,788.44	28,923.37	8,331.90	3,652.28	1,840.06
Tax at Normal Rates	5,340.79	9,016.99	10,578.77	2,989.07	1,342.21	656.90
Tax at Differential Rates on Long Term Capital Gain	-	-	1.43	-	-	-
Interest U/s 234 A/B/C	-	0.46	261.35	50.98	10.93	3.05
Total Tax Liability as per Return	5,340.79	9,017.45	10,841.55	3,040.05	1,353.14	659.95
Note: The Provision for Income Tax has been calculated based on Income earned during Nine months period ended December 31, 2006. However, Tax year end of the Company being March 31, 2007, the final liability for the Assessment Year 2007-08 will be determined on the Total Income of the Company for the year ended March 31, 2007.						

ANNEXURE X: CONSOLIDATED STATEMENT OF OTHER INCOME OF THE COMPANY AND ITS SUBSIDIARY

(Rs. in Lakhs)

PARTICULARS	As At December 31,	As at March 31,				
	2006	2006	2005	2004	2003	2002
Profit on sale of Investments	0.00	0.00	13.69	0.00	0.00	0.00
Commission & Fees	8.99	21.67	12.54	6.13	6.39	5.43
Surplus on sale of asset	8.57	17.31	12.11	17.10	25.27	6.69
Disposal of Scrap/Surplus material	759.33	988.61	780.37	437.25	394.17	307.16
VRS Grant	0.00	0.00	0.00	0.00	24.45	8.67
Interest						
On investments	0.00	0.00	0.00	2.62	16.66	15.61
On call & term deposits from banks & others	1,346.64	1,330.00	1,748.22	853.12	2,213.22	99.78
Tax Free Bonds	0.00	0.00	0.00	0.96	0.00	0.00
On other advances	22.04	37.41	0.00	0.00	0.00	0.00
On Income Tax Refund	0.00	0.00	1.53	609.76	33.08	0.00
Others	0.00	0.00	34.60	57.92	330.49	43.73
Miscellaneous Income	516.70	1,160.20	725.68	501.32	356.97	341.21
Provision in previous year no longer required	477.06	2,859.79	2,269.44	1,625.75	1,959.96	671.31
Total	3,139.33	6,414.99	5,598.18	4,111.93	5,360.66	1,499.59

ANNEXURE XI: CONSOLIDATED STATEMENT OF DIVIDEND PAID
(Rs. in Lakhs)

PARTICULARS	As At December 31, 2006	As at March 31,				
		2006	2005	2004	2003	2002
Equity Share Capital	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22
Less: Forfeited Shares	12.77	12.77	12.77	12.77	12.77	12.77
Balance Equity Share Capital	3,674.45	3,674.45	3,674.45	3,674.45	3,674.45	3,674.45
No. of Equity Shares (in Lakhs) of Rs.10 each	368.72	368.72	368.72	368.72	368.72	368.72
Rate of dividend (%)						
Interim	0.00%	30.00%	15.00%	0.00%	0.00%	0.00%
Final	0.00%	70.00%	85.00%	20.00%	20.00%	12.00%
Amount of dividend on Equity Shares						
Interim	0.00	1,102.34	551.17	0.00	0.00	0.00
Final	0.00	2,572.12	3,123.28	734.89	734.89	440.93
Total dividend Tax paid	0.00	515.35	510.07	96.04	94.16	0.00

ANNEXURE XII: CONSOLIDATED STATEMENT OF LOANS (SECURED AND UNSECURED) OF THE COMPANY AND ITS SUBSIDIARY

(Rs. in Lakhs)

PARTICULARS		As At December 31,	As at March 31				
		2006	2006	2005	2004	2003	2002
SECURED LOANS							
a	15% - 2500000 privately placed Non-convertible (E-Series) Debentures of face value of Rs.100 each to Army Group Insurance Fund on 1.07.94 redeemable at the end of 6th, 7th, 8th year in equal installments, secured by as charge against certain fixed assets of the Company	0.00	0.00	0.00	0.00	0.00	833.33
b	Loans from Banks (Cash credits and short term credit availed from banks & Secured by hypothecation of inventories and book debts (except those pertaining to rail coaches)	10,012.66	2,523.51	7,586.16	3,163.97	3,220.29	27,336.52
	Total (A)	10,012.66	2,523.51	7,586.16	3,163.97	3,220.29	28,169.85
UNSECURED LOANS							
A	Fixed Deposits	0.00	0.00	0.00	180.25	219.80	1,933.97
B	Debenture Interest Accrued & due	0.00	0.00	0.00	0.00	0.00	5.11
C	Deferred payment Liabilities	0.00	0.00	0.00	0.00	0.00	5.69
	Total (B)	0.00	0.00	0.00	180.25	219.80	1,944.77
	Total (A+B)	10,012.66	2,523.51	7,586.16	3,344.22	3,440.09	30,114.62

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Red Herring Prospectus. You should also read the section titled “Risk Factors” beginning on page ix of this Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to BEML on a consolidated basis. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and restated as described in Auditor’s report of M/s Rao Associates dated March 29, 2007.

The following discussion is based on our restated consolidated financial statements for the years ended March 31, 2002, 2003, 2004, 2005, 2006 and nine months ended December 31, 2006 which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and on information available from other sources. Our fiscal year ends on March 31 each year, so all references to a particular year are to the twelve-month period ended on March 31 of that year.

The Directors confirm that there have been no events or circumstances since the date of the last financial statements which materially and adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

Overview

We are one of the major players in manufacture and supply of high-quality mining & construction equipments in India, the only indigenous manufacturer of Metro coaches and nodal agency for supplying certain defence equipments to the Indian armed forces. We have been a pioneer in India evolving new technologies and introducing several new products for the core sectors.

We manufacture a wide range of products to meet the needs of Mining, Construction, Power, Irrigation, Fertiliser, Cement, Steel, Defence and Rail sectors right from small scale to very large customers. We have three manufacturing facilities located at Bangalore, Kolar Gold Fields (K.G.F) and Mysore which are interdependent and also have an extensive marketing capability. We also have a subsidiary Vignyan Industries Limited, located at Tarikere wherein castings are manufactured and bulk of which is supplied to us for our captive consumption.

As on December 31, 2006, we had manpower strength of 11,724, of which 2,187 were officers and 9,537 were other employees. There are several professional employees with specialisation in engineering, finance, human resources, marketing and technical fields. We believe that our employee resources, along with our engineering skills and capabilities, enable us to successfully implement a wide variety of projects that involve varying degrees of complexity.

Factors that may affect Results of the Operations

▪ **General economic and business conditions**

As a company operating in India, we are affected by the general economic conditions in the country and in particular the factors affecting the infrastructure industry and the projects we undertake. The growth prospects of our business and our ability to implement our strategies will be influenced by macro-economic growth.

The Indian economy has grown steadily over the past three years with a robust GDP growth of over 8% in year 2005-06. This economic growth was propelled by the growth in all sectors. Growth in the industrial & manufacturing activity and services sector leads to growth in construction sector, up-gradation and maintenance of infrastructure & transportation activities.

▪ ***Dependence on government policy and regulation towards Infrastructure***

The growth of the engineering & transportation industry in India and our business is dependent on the establishment of stable government policies and prudent regulation. Infrastructure development in India has historically been the preserve of the central and state governments, and has been constrained by various factors such as shortages of public funding, political considerations and issues of transparency and accountability. We believe that with the policy and regulatory reforms continuing to move in the right direction, our growth and financial conditions and operations will be positively impacted.

▪ ***Input cost and availability of the specialised raw materials***

The cost of raw materials and other inputs constitute a significant part of our operating expenses. Any increase in the cost, to the extent, could not be passed on to the customers would have an adverse impact on our operations. Further, the availability of specialised raw materials like wheels is very critical for the smooth operations. Any impact on the above might affect our operations adversely.

▪ ***Competition***

We expect competition to intensify due to possible new entrants in the market, existing competitors further expanding their operations and our entry into new markets where we may compete with well-established engineering companies. Intense competition with the opening up of economy coupled with liberalization of import with lower levies might affect our operations.

▪ ***Dependence on few major customers and their plans for future***

We have some customers which form a major chunk of our operations and revenue. Future plans and policies of such customers may affect our financial conditions and operations.

Significant Accounting Policies

1. Fixed Assets:

Capitalization and Depreciation:

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

2. Inventory Valuation :

- i) Raw materials, Components Stores and Spare parts are valued at Weighted Average Cost or estimated net realizable value, whichever is lower.
- ii) Work-in-progress is valued at actual cost of materials, labour and production overheads based on normative capacity or adjusted / estimated realisable value, whichever is lower.
- iii) Finished stock is valued at actual cost or estimated realisable value whichever is lower.
- iv) Estimated costs are considered wherever actual costs are not available.
- v) The cost is adjusted for decline in value by writing down the value based on specific identification. Further provision for obsolescence is made depending on movement.
- vi) Based on technical assessment, provision is made for revalidation/refurbishment of finished goods to reflect the current status thereof.
- vii) Scrap is valued at estimated realisable value.

3. Advances from customers :

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

4. Sales / Other Income :

- i) Sales set up for products viz., equipments, aggregates, attachments and ancillary products, is made when these are unconditionally appropriated to the valid sales contract after pre-despatch inspection by the specified authority.
- ii) Sales set up for long production cycle items, is reckoned based on technical estimates when the percentage of completion of each identifiable unit of contract including despatches with customers is 30% or more of the total realisable value of such contract or estimate. Such revenue recognition is restricted to 97.5% of the reckoned realisable value and the balance 2.5% is accounted on completion of the contract.
- iii) Sales set up for spares is based on despatches / customer acceptance against valid sales contracts.
- iv) Where sale prices are not established, sales are set up provisionally at prices likely to be realized.
- v) Sales include excise duty wherever applicable but excludes sales tax and transit insurance and is adjusted for anticipated price reductions from contractual obligations such as liquidated damages and de-escalation.
- vi) Duty drawback claims on exports are accounted on preferring the claims.
- vii) Claims for escalation are recognized on acceptance by the customer.
- viii) Where the contract provides for installation and commissioning and price for the same is agreed separately, revenue for installation and commissioning is recognized on conclusion of installation and commissioning. Where installation and commissioning fee is not separately stipulated, the estimated cost as technically assessed for such installation and commissioning to be incurred are provided for. However, the revenue for the product delivered is recognized.

5. Retirement Benefits:

- i) Accruing liability towards gratuity is ascertained on actuarial valuation and remitted to a separate Trust Fund.
- ii) Liability towards leave salary accruals is provided on the basis of Actuarial Valuation.

6. Accounting for Foreign Currency Transactions :

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

7. Contractual Obligations :

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

8. Research & Development :

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

9. Prior Period Items :

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

10. Under / Over Absorption of Cost :

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

11. Taxes on Income :

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

12. Others :

- i) The cost of special tools and jigs is amortised over production based on technical assessment. The value is net as per books.
- ii) Hand tools are charged to expenses at the time of issue.
- iii) Expenditure incurred on purchase of Technical Know-how fee is amortised over a period of six years on technical assessment.
- iv) Small value items are charged to production at the point of purchase.
- v) Expenditure on Voluntary Retirement Scheme is treated as deferred revenue expenditure to be amortised over a period of five years.
- vi) Investments: Long-term investments are carried at cost. Permanent decline in the value of such investments is recognized and provided for. Current investments are carried at lower of cost and quoted / fair value.

Results of Operations

▪ **Revenue**

The segmental break-up of gross revenue for the three business segments has been as follows:

(Rs. in Lakhs)

Particulars	For the year ending March 31								For 9 months ended	
	2003		2004		2005		2006		31-Dec-06	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Mining & construction equipments and spares	108,933	65%	93,842	53%	118,380	64%	139,777	63%	110,828	69%
Defence products	59,292	35%	81,200	46%	56,299	30%	70,298	32%	44,758	28%
Railway products	6	0%	1,643	1%	11,087	6%	10,582	5%	4,590	3%
	168,231		176,685		185,766		220,657		160,176	

Mining & construction Equipments

The production for this category is planned as per the estimated demand based on the market survey and quotations from the major customers. The demand is a function of the overall industry requirement coupled with the specific quantities from the customers. Hence, the revenue growth for this segment is very highly correlated with the overall industry growth and our market share.

We have a large market share in this segment. This segment contributed about 63% of our revenue from sales in FY 2006 witnessing an increase of about 18% in FY2006 as compared to FY2005. This increase was mainly driven by the focus on infrastructural growth and boom in mining & construction industry.

Defence Products

Several of our products are being supplied to meet the demand of armed forces of the country. We are major market player in this niche line of operation with a dominant market share. We supply host of products

ranging from transport vehicles for the forces, vehicles and ammunitions to the bridge layers and armoured recovery vehicles. This segment contributed about 32% of our revenue for FY2006.

Defence products are manufactured as per the demand routed to us by the Defence Ministry of India. The product mix and quantity is according to the demand schedule of Defence Ministry. Hence, the revenue growth for this segment is dependent on India's requirements of Defence products.

Railway & Metro products

We have a range of products to service the railway system in India which forms an integral part of the transportation industry in India. We have established ourselves as the only indigenous supplier of metro coaches with the first batch of state-of-the-art metro coaches delivered to the Delhi Metro Rail Corporation. Fiscal 2004 marked the resurgence of our presence in this segment as a result of orders from the Railway Board for the supply of Railway coaches. Revenue from this segment increased by about seven folds in fiscal 2005 as compared to fiscal 2004, contributed by the rail coaches substantially and the metro coaches for Delhi Metro project.

The entire production is generated based on the purchase orders received from Railways Board (for Rail coaches). The contract prices for Rail coaches are determined based on the underlying selling price of Integrated Coach Factory as adjusted with the cost of wheel sets & steel supplied free of cost to us by the Railway Board. This contract price may not fully absorb our cost of production in which case we have to depend on the Railway Board for price revisions once we submit our request for the same. However, such price revisions may not be fully accepted by the Railway Board in which case our profit margins from of Rail coaches shall be negative. Due to our constant representations highlighting the low prices fixed by the Railway Board, the GoI has appointed an independent cost advisor of the Ministry of Finance, GoI to ascertain the cost in an objective and impartial manner.

The Metro Coaches are produced based on quantity received as per the purchase orders sent to us from various metro projects. So far, we have worked with our technology partner in the production of Metro Coaches. Production began in the fiscal 2004 with the supplies to DMRC and till date we have delivered over 188 Metro coaches with few more to be delivered in next few months. We believe, we have acquired the requisite technology and know-how to indigenously develop Metro Coaches and with the proposed expansion, we will be completely self reliant to deliver high quality coaches. The contract prices are determined based on our cost of production along with a mark-up.

The table below gives the break-up of revenue for the two sub-segments –

Particulars	For the year ending March 31						(Rs. in Lakhs)	
	2004		2005		2006		31-Dec-06	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
<i>Railway & Metro products</i>	1,643		11,087		10,582		4,590	
Rail Coaches	931	57%	9,154	83%	7,606	72%	3,569	78%
Metro coaches	81	5%	1,774	16%	2,515	24%	-	0%
Others	631	38%	159	1%	461	4%	1,021	22%
	1,643		11,087		10,582		4,590	

The overall revenue from Railway and Metro products comprised of around 5% as of fiscal 2006. The 9 months ended December 31, 2006 had no contribution from metro coaches and the Rail coaches contributed about 78% of the revenue.

Exports

As per various estimates and research, India has huge potential for the infrastructure growth and hence, the demand is expected to be higher for all our products. Our sales are generated predominantly from domestic operations spread across all the three lines of business. Revenue for all three completed financial years have been generally identical in terms of the mix being about 97% from domestic sales and about 3% from exports. For the 9 months ended December 31, 2006, exports proportionately increased to 4% of the total sales of the company.

Revenue from *	For the year ending March 31			(Rs. in Lakhs) For 9 months ended
	2004	2005	2006	December 31, 2006
Domestic Sales	171,930	179,745	214,435	153,439
% of total	97%	97%	97%	96%
Exports	4,645	5,856	6,149	6,678
% of total	3%	3%	3%	4%

* The financials in this table are standalone numbers for BEML, gross of excise duty.

Segmental Results

Segmental results are the profit margins arrived at after deducting expenditure pertaining to the respective business segment including depreciation on assets under use in the segment. This however, excludes the unallocated corporate expenses, interest and taxes.

The break-up of segmental results has been as follows:

Particulars	For the year ending March 31						(Rs. in Lakhs) For 9 months ended	
	2004		2005		2006		31-Dec-06	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Mining & Construction Equipments	14,462	15%	23,706	20%	24,774	18%	10,501	9%
Defence products	5,019	6%	4,583	8%	7,144	10%	9,729	22%
Railway & Metro products	(6,138)	-374%	(2,434)	-22%	(1,512)	-14%	(1,768)	-39%
	13,343		25,855		30,406		18,462	

Mining & Construction Equipments

Our operating margins and therefore profitability depends on the product mix which varies from year to year. The operating profits from this segment has been generally similar over the fiscal 2004, 2005 and 2006, however, the period of 9 months in fiscal 2007 yielded lower margins attributable to the decline in number of products sold and product mix.

The facility for the production of Mining & Construction equipments can be flexibly used for the products. However, as the nature of business is, the production is dependent on the overall industry movement as well as orders placed before us.

Defence products

The defence products have been generating profits with steady growth over the past years. For the 9 months ended December 31, 2006 our profitability improved significantly mainly due to the sale of ARV and dozers.

The orders are placed before us based on the final demand raised by armed forces. The installed capacity is flexible to ensure production as per the demand orders. The two facts coupled, the operating margins depend entirely on the mix of products.

Railway & Metro products

Rail Coaches - The result or the operating profit from Railway & Metro products segment comprised of the margins on rail coaches and Delhi Metro Coaches. The negative margins in this segment relate to the production of Rail coaches supplied to the Railway Board, which in turn is due to:

- Limited discretion in fixing the price for Rail coaches as these are determined on the basis of cost of production at Integrated Coach Factory. We believe, there are certain costs (like sales tax, excise duty, employee benefits) that are not incurred by Integrated Coach Factory resulting in the under-absorption of cost of production at our end.
- Inadequate supply of raw materials from Railway Board thereby necessitating additional purchases from outside market at the available prices. Further, due to changes in the scope of supply from mild steel to stainless steel (for bogie mounted air brake system), the input cost has gone up.

However, with the appointment of an independent cost advisor after our several representations, we believe there shall be an objective cost determination resulting in better realisations for us.

Metro Coaches - The result or operating profit from the production of Metro Coaches has been positive as the selling prices are competitive and are determined based on our operational costs along with mark-up. Further, with the demand for Metro coaches growing at a fast pace, the contribution from this sub-segment is expected to become more than the Rail coaches, improving our overall margins from Railway and Metro Products segment.

The margins had improved in fiscal 2005 and 2006 due to higher proportion of revenue from Metro coaches as compared to the fiscal 2004 and also the nine months ended December 31, 2006. This is essentially due to the positive margins in metro segment. We expect the segment to yield positive margins upon capacity expansion coupled with the increased demand of Metro coaches.

Expenditure

Our operating expenditure consists of (i) raw materials & spares consumed, (ii) employee remuneration and benefits, (iii) other expenses (that also includes administration expenses and selling & distribution expenses) and (iv) interest expenses.

▪ **Expenditure on raw material and spares**

Raw materials consist of castings & forgings, steel plates, bars, angles, channels and similar other small materials or spares. In addition to this, we use bought out items comprising of tyres & wheels, hydraulic hoses, tools, tubes, oil, paint, sub-assemblies or linkages and electrical items. We also buy engines for our requirement from external suppliers over and above the in-house production and with power capacity of more than 700HP.

Expenditure on the consumption of raw materials and spares constituted about 68% of the Net Sales and about 71% of the total expenditure. Bulk of the expenditure over raw materials for our line of products consists of iron and steel, castings and components (both imported and indigenous). Some of the materials are imported in CKD and SKD form which are classified as material cost. The prices of iron and steel are subject to the volatility due to various macro factors and the effect of this volatility is partially or totally passed on to the end users.

The value of inventory for the 9 months period ended December 31, 2006 saw a sharp increase as compared to fiscal 2006 due to higher number of customer orders pending both at the stage of completion as well as under delivery after the inspection. The inventory comprised of goods under inspection, work in progress and raw material & components..

▪ **Employee remuneration and benefits**

Our wage structure is governed by the guidelines of Department of Public Enterprises under the Indian Government. The perquisites & allied benefits are decided by the company policies within the framework of DPE guidelines.

▪ **Other Expenses**

Power and Fuel

We are supplied power by the Karnataka Electricity Board (KEB) for all the three facilities. Further, some of our requirements are met by the wind energy suppliers located around our facilities. We have a captive power plant to partially assure our electricity requirements. We also have adequate backup power supply arrangements in case of power break down.

Electricity, coal and furnace oil form the major components of power and fuel consumption for our products.

Research and Development

We have a team of qualified professionals in our research and development division which continues to play a vital role in the design and development of products, indigenisation, etc. Focus is on sustained and continuous innovation by enhanced investment for design and development of new products and technologies based on concurrent engineering practices to suit the customer requirements. We have tie-ups with the leading educational institutions of India for the infusion of professional knowledge into our business model.

Administration expenses

We have administration expenses comprising of rent, hire charges, stationery supplies, insurance, rates and taxes, postage and transmission expenses, remuneration to auditors, legal expenses, obsolescence and miscellaneous expenditure.

Selling Expenditure

Our selling expenditure include selling agents commission, travelling expenses, publicity and public relations, bad debts written off and other similar expenses.

Miscellaneous Expenses

The other expenses are adjusted to take effect of the prior period adjustments, expenditure other than materials allocated to capital and other accounts and expenses relating to the minority interest.

Review of Results of Operations

PARTICULARS		(Rs. in Lakhs)				
		As at 31st March				
		2002	2003	2004	2005	2006
Income						
	Sales *	135,104	157,210	167,313	173,422	206,016
	% growth		16%	6%	4%	19%
	Other Income	1,500	5,361	4,112	5,598	6,415
	% growth		257%	-23%	36%	15%
	Inventory Adjustment	1,202	5,867	(7,397)	3,018	(2,638)
	Value of Production**	136,306	163,077	159,916	176,439	203,378
						156,227

			137,806	168,441	164,028	182,038	209,793	159,366
Expenditure								
		Raw Material Consumption	89,446	110,418	104,433	102,309	125,808	100,860
		% of value of production	66%	68%	65%	58%	62%	65%
		% growth		23%	-5%	-2%	23%	
		Employees Remuneration & Benefits	32,848	33,747	34,976	35,949	33,718	25,908
		% of sales	24%	21%	21%	21%	16%	17%
		% growth		3%	4%	3%	-6%	
		Misc expenses	9,735	17,686	17,598	13,905	19,721	14,134
		% of value of production	7%	11%	11%	8%	10%	9%
		% growth		82%	0%	-21%	42%	
EBIDTA			5,776	6,590	7,021	29,874	30,547	18,463
		% of sales	4%	4%	4%	17%	15%	12%
		% growth		14%	7%	325%	2%	
		Depreciation	2,234	1,950	1,849	2,322	1,437	1,001
		% of sales	2%	1%	1%	1%	1%	1%
		% growth		-13%	-5%	26%	-38%	
		Interest	2,232	305	151	182	467	303
		% of sales	2%	0%	0%	0%	0%	0%
		% growth		-86%	-50%	20%	157%	
Profit before Tax			1,311	4,334	5,021	27,371	28,642	17,159
		% of sales	1%	3%	3%	16%	14%	12%
		% growth		231%	16%	445%	5%	
		Less: Provision for Taxation	766	1,158	2,577	9,802	9,890	5,940
Net Profit, as per accounts			545	3,176	2,444	17,569	18,752	11,219
		% of sales	0%	2%	1%	10%	9%	8%
		% growth		483%	-23%	619%	7%	

* Sales figure is net of excise duty

** Value of Production ("VOP") - VOP is sales plus, accretion or reduction in work in progress inventory and finished goods inventory. This reflects the total amount of production carried on in the respective fiscal.

For nine months ended December 31, 2006

Sales in the 9 months ended December 31, 2006 amounted to Rs. 148,596 lakhs. The profit before tax was 12% of the sales and profit after tax was 8% of the sales amounting to Rs. 11,219 lakhs.

Fiscal 2006 vs Fiscal 2005

Net Sales

Sales in Fiscal 2006 increased by about 19% to Rs. 206,016 lakhs as against Rs. 173,422 lakhs in Fiscal 2005.

The increase was contributed by over 18% increase in revenue from Mining & construction Equipments. The spurt in this segment was contributed by the strong revenue from the sales of dozers and rope shovels. In addition to these products, there was small contribution in the increase in sales from several other products as well.

Revenue from defence products increased by about 25% in fiscal 2006 over the previous fiscal. It was contributed substantially by sale of ARV and FAT vehicles to the defence forces.

Revenue from Railway & Metro products declined by about 5% in fiscal 2006. This was mainly due to the lesser delivery of rail coaches as compared to previous fiscal. This was essentially due to the order placed later in the year and due to the capacity constraints, the complete order could not be furnished in fiscal 2006 itself.

Other Income

The other income increased by 15% in Fiscal 2006 mainly attributed to the disposal of scrap/ surplus material, withdrawal of provision no longer required and increase in miscellaneous income over fiscal 2005.

Raw Material Consumption

The consumption of raw material & spares increased by about 23% in fiscal 2006 as compared to fiscal 2005 and as a percentage of value of production, it increased from 58% in fiscal 2005 to 62% in fiscal 2006. This change is due to the change in product mix and raw material prices in fiscal 2006 as compared to the previous year.

Employee remuneration and benefits

The expenditure on employee costs decreased by 6% in fiscal 2006 over fiscal 2005. This was due to the reduction in the number of employees from 12,189 to 11,975 as at the end of the respective years. The decrease in contribution to the employee gratuity fund was due to fall in number of employees and also partially due to higher earnings from this fund in previous year that necessitated lesser contribution this year. Further, many employees of the company have reached the ceiling limit of this fund with no additional contribution on their account from the company.

Also, this year was coupled with lesser amortisation of the amount spent in earlier years as VRS compensation.

Miscellaneous expenditure

The miscellaneous expenditure increased by about 42% to Rs. 19,721 lakhs in fiscal 2006 as compared to fiscal 2005. As a result of sales, however, it increased marginally from 8% in fiscal 2005 to 10% in fiscal 2006. This was contributed by small increases in sundry expenditure and higher provision for warranty and unexpired obligations. The provision for warranty and unexpired obligations is made on technical assessment of anticipated liability.

Interest

The amount of interest was increased by about 157% in fiscal 2006 to Rs. 467 lakhs as compared to Rs. 182 lakhs in fiscal 2005. This was mainly contributed by the increase in the short term loans' availed for working capital purposes during the fiscal 2006.

Profit before tax

The profit before tax increased by 5% to Rs. 28,642 lakhs in fiscal 2006 from Rs. 27,371 lakhs in fiscal 2005 as a result of as discussed above as well as the following:

- Increase in sale of HMV/ FAT vehicles resulting in an additional profit of Rs. 17,76 lakhs
- Favourable product mix for fiscal 2006

Taxation

Provision for taxation was made as per the Income Tax Act' 1961 including provision for deferred tax as per AS-22 prescribed by the ICAI.

Profit after tax, as per accounts

As a result of taxation over the profit before tax, it increased by 7% to Rs. 18,752 from Rs. 17,569 lakhs. As a percentage of sales, it decreased from 10% to 9% in fiscal 2006.

Fiscal 2005 vs Fiscal 2004

Net Sales

The net sales increased by 4% in fiscal 2005 over the previous year.

Revenue from mining & construction equipments contributed 64% to the total revenue in fiscal 2005 as compared to 53% in fiscal 2004 increasing by 21%. This increase was essentially due to the higher sales volume of dozers, spares and heavy equipments.

Revenue from Railway & Metro products increased by about seven folds to reach Rs. 11,087 lakhs in fiscal 2005 over the previous fiscal. Substantial chunk of it was contributed by rail coaches. Revenue from delhi metro also spurted significantly in fiscal 2005.

However, revenue from defence products declined by about 31% to Rs. 56,299 lakhs, majority of which was contributed by decline in sales of TATRA trucks and ARV among other defence products.

Other Income

The other income increased by 36% in fiscal 2005 mainly attributed to the disposal of scrap/ surplus material amounting to Rs. 417 lakhs, withdrawal of net provision no longer required for Rs. 655 lakhs and increase in interest income on deposits amounting to Rs. 895 lakhs. These deposits are made from the advances received from the customers.

Raw materials consumption

The consumption of raw material & spares decreased by about 2% in fiscal 2005 as compared to fiscal 2004 and as a percentage of value of production, it decreased from 65% in fiscal 2004 to 58% in fiscal 2005. This change is mainly due to the change in product mix in fiscal 2005 as compared to the previous year.

Employee remuneration and benefits

The employee costs increased by 3% in fiscal 2005 over the previous year which is normal as per industry standards and growth in business. Further, as a percentage of our sales, it remained at 21% for both the years under discussion.

Miscellaneous expenditure

Miscellaneous expenditure decreased by 24% in fiscal 2005 from the fiscal 2004. As a percentage of value of production, it decreased from 11% to 8% in fiscal 2006. This is contributed significantly by a one-time payment of about Rs. 1,350 lakhs towards municipal taxes of one of our units in fiscal 2004; however, the same is under protest with the judicial authorities. Further, the provision for warranty and obligations, on account of unexpired obligations, was also lesser by Rs. 1,281 lakhs in fiscal 2005 as compared to fiscal 2004. The provision for obsolescence was lesser by Rs. 1,063 lakhs in fiscal 2005 as compared to fiscal 2004. Miscellaneous expenses also contributed a decrease of Rs. 760 lakhs.

Interest cost

The 20% increase in interest cost in fiscal 2005 as compared to fiscal 2004 was as a result of the increase in the loan from banks. This loan was raised for the normal business requirements in the form of loan from banks.

Profit before tax

The profit before tax increased by 445% to Rs. 27,371 lakhs in fiscal 2005 from Rs. 5,021 lakhs in fiscal 2005 as a result of above as well as the following –

- Revision of the rail coach prices with retrospective effect generated profit amounting to Rs. 2,199 lakhs
- Increase in revenue from the spares amounting to Rs. 6,616 lakhs
- Better product mix

The profit margins from the metro coaches is higher as compared to the defence products which improved the profit margins for the fiscal 2005. Also, the profitability was improved by the increase in revenue by heavy engineering products.

Provision for taxation

Provision for taxation was made as per the Income Tax Act' 1961 including provision for deferred tax as per AS-22 prescribed by the ICAI.

Profit after tax, as per accounts

As a result of taxation over the profit before tax, it increased by 619% to Rs. 17,569 lakhs. As a percentage of sales, it increased to 10% in fiscal 2005 from 1% in fiscal 2004.

Fiscal 2004 vs Fiscal 2003

Net Sales

The net sales increased by 6% in fiscal 2004 over the previous year.

Revenue from mining & construction equipments contributed 53% to the total revenue in fiscal 2004 as compared to 65% in fiscal 2003 decreasing by 14%.

Revenue from defence products increased by 37% in fiscal 2004 as compared to fiscal 2003, thereby accounting for 46% of the total revenue in fiscal 2004.

Revenue from Railway & Metro products increased from Rs. 6 lakhs in fiscal 2003 to Rs. 1,643 lakhs in fiscal 2004. Fiscal 2004 marked the beginning of revenue from the metro coaches which contributed to the increase in revenues from this segment in addition to the railway products.

Other Income

The other income declined by 23% in fiscal 2004 mainly attributed to the low interest income on call and term deposits in the fiscal 2004 amounting to Rs. 853 lakhs as against Rs. 2,213 lakhs in fiscal 2003.

Raw materials consumption

The consumption of raw material & spares decreased by about 5% in fiscal 2004 as compared to fiscal 2003 and as a percentage of value of production, it decreased from 68% in fiscal 2003 to 65% in fiscal 2004. This change is mainly due to the change in product mix in fiscal 2004 as compared to the previous year.

Employee remuneration and benefits

The employee costs increased by 4% in fiscal 2004 over the previous year which is normal as per industry standards and growth in business. Further, as a percentage of our sales, it remained at 21% for both the years under discussion.

Miscellaneous expenditure

Miscellaneous expenditure remained constant in fiscal 2004 as compared to fiscal 2003. As a percentage of value of production as well, it remained constant at about 11% for both the years under discussion.

Interest cost

The 50% decline in interest cost in fiscal 2004 as compared to fiscal 2003 was as a result of the interest on debentures in fiscal 2003 and interest on loans from banks in fiscal 2003.

Profit before tax

As a result of above, the profit before tax increased by 16% to Rs. 5,021 lakhs in fiscal 2004 from Rs. 4,334 lakhs in fiscal 2003.

Provision for taxation

Provision for taxation was made as per the Income Tax Act' 1961 including provision for deferred tax as per AS-22 prescribed by the ICAI.

Profit after tax, as per accounts

As a result of taxation over the profit before tax, it decreased by 23% to Rs. 2,444 lakhs in fiscal 2004 from Rs. 3,176 in fiscal 2003. As a percentage of sales, it decreased to 1% in fiscal 2004 from 2% in fiscal 2003.

Information regarding:

a) Unusual or infrequent events or transactions:

Other than as described in the section entitled “Risk Factors” and “Managements Discussion and Analysis of Financial Conditions and Results of Operations” and elsewhere in this Red Herring Prospectus, to our knowledge there are no known unusual or infrequent events or transactions that have or had or are expected to have a material adverse impact on our revenues or income from continuing operations.

b) Significant Economic changes that materially affected or are likely to affect income from continuing operations:

Volatility in Foreign exchange rates may have an inflationary effect on cost of imports. However as the company exports part of its turnover, any inflationary effect on imports will be partly offset by higher realization on exports. Barring these factors, there are no significant economic changes that materially affect or likely to affect income from continuing Operations.

c) Known trends or uncertainties:

Other than as described in the section entitled “Risk Factors” and “Managements Discussion and Analysis of Financial Conditions and Results of Operations” and elsewhere in this Red Herring Prospectus, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income from continuing operations.

d) Future relationship between costs and revenue:

Other than as described in the section entitled “Risk Factors” and “Managements Discussion and Analysis of Financial Conditions and Results of Operations” and elsewhere in this Red Herring Prospectus, to our knowledge there are no future relationship between costs and income that have or had or are expected to have a material adverse impact on our operations and finances.

e) Seasonality of business:

There are no products sold which are seasonal in nature, though they may be affected by the prevailing conditions of the country.

f) Over dependence on Single supplier/ Customer:

In mining & construction equipments segment of business which contributes more than 60% of our operations, we have large number of customers. However, for the other two segments of business, we have to depend on few customers such as Indian Railways, DMRC and Department of Defence Production.

g) Inflation

In recent years, India has not experienced significant inflation and accordingly inflation has not had any material impact on our business and results of operations.

h) Extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices

Please refer to the section titled “Our Business” and “Managements Discussion and Analysis of Financial Conditions and Results of Operations” regarding the extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices.

i) Competitive Conditions

Please refer to the section titled “Industry Overview” and “Our Business” for an analysis of competitive conditions in our business.

j) Total turnover of each major industry segment in which the Company operates

Please refer to the table below for the segmental revenue –

(Rs. in Lakhs)

Particulars	For the year ending March 31								For 9 months ended	
	2003		2004		2005		2006		31-Dec-06	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Mining & construction equipments and spares	108,933	65%	93,842	53%	118,380	64%	139,777	63%	110,828	69%
Defence products	59,292	35%	81,200	46%	56,299	30%	70,298	32%	44,758	28%
Railway products	6	0%	1,643	1%	11,087	6%	10,582	5%	4,590	3%
	168,231		176,685		185,766		220,657		160,176	

k) New products or business segments

Please refer the section titled ‘Our Business’ in this Red Herring Prospectus for detailed description of our new ventures and products.

FINANCIAL INDEBTEDNESS

The borrowings of our Company including secured and unsecured loans are as given in the table below:

		(Rs. in Lakhs)					
PARTICULARS		As at	As at 31st March				
		December 31, 2006	2006	2005	2004	2003	2002
SECURED LOANS							
a	15% - 2500000 privately placed Non-convertible (E-Series) Debentures of face value of Rs.100 each to Army Group Insurance Fund on 1.07.94 redeemable at the end of 6th, 7th, 8th year in equal installments, secured by as charge against certain fixed assets of the Company	-	-	-	-	-	833.33
b	Loans from Banks (Cash credits and short term credit availed from banks & Secured by hypothecation of inventories and book debts (except those pertaining to rail coaches)	9,928.55	2,488.27	7,554.02	3,148.27	3,129.61	27,254.97
	Total (A)	9,928.55	2,488.27	7,554.02	3,148.27	3,129.61	28,088.30
UNSECURED LOANS							
a	Fixed Deposits	-	-	-	180.25	219.80	1,933.97
b	Debenture Interest Accrued & due	-	-	-	-	-	5.11
c	Deferred payment Liabilities	-	-	-	-	-	5.69
	Total (B)	-	-	-	180.25	219.80	1,944.77
	Total (A+B)	9,928.55	2,488.27	7,554.02	3,328.52	3,349.41	30,033.07

Secured loans in the form of cash credits and short term loans are availed as per the working capital requirements of business and vary accordingly. During fiscal 2003, these loans were repaid, as a result of which the amount reduced significantly in that year as compared to amount outstanding at the end of previous fiscal. Fiscal 2003 onwards, these short term loans have been availed as per the business requirements.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. However, Ministry of Defence, GoI vide its letter dated June 26, 2001 issued to us provides for a minimum dividend pay out to be made by PSUs. The letter, inter alia, states that the government nominees of PSUs should ensure that a dividend of at least 20% of the equity or 20% of the post-tax profit, whichever is higher is declared by all profit making PSUs.

The dividends declared by our Company during the last five fiscal years have been presented below.

PARTICULARS	As at 31st March				
	2006	2005	2004	2003	2002
Equity Share Capital	3,687.22	3,687.22	3,687.22	3,687.22	3,687.22
Less: Forfeited Shares	12.77	12.77	12.77	12.77	12.77
Balance Equity Share Capital	3,674.45	3,674.45	3,674.45	3,674.45	3,674.45
No. of Equity Shares (in Lakhs) of Rs.10 each	368.72	368.72	368.72	368.72	368.72
Rate of dividend (%)					
Interim	30.00%	15.00%	0.00%	0.00%	0.00%
Final	70.00%	85.00%	20.00%	20.00%	12.00%
Total	100.00%	100.00%	20.00%	20.00%	12.00%
Amount of dividend on Equity Shares					
Interim	1,102.34	551.17	-	-	-
Final	2,572.12	3,123.28	734.89	734.89	440.93
Total dividend Tax paid	515.35	510.07	96.04	94.16	-

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

SECTION VI – LEGAL AND REGULATORY INFORMATION

OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

There are no outstanding litigations, suits or civil or criminal prosecution against our Company, our Directors, or any disputes, tax liabilities, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, bonds and arrears on cumulative preference shares issued by our Company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act) against our Company, our Directors and our Promoters, except as described below. Further, our Directors and Promoter have not been declared as wilful defaulter by the Reserve Bank of India and also have not been debarred from dealing in securities and/ or accessing the capital markets by SEBI and no disciplinary action has been taken against them by SEBI except as described below:

Outstanding litigation and contingent liabilities of our Company

Contingent liabilities as on December 31, 2006

The contingent liabilities of our Company as on December 31, 2006 are as follows:

The contingent liabilities of our Company as on December 31, 2006 are as follows:

		(Rs. In lakhs)
a	Estimated amount of Contracts remaining to be executed on capital accounts and not provided for	2,078.12
b	On account of Letter of credit issued by Banks on behalf of the Company	14,270.36
c	(i)Counter Guarantees given to Banks for guarantees issued by the Banks on behalf of the Company	11,191.58
	(ii)Corporate Guarantees given to Banks for credit extended to subsidiary and to customers for performance guarantee	100.00
d	Claims against the Company not acknowledged as debts:	8494.94
	(i) Disputed statutory demands like sales tax, service tax, etc.	1,335.47
	(ii) Others	7,159.47

I. Cases filed by and against our Directors

1. Cases filed by our Directors

There are no cases filed by our Directors.

2. Cases filed against our Directors

Some cases have been filed by certain ex-employees of our Company, against our Company, impleading certain Director(s) of our Company as parties. Details of the same are as follows:

1. V. Venkataramu and Others v. Chairman and Executive Director of Bharat Earth Movers Limited before the High Court of Karnataka bearing Writ Petition No. 33581-33612 / 2001 and 34001 / 2001

The petitioners are ex-employees of our Company. They had made a representation to our Company for payment of enhanced gratuity amount for the period from April 1, 1995 to September 24, 1997. The petitioners alleged that

our Company arbitrarily rejected the same. As per the guidance of the Central Government, wages, salaries and other conditions of all the centrally owned undertakings at Bangalore such as BEL, HAL, BEML, ITI is uniform. Initially, even rules for gratuity payment were also uniform. Subsequently, the gratuity ceiling for BEL and HAL was enhanced from 1 lakh to 2.5 lakh effective from April 24, 1995. The petitioners' contention was that it is discriminatory not to make available the same amount of gratuity when the wage or salary for all the four undertakings is the same. The matter is pending in Court.

2. *A. Srikantaswamy v. The Chairman-cum-Managing Director and Director (Marketing), Bharat Earth Movers Limited before the High Court of Karnataka bearing Writ Petition No. 21142 / 1986*

The petitioner is an ex-employee of our Company who was appointed as stenographer in the year 1969. Subsequently, he was promoted to the post of Personal Secretary in the year 1970. In 1981, he was promoted to the cadre of Grade – I officer. The petitioner alleged that this promotion in effect was no promotion at all, as he was not given an increase in his wage and was instead deprived of certain benefits such as lunch coupons and travelling allowance. The petitioner further alleged that all pleas and requests to the administration of our Company were not heeded to. The petitioner approached the Staff Association of our Company who in turn took up the matter before the Assistant Labour Commissioner for Conciliation. The Association was informed vide a notification dated January 9, 1985 that the petitioner having been promoted from the cadre of a workman there cannot be any dispute and hence there would be no reference of the dispute to the Industrial Dispute Tribunal. Hence, the petitioner has filed this Writ Petition in the Hon'ble High Court of Karnataka. The matter is pending before the Court.

3. *Bharat Earth Movers Employees' Association and Mr. Puttaswamy Gowda v. The Chairman and Managing Director, Bharat Earth Movers Limited; The Director (H.R.), Bharat Earth Movers Limited; and The Executive Director, Bharat Earth Movers Limited before the High Court of Karnataka bearing Writ Petition No. 11882 and 11883 / 2004 (S)*

Mr. Puttaswamy an employee of our Company, had availed a housing loan for construction of his house along with interest. The petitioner Union made a demand for construction of more quarters and to extend the House Construction Loan which was not accepted by our Company. Upon insistence our Company granted subsidy in interest to its employees who had taken loan from approved agencies for the purpose of construction of their houses. Employees who were in continuous service for 5 years were eligible for the said subsidy in interest rate. An option was provided for rewriting of loans (revision of loan amounts), which due to difficulties in implementation, was subsequently made mandatory to avail of interest subsidy. This Writ Petition has been filed against such stand taken by our Company. The matter is pending before the Court.

4. *Mr. K.K. Purushu v. The Chairman and Managing Director, Bharat Earth Movers Limited; The Director (HR), Bharat Earth Movers Limited; The Director (Finance), Bharat Earth Movers Limited; The Secretary (DP&S), Government of India, Ministry of Defense; The Secretary, Government of India, Ministry of Industries, Department of Public Enterprises before the High Court of Karnataka bearing Writ Petition No. 19589/ 2003*

The petitioner is an ex-employee of our Company who had after a service of 38 years, had taken voluntary retirement under the voluntary retirement scheme offered by our Company with effect from December 1, 2002. In September 2002, our Company vide personal circular no. 22 introduced the voluntary retirement scheme to officers and employees of our Company. The benefit under the above scheme defines pay as 'basic pay only' as contrary to 'basic pay, D.A. and personal pay inclusive of FPI'. The petitioner submitted that it was agreed by our Company to count the personal pay for all purpose. The petitioner also submitted that as per the BEML Gratuity Rules define 'emolument' means pay, which word includes special pay, dearness allowance, leave salary, subsistence allowance; the BEML Provident Fund Rules, 1965 'basic wages' means all emoluments which are earned by an employee while on duty or on leave or on holidays with wages in either case in accordance with the terms of the contract of employment. The petitioner also submitted that the labour legislation enacted for specific purpose has a generalized definition of basic pay/wages/remuneration etc. which includes personal pay / allowances etc., the intention being extension of benefits to workers.

This present petition has been filed by the petitioner against this decision of our Company alleging that the voluntary retirement benefit has not been computed properly due to which the petitioner has not been paid an amount of Rs. 1,10,243.54 allegedly due to him. The petitioner has filed this petition for the Court to issue a writ of Certiorari quashing the impugned circular no. 22 dated September 14, 2002 issued by our management is so far as the circular takes away the benefit, including personal pay etc and to direct our Company to pay terminal benefits on account of the voluntary retirement scheme as demanded by the trade union. The matter is pending before the Court.

5. *Mr. Ranga Raja Lavi v. The Chairman and Managing Director, Bharat Earth Movers Limited; The Director – Finance, Bharat Earth Movers Limited; The Secretary (DP&S), Government of India, Ministry of Defence; and the Secretary, Government of India, Ministry of Industries, Department of Public Enterprises before the High Court of Karnataka bearing Writ Petition No. 3724 / 2003 (L)*

The petitioner joined the services of our Company in the year 1964. After completing service of 28 years the petitioner took voluntary retirement on July 1, 1992. Our Company accepted his voluntary retirement application and relieved him from service. As per the voluntary retirement scheme applicable then, compensation was calculated on the basic pay and D.A. drawn at the time of retirement. Our Company, as per the orders of the Government of India, revised the pay scales of Officers and Employees, by office order dated September 28, 1995 with retrospective effect from January 1, 1992. As per this order, officers / employees retired from service between January 1, 1992 and September 28, 1995 were also paid the arrears by revising their basic pay, D.A., etc and the petitioner was one of the employees to whom such arrears were paid. Consequent to the revision in the basic pay and D.A. the petitioner alleged that he was entitled for re-computation of voluntary retirement benefit. The petitioner alleged that this re-compensation was denied to him by our Company and hence he has filed this Writ Petition before the High Court of Karnataka for quashing the clause of General Bulletin No. 944 and memo dated November 13, 1995 in so far as it relates to denial of voluntary retirement compensation and to direct our Company to pay additional *ex-gratia* amount by recalculating the compensation on the bases of revised basic pay with effect from January 1, 1992 retrospectively along with interest @12% from July 1, 1992. The matter is pending before the Court.

6. *T. Ramachandra v. The Chairman and Managing Director, Bharat Earth Movers Limited; The Director – HR, Bharat Earth Movers Limited; The Secretary (DP&S), Government of India, Ministry of Defence; the Secretary, Government of India, Ministry of Industries, Department of Public Enterprises; and The Chairman, Standing Conference of Public Enterprises before the High Court of Karnataka bearing Writ Petition No. 3723 / 2003 (L)*

The petitioner was in the services of Hindustan Aeronautics Limited and his services were transferred to our Company with effect from January 1, 1965. The petitioner on his retirement, made a representation to our Company for payment of enhanced gratuity amount for the period April 1, 1995 to September 24, 1997. The petitioner alleged that the management of our Company failed to consider the representation of the petitioner in its proper perspective and rejected the same. As per the guidance of the Central Government, wages, salaries and other conditions of all the centrally owned undertakings at Bangalore such as BEL, HAL, BEML, ITI is uniform. Initially, even rules for gratuity payment were also uniform. Subsequently, the gratuity ceiling for BEL and HAL was enhanced from 1 lakh to 2.5 lakh effective from April 24, 1995. The petitioners submitted that it is discriminatory not to make available the same amount of gratuity when the wage or salary for all the four undertakings is the same. The petitioner has filed this current petition such that the Court issue a writ or direction quashing the endorsement dated May 3, 2001 passed by the Director HR against the petitioners representation for payment of gratuity and also to direct our Management to pay gratuity to the petitioner with a ceiling amount of Rs. 2,50,000/- with effect from April 1, 1995. The matter is pending before the Court.

7. *Mr. M. Revanasiddaiah and Others v. The Chairman and Managing Director, Bharat Earth Movers Limited; the Director – Human Resource, Bharat Earth Movers Limited; and the Director – Finance, Bharat Earth Movers Limited before the High Court of Karnataka bearing Writ Petition No. 16958 – 16996*

Joint Writ Petition filed by the ex-employees of our Company for payment of revised Voluntary Retirement Benefit amount calculated on the basis of revised scales of pay effected from January 1, 1997 issued by the Government of India wherein it was advised that Public Sector Enterprises in the country to revise the scales for

pay based on the recommendation of the High Level Commission. Our Company's contention include that these ex-employees formed part of the union and hence are bound by the staff agreement under section 18 and 9(3) of the Industrial Disputes Act. The agreement between the Union and our Company mentions that the voluntary retirement benefit amount will be calculated on the amount actually drawn by the employee at the time of retirement. The matter is still pending in the Court.

8. K.M. Puttamadaiah and Others v. The Chairman and Managing Director, Bharat Earth Movers Limited before the High Court of Karnataka bearing Writ Petition No. 14253 – 14265 / 2002 (L-RES)

The petitioners who are ex-employees of our Company alleged that their representations made to us for payment of revised voluntary retirement benefit amount calculated on the basis of the revised scales of pay effected from January 1, 1997 were not considered by us. As per the guidance of the Central Government, wages, salaries and other conditions of all the centrally owned undertakings at Bangalore such as BEL, HAL, BEML, ITI is uniform. Initially, even rules for voluntary retirement payment were also uniform but subsequently, BEL, HAL, and ITI revised the same as per the Central Government notification. The petitioners claim that our Company not doing the same is arbitrary and unlawful and hence have filed this joint Writ Petition in the High Court of Karnataka for the Court to quash the inter office memo in so far as it relates to denial of re-computation of voluntary retirement compensation taking into account revised pay scales and hence praying that, the petitioners who retired under the voluntary retirement scheme of our Company between January 1, 1997 to March 31, 2001 shall be entitled for payment of additional *ex-gratia* amount by re-computing the amount on the basis of revised basic pay plus allowance with interest. The matter is pending in the Court.

9. A. Anthony Dass v. The Executive Director of Bharat Earth Movers Limited; Assistant General Manager, Bharat Earth Movers Limited Medical Centre and Others before the National Consumer Dispute Redressal Commission bearing First Appeal No. 143 / 2000

The Complainant has filed this first appeal against the impugned order passed by the Karnataka State Consumer Disputes Redressal Commission, Bangalore. The Appellant is an employee of our Company and hence falls under the doctrine of Master-Servant relationship with the Executive Director of our Company. The Appellant being an employee of our Company was entitled to medical benefits for self and family at the BEML Medical Centre under the ESI Act for a contribution of Rs. 7.50 per month, which was deducted from his monthly wages. The Appellant alleged that due to the negligence of the administration and doctors of the BEML Medical Centre, his daughter who was seeking medical benefits died at the Centre. The Appellant made a demand of Rs. 5,00,000/- payable jointly by our Company and the administration of the BEML Medical Centre as compensation. The Appellant thus filed a complaint in the Karnataka State Consumer Disputes Redressal Commission. The Commission in its Order held that the facts, relative circumstances and merit of the case of the Appellant do not fall under the purview section 2(1)(o) of the Consumer Protection Act, 1986 and that the Appellant was not considered under the definition of "Consumer" as certain free services were also rendered to patients at the Medical Centre and hence the petition was dismissed. Aggrieved by this Order of the Commission, the Appellant filed a Writ Petition to the Hon'ble High Court of Karnataka. The High Court by its order dated January 7, 1999 disallowed the petition with a liberty to the Appellant to file an appeal. The said Writ Petition was not entertained by the High Court stating that, the petitioner had not approached the National Consumer Redressal Commission under section 18 of the Consumer Protection Act and hence the said petition does not hold good and they are allowed to appeal in the National Consumer Redressal Commission for the said matter. Thus the complainant has filed this appeal before the National Consumer Redressal Commission for consumer disputes, bearing FA No. 143/2000 and the same is pending before the National Commission.

II. Cases filed by and against our Company

1. Cases filed by our Company

A. Criminal Cases

1. Bharat Earth Movers Limited v. M/s Sai Syndicate; P.Haranath, Managing Director; S.N.Raja, Partner before the XVII Metropolitan Criminal Courts, Hyderabad bearing CC No. 629/2000

Our Company supplied earth moving equipments to the accused for their business activities. The total amount to be paid by the accused amounted to Rs. 37,17,135/- out of which they paid Rs. 33,43,000/- and were to pay the balance amount of Rs. 3,74,135/- in four monthly installments along with interest @ 20% per annum. After several reminders for paying the balance amount, the accused paid an amount of Rs. 1,50,000/- by cheque. They informed our Company that, their place of business had changed and thus any further correspondence should be sent to their new place of business. The said cheque when deposited in the bank was returned specifying 'Insufficient Funds'. Our Company immediately sent intimation to the accused of the said dishonour of cheque to their new office which was returned saying that there was no enterprise functioning in the name of M/s Sai Syndicate in that premises. Thus upon happening of this event our Company could not file a case under section 138 of the Negotiable Instrument Act. Upon inquiry it was found out that, the accused still carried out their business from the old premises. Our Company again intimated the accused of the matter of dishonour of cheque but they still didn't make the payments for which our Company has filed this criminal complaint to charge the accused under section 420 of the Indian Penal Code and impose fine on them to compensate our Company for the loss caused to us out of the said fine. The matter is pending before the court.

2. Bharat Earth Movers Limited v. K.S.Periyaswamy before the Additional Chief Metropolitan Magistrate at Bangalore bearing CC No. 42/2006

The accused was suspended from work and alleged during the period of suspension, the accused tried to enter the premises of our Company, when he was denied entry by the security personnel for not signing on the register for suspended employees. We have also alleged that, when he was repeatedly told to sign the register, the accused got furious and started using abusive language and also threatened the security officer on duty. Our Company has filed this case praying for the court to convict the accused under section 503, 506 and 507 of the Indian Penal Code and impose maximum punishment under it. Our Company also prays that if any fine is levied on the accused then out of such money to pay compensation to our Company along with interest. The matter is pending before the court.

3. Bharat Earth Movers Limited v. Raghu & 2 others before the Additional Metropolitan Magistrate at Bangalore, bearing PCR No.15/2006

The Government of Karnataka had provided land to our Company for the rail coach division at Bysandra and Vibhuthipara measuring 134.30 acres. The said land was being utilized by our Company. We had alleged that, the accused were encroaching on the property and causing nuisance on the property, for which the court had passed an interim order restraining them to do so. Thereafter, we have alleged that, the accused employed threatening tactics for which this criminal complaint has been filed for charging the accused under section 107, 425 and 441 of the Indian Penal Code and pay compensation for loss and damage. The matter is posted for recording of sworn statement of the complainant.

4. Bharat Earth Movers Limited v. M/s Pan India Engineering and Construction Company (P) Ltd. and Others in the Subordinate Judges Court bearing C.C Nos. 142-147/1998

Our Company had filed 6 separate criminal complaints against the defendant under section 138 of the Negotiable Instrument Act, for alleged dishonouring of cheques given by the Defendant to our Company towards payment of Hydraulic Excavators supplied by our Company to the Defendant. The amounts of the cheques are as follows; Rs. 6,94,116, Rs. 7,03,949, Rs. 7,59,135, Rs. 5,91,998, Rs. 7,84,577 and Rs. 7,13,781. Our Company prays that the Court admits these criminal complaints and pass such order as is deemed for the said offence. The matter is pending before the court.

5. Bharat Earth Movers Limited v. Vishnu Earth Movers Limited and Another before the XVII Metropolitan Magistrate bearing C.C. No. 9678/2004 and application bearing I.A. No. 1062/2006

Our Company filed a suit in the Court of the 1st Additional District Judge bearing O.S No. 69 of 2002 dated September 3, 2003. After sending repeated summons but receiving no response from the defendants, our Company filed a fresh private complaint under section 406 and 420 of the Indian Penal Code read with sections 190 and 200 of the Criminal Procedure Code on June 25, 2004 bearing C.C No. 9678/2004 before the XVII Metropolitan Magistrate. With regard to the Civil Suit bearing O.S No. 69/2002, the court passed an ex parte

decree dated February 17, 2004 in the favour of our Company for an amount of 5,25,000/- with interest. The Defendants filed an application bearing I.A No. 685/2004 for setting aside the *ex parte decree*, against which our Company filed a counter claim dated January 27, 2005. The above application filed by the defendants was dismissed by the 1st Additional District Judge *vide* his order dated February 1, 2005. The defendants filed a second application bearing I.A. No. 242/2006 for condonation of the delay of five days to file the petition to set aside the dismissal order passed in I.A. No. 685/2004. The Defendants then filed application bearing I.A No. 1062/2006 to set aside the dismissal order passed in I.A. No. 685/2004. The judgment in respect of the fresh private complaint is pending.

B. Civil Cases

Civil Cases Pending in the Supreme Court

1. Bharat Earth Movers Limited v. J.Benjamin before the Supreme Court of India bearing SLP No. 2394/2007

Mr. J. Benjamin was an ex-employee of our Company. While on duty he met with an accident and sustained multiple injuries and fractures. The Respondent alleged before the Labour Court that in spite of producing a certificate from a doctor with regards to his fitness to resume work, our management refused to allow him to resume. The Labour Court, after going through the materials placed before it and other oral and documentary evidence directed our management to reinstate the Respondent in a suitable post with continuity of service and other consequential benefits. The Respondent had filed a Writ Petition bearing number 37333/2001 before the High Court of Karnataka challenging part of the award to the extent he was denied full back wages. The Court passed an Order dated June 13, 2006 for payment of back wages since the time of termination till date by our Company to the Respondent for which this Special Leave Petition has been filed by our Company to set aside the order of the High Court. Stay Order has been passed by the Supreme Court on the said order of the High Court. The Supreme Court has ordered for the issue of notice to the Respondent. The matter is pending in the Supreme Court.

2. Bharat Earth Movers Limited & Others v. Shri. Gajanand Thawait & Others before the Supreme Court bearing SLP No. 24076/2005

The Respondent is an ex-employee of our Company who was working at our service centre at Sirigitti as Store Clerk. On October 4, 1991 he was caught by the police along with spare parts belonging to our Company, which were being taken by him unauthorisedly and without permission. A charge sheet was served upon him and he was taken into custody but later released on bail. He filed a case against our Company claiming that, the charge sheet served on him was allegedly not proper. The High Court of Jabalpur where this matter was up for hearing passed an order dated August 16, 2005 ordering our Company to reinstate the said worker along with back wages. Aggrieved by the said order, our Company has preferred this SLP for setting aside the said order of the High Court. An interim order has been passed by the Court asking our Company to deposit Rs. 10,000/- with the Registry of the Court towards litigation cost of the Respondent, further there shall be an ad-interim order for the stay of the impugned order of the High Court. The matter is pending before the Supreme Court.

3. Bharat Earth Movers Limited v. A. Seetharama Bhatt & Others before the Supreme Court of India bearing SLP No. 2248-2320 /2002

This Special Leave Petition has been filed against the order of the High Court dated September 13, 2001. Our Company had introduced the scheme of Voluntary Retirement Scheme (VRS) to cut down on surplus manpower and whoever opted for the same were given special benefits. Different public sectors started giving different kinds of VRS to encourage employees to retire. Subsequently a notice was issued by the Department of Public Enterprises to revise pay scales of executives holding posts below the Board level and non-unionised Supervisors. The notice of revision of pay was issued in 1992, but it was implemented only in 1995 with retrospective effect. Thus employees who had taken VRS during the period 1992-1995 were paid their due amount calculated on the basis of their earlier pay scale. Aggrieved by this the officers as well as the workers filed a case demanding payment of VRS based on the revised pay scale. The High Court granted application of the officers and directed our Company to pay VRS calculated on the revised pay scale. Aggrieved by the order of the High Court, our Company has filed this SLP to set aside the order of the High Court. The Supreme Court has passed an interim

order of Stay dated February 15, 2002 on the order of the High Court till further proceedings. The matter is pending before the Supreme Court.

4. Bharat Earth Movers Limited v. M/s Sheshadri & Company before the Supreme Court of India bearing SLP No. 24021/2004

This petition has been filed by our Company against the Order of the High Court in MFA No. 724/2001. In this case, there was a dispute between our Company and the defendant contractor in respect of a contract at KGF. This dispute went to arbitration and the arbitral award was passed directing our Company to pay Rs. 24,25,800/- to the defendant contractor along with interest at 18% from January 1993.

SLP No.24021/2004 has been filed before the Supreme Court by our Company challenging the order passed by the High Court of Karnataka in MFA No.724/2001. The above matter came-up for admission before the Supreme Court on August 22, 2005. The matter is pending before the Supreme Court, and the execution petition filed by the contractor has been stayed.

5. Bharat Earth Movers Limited v. Caterpillar India Private Limited & others before the Supreme Court of India bearing SLP No. 24219 of 2003

This Petition has been filed against the Order passed by the High Court of Chhatisgarh, at Bilaspur on December 15, 2003 in pursuance to Writ Petition No. 3988/2003. The Government of India had passed a policy for Purchase Preference Policy for products and services of Central Public Sector Enterprises for two years ranging from April 1, 2002 to March 31, 2004. If the price quoted by the Public Sector Enterprises is within 10% of the lowest price in the Tender, purchase preference may be given to that Public Sector Enterprise. South Eastern Coal Field Limited one of the Respondents to the matter floated a Tender for the purchase of dumpers. In the tender document it was specifically mentioned that they shall invoke the purchase preference policy of the Government in favour of the Public Enterprises. Our Company made an application for the said tender and was awarded the same and the benefit for the purchase of preference policy was given to our Company. Caterpillar India Private Limited filed a Writ Petition bearing No. 3988/2003 pursuant to it as they had also contested for the same tender but were not granted the same and neither were they given the benefit under the Government policy. The High Court of Chattisgarh passed an order demanding for Status Quo of the said Tender. Thus the Court disposed off the Writ Petition without granting any opportunity to our Company. Aggrieved by the said order, our Company has preferred this Special Leave Petition, as Southern Coal Fields is in desperate need of the Dumpers and due to the order of the High Court, our Company cannot supply the said dumpers and that our Company has to supply the said dumpers by March 31, 2004 and if we delay in doing so we have to pay cost of damages to South Eastern Coal Fields Limited. Our Company prayed for grant of Stay of the order of the High Court. Further prayed for grant of interim order for Ex-parte stay of the impugned order of the Chattisgarh High Court. Vide order dated May 18, 2007 of the Chattisgarh High Court the matter has been disposed off with a direction to the GoI to reassess the matter and issue appropriate orders. The matter is consequently pending for reassessment by the GoI.

Civil Cases pending in the High Court

1. Bharat Earth Movers Limited v. M/s Rama Venture before the High Court of Judicature, Chennai bearing Summary Suit No. 1394 of 2000

The Defendants had ordered for 1 Hydraulic Excavator for their project at Goa. The said goods were supplied to the Defendant on deferred payment basis. The defendant paid the advance amount but did not pay the balance amount due. The defendant issued two post-dated cheques for the balance amount due which were returned dishonoured. Our Company has preferred this appeal claiming an amount of Rs. 5,23,395.46 together with interest @ 24% per annum. The matter is pending before the Court.

2. *Bharat Earth Movers Limited v. Tamil Nadu Earth Movers before the High Court of Judicature bearing CS No. 6717 of 1999*

The Defendant had ordered for a Hydraulic Excavator fitted with a back-hoe Bucket and other standard accessories priced at Rs. 34,39,700/-. An amount of Rs. 7,50,000 was not paid by the defendant from the purchase price. Our Company has preferred this suit for the recovery of Rs. 10,00,101/- towards aggregate claim amount along with interest @20% per annum along with all costs of legal proceedings incurred by our Company for the same. The matter is pending before the Court.

3. *Bharat Earth Movers Limited v. M/s Mideast Integrated Steels Limited before the High Court of Delhi bearing Company Petition No. 370/2001 along with Company Petition No. 230 of 1999*

Our Company has filed a winding up petition against the defendant to whom our Company had sold certain equipments on deferred payment basis. The principal amount owed by the defendant to our Company is Rs. 17,19,520/- and Rs. 19,23,471/- as interest @ 18% per annum for non payment of the same on time. The scheme for the said 'winding up' has been widely accepted by all the creditors of the defendant. The defendant had filed a 'Rehabilitation Scheme' admitting that they owed money to us but not to the tune specified by our Company as it does not tally with their accounts. In response to that our Company filed an 'Amendment Application' placing before the court the documentary proof of the amount claimed. The matter is pending before the Court.

4. *Bharat Earth Movers Limited v. the Regional Labour Commissioner & Appellate Authority under payment of Gratuity Act, 1972 before the High Court of Karnataka bearing WP No. 17403/ 2005*

The Controlling Authority under the Payment of Gratuity Act, 1972 and the Assistant Labour Commissioner (Central) passed an order dated March 29, 2005 on the applications filed by 8 ex-contract workers at the Kolar Gold Fields against our Company and 3 other contractors, directing our Company (being the principal employer) to reimburse an amount of Rs. 1,90, 238/- as gratuity to the contractors who in turn would pay the same to the applicants. Aggrieved by the above order, our Company filed an appeal before the Appellate Authority under the Payment of Gratuity Act, 1972 on May 27, 2005. At the time of preferring the appeal before the Appellate Authority under the Payment of Gratuity Act, 1972, BEML was required to deposit the awarded amount of Rs. 1, 90, 238/- with the assistant Labour Commissioner (Central) in terms of section 7(7) of the Payment of Gratuity Act, 1972. In order to seek exemption to deposit the above amount, our Company filed an application along with the Appeal, however the Controlling Authority *vide* his letter dated September 6, 2006 directed our Company to pay the above amount stating that since the amount was not deposited, the appeal was not taken on record. Our Company then filed this Writ Petition against the Defendant under the payment of Gratuity Act, 1972 before the High Court of Karnataka, seeking directions for the consideration and the disposal of the appeal. The matter is pending before the Karnataka High Court.

5. *Bharat Earth Movers Limited v. the Orissa Sales Tax Officer before the High Court of Orissa bearing S.J.C No.57/96 and O.J.C No. 7927/96*

During the year 1988, two loaders of our Company were detained at the Girisola Check-post for non payment of Sales Tax. Our Company then filed a Writ Petition bearing OJC No. 544/88 on February 12, 1988 before the High Court of Orissa, challenging the detention order and the intended levy of the local sales tax of Rs. 3,94,706/- along with a petition praying for interim order of release of the equipment. On February 15, 1988, the above Writ was admitted and the Hon'ble High Court of Orissa passed orders for the release of the equipments subject to the production of a Bank Guarantee of Rs. 1,00,000/- in favour of the Sales Tax Officer-cum-Officer of the Check Gate. Our Company complied with the same. The Sales Tax authorities issued a notice for the payment of Rs. 3, 94, 706/- towards Orissa Sales Tax for the period April 1, 1987 to January 27, 1988 as per the assessment order dated January 30, 1988. In respect of the above, our Company filed an S.T First Appeal before the Assistant commissioner of Commercial Tax bearing number 179/88-89. On June 22, 1988, the said appeal was rejected as barred by limitation. Aggrieved by the abovementioned order, our Company filed a second appeal *vide* SA No. 473/ 88-89 before the Sales Tax Tribunal. The Sales Tax Tribunal passed an order confirming the order passed by the Assistant commissioner of Commercial Tax and dismissed the appeal. Against the Sales Tax Tribunal, our Company filed a further appeal on November 10, 1995 before the Full Bench of Orissa Sales Tax Tribunal bearing reference number 327/95-96 for drawing a statement of the case on the question of law and for referring

the same to the Hon'ble Court for adjudication. The Full Bench passed an order dated February 19, 1996 allowing the application in part and referred the question regarding period of delay in filing beyond the appeal period to the High Court of Orissa. The abovementioned reference bearing S.J.C No. 57/96, referred by the Chairman, Orissa Sales Tax Tribunal was laid before the Bench of the High Court of Orissa for final disposal. During the pendency of the above S.J.C before the High Court of Orissa, the Sales Tax Officer issued a demand notice dated June 26, 1996 for the payment of Rs. 3,94,706/- towards Orissa Sales Tax for the period April 1, 1987 to January 27, 1988. The same was challenged by our Company before the High Court of Orissa bearing O.J.C No. 7927/96. In September 1996, the Court directed the tax authorities to file an affidavit within 10 days and not to take coercive action. In October, 1996, the Sales Tax Authorities encashed the Bank Guarantee issued by our Company earlier, which we alleged was in disobedience of the High Court orders. During November 1996, BEML filed a Contempt Petition bearing Original Criminal Miscellaneous Case No. 587/96 against the Sales Tax authorities under the Contempt of Court's Act in the High Court of Orissa. During the course of hearing of the contempt petition, the writ petition bearing No. OJC 7927/96 was tagged with the contempt petition. The contempt petition was disposed off in March 2001. The abovementioned writ petition has not yet been listed in the High Court. The S.J.C No. 57/96 referred before the Bench of the High Court of Orissa has not yet been listed and the O.J.C No. 7927/96 challenging the demand notice dated June 26, 1996 issued by the Sales Tax Officer is pending and the order is yet to be passed after disposal of the contempt petition.

Civil Cases pending in the City Civil Courts

1. Bharat Earth Movers Limited v. Assistant Revenue Officer; Joint Commissioner Bangalore Mahanagara Palike and the Taxation Appellate before the City Civil Judge, Bangalore bearing Miscellaneous Appeal No. 28 of 2006

Our Company owns land ad measuring 227.37 acres which fall under the purview of Municipal Taxation by Bangalore Mahanagar Palike (BMP). The BMP levied tax on our Company for the period October 1, 1995 to March 31, 2000 and April 1, 2000 to March 31, 2005 amounting to Rs. 3,71,77,415/-. Our Company has paid an amount of Rs. 2,10,00,000 under protest. Our Company has preferred this Appeal for refund of the same along with interest @ 12% p.a and also to set aside the orders making property tax payable by our Company. The matter is pending before the City Civil Judge, Bangalore.

2. Bharat Earth Movers Limited v. Mr. Sampangirami Reddy and others before the City Civil Court, Bangalore bearing O.S. No. 7766/2004

Our Company owns the land situated at Survey Nos. 48/2, 58/1, 57/2, 128, 144, 144/3, 153 and 154 measuring 2500 sq.ft for the construction of a Housing Colony (Township) for employees of its Rail Coach Division. This suit has been filed by our Company for permanent injunction restraining the defendants from (i) entering upon and encroaching into the said property, (ii) committing illegal acts of waste, damage e.t.c and (iii) from disallowing them to in widen the road between G.M.Palya and Mallesh Palya causing interference with our Company's possession and enjoyment of the property. The Court passed an interim Injunction Order dated October 15, 2004 granting reliefs sought by us. The Injunction Order is in force and the suit is pending before the City Civil Court.

3. Bharat Earth Movers Limited v. M/s C.H.Madanlal & Co. and another before the Civil Court KGF bearing O.S.No. 11/1996.

Our Company had entrusted contract works relating to construction of building at Kolar Gold Field to the defendant. The defendant had employed labourers for the said work on contract basis and they were employed by the defendant. One such labourer suffered injury during course of employment and sustained permanent injury in the left eye. The Commissioner of Workmen Compensation demanded our Company and the Defendant to pay Rs. 41,640/- as compensation plus interest amounting to Rs. 42,000/-. Our Company has claimed that, the defendant is vicariously liable to pay the compensation to the labourer because of negligence on their part to take proper precaution and has filed this suit in that regard. The suit is pending before the City Civil Court, KGF.

4. *Bharat Earth Movers Limited v. Sri. V. Sudhakar Rao and another before the II Additional Civil Judge (Senior Division) at Mysore bearing OS No. 209/1999*

Our Company had engaged the defendant for running a canteen for the purposes of supplying food to the employees of our Company for the period 1989-1993. Our Company had paid an amount of Rs. 18,21,428.50/- under protest pursuant to demand by Sales Tax Authorities of sales tax on sale of food products made by the defendant to employees of our Company. We have alleged that the defendant clandestinely secured an amount of Rs. 16,99,346/- from the sales tax department on May 25, 1998, but even upon receipt of the said refund amount, the defendant did not forward the amount due to our Company. Our Company has preferred this suit before the Court praying for recovery of the amount paid by us to the sales tax department and interest at the rate of 24% per annum from the date of the suit till realization of the same. The matter is pending in the Court.

5. *Bharat Earth Movers Limited v. Immanuel Joseph before the City Civil Judge, Bangalore bearing O.S. No. 4994/1997*

The Defendant was employed as a graduate apprentice in our Company and later appointed as Junior Engineer Trainee for a stipend of Rs. 15,000/- per month. Subsequently he was absorbed as Assistant Service Engineer and was later promoted to as Service Engineer. Our Company had sent the defendant to the USA for a training of 3 weeks for which he entered into an agreement stating to serve our Company for a period of 5 years after the completion of the said training period. All costs of the training was borne by our Company and the defendant received salary during the training period. We have alleged that, after completing his training, he joined our Company and after some time he started absenting himself from work without any notice and for long periods without any valid reason. He was repeatedly informed by our Company to come to office but he did not respond to the same. Thus our Company has filed this case for an amount of Rs. 2,23,587.98/- which the defendant is liable to pay. The court has passed a decree and judgment dated May 31, 2006 in favour of our Company, the copy of the same is yet to be received from the court.

6. *Bharat Earth Movers Limited v. M/s G. S. Atwal & Co. before the Civil Judge (Senior Division), Asansol bearing Suit No. MS 2/2005*

The defendant company had ordered certain machinery spare parts from our Company. Our Company sent several reminders to the defendant for payment but there was no response from their side. However on not receiving payment for the same our Company has preferred this suit valuing the said suit. Our Company has prayed for Rs. 62,284.25 along with interest from April 4, 2001 being the date of cause of action and all costs of the suit. The matter is pending before the court.

7. *Bharat Earth Movers Limited v. M/s Naran Khimji & Co. before the City Civil Court, Ahmedabad bearing Ex. C. No. 83 of 1999*

The Defendant had ordered for one PC-220-3, Hydraulic Excavator from our Company which was duly supplied to the plaintiff, out of the purchase price for that hydraulic excavator, Rs. 8,13,210 (including interest) was not paid. Our Company has filed this suit claiming the recovery of Rs. 8,13,210/- with further interest @ 19% per annum, and cost of the suit. The matter is pending before the court.

8. *Bharat Earth Movers Limited v. Mr. Shyam Sunder before the City Civil Judge, Bangalore bearing O.S. No. 4225/1997*

This suit has been filed by our Company against an ex-employee for alleged breach of employment contract. However, the dispute has been settled outside Court and our Company has made an application for refund of Court fee of Rs. 22,892/-.

9. *Bharat Earth Movers Limited v. G.Ramachandra Rao, A.Bangarubabu and Smt. Akula kasi Annapurna before the 11th Senior Judge Civil Judge bearing OS No. 811 of 1999*

This suit has been filed by our Company against the defendants for an amount of Rs. 4,71,615.35 along with interest @ 22% per annum on the amount due by way of creating charge on the property mortgaged by the 3rd

defendant as surety for the debt of the 1st and 2nd defendant to the plaintiff. The Court passed a decree asking the defendants to deposit the amount due along with interest as specified above and if such amount is not deposited in the Court on time our Company may file for a final appeal to sell the said mortgaged property. If the sale proceeds are insufficient, then the balance amount shall be paid in full by the defendants to our Company. The matter is pending before the Court.

10. Bharat Earth Movers Limited v. Puranmal Kedia before the 2nd Assistant District Judge at Alipore, bearing Title Suit No. 87 of 1989

This Suit has been filed by our Company against the suit filed by the defendant, details of which are stated below under the head Civil Cases field against our Company in the Civil Court. Our Company has stated that, the defendants are not entitled to terminate the lease deed and interfere with the peaceful possession of the flat by our Company. Our Company has further prayed that, the court may pass an order of temporary injunction restraining the defendants from disturbing the possession of the said flat in any manner whatsoever including supply of electricity, availability of generator facilities, use of lifts, supply of water and other benefits acquired for peaceful usage of the said property. The matter is pending before the court.

11. Bharat Earth Movers Limited v. M/s Shri Corporation before the Civil Judge (Senior Division) at Surat bearing Summary Suit No. 23 of 1998

Our Company has filed this suit for the recovery of Rs. 29,85,485/- for balance amount due by the defendant to our Company upon the supply and sale of equipments manufactured by our Company. The matter is pending before the court.

12. Bharat Earth Movers Limited v. M/s Sagar Transport before the City Civil Court, Ahmedabad bearing Summary Suit No. 3613/98

Our Company had sold certain equipments on deferred payment basis to the defendant for which an amount of Rs. 9,51,257/- was outstanding. Thus our Company has preferred this suit for the recovery of the balance amount outstanding along with interest @ 19% per annum along with all costs of the suit. The matter is pending before the court.

13. Bharat Earth Movers Limited v. M/s Sagar Transport before the City Civil Court, Ahmedabad bearing Summary Suit No. 3615/98

Our Company had sold certain equipments for a total amount of Rs. 35,34,300/- on deferred payment basis to the defendant for which an amount of Rs. 3,11,590/- was outstanding. Our Company has preferred this suit for the recovery of the balance amount outstanding along with interest @ 19% per annum along with all costs of the suit. The matter is pending before the court.

14. Bharat Earth Movers Limited v. Ms Associated Engineering & Construction Company before the City Civil Court, Ahmedabad bearing CS No. 171/1995

Our Company had sold Hydraulic Excavator for a total amount of Rs. 35,34,000/- to the defendant which was to be paid in parts. Out of the total amount due, an amount of Rs. 11,71,245/- (including interest) was pending to be paid by the defendant. Our Company has thus preferred this suit for the recovery of Rs. 11,71,245/- along with interest @ 19% per annum and also all costs of the suit to be repaid to our Company. The matter is pending before the court.

15. Bharat Earth Movers Limited v. M/s Alpa Transport before the City Civil Court at Ahmedabad bearing Execution Case No. 84 of 1998

Our Company had supplied a Hydraulic Excavator to the Respondent for an amount of Rs. 35,90,400/- to be payable in parts. An amount of Rs. 8,90,400/- was to be paid under the scheme of credit extension, payable in six monthly installments with running interest @19% per annum to be calculated every six months. Out of the amount to be paid in installments an amount of Rs. 4,70,746/- was payable by the Respondent with accrued

interest. In spite of several reminders, the Respondent did not pay the amount and hence our Company had filed a summary suit for the recovery of Rs. 4,70,746/- with interest @ 19% per annum calculated at every interval of 6 months. The Court passed a decree on October 9, 1998 demanding the Respondent to pay the amount along with interest on which our Company preferred this execution case for assistance of the Court for the recovery of the money awarded to our Company by attachment and sale of movable property of the Respondent. The matter is pending before the Execution Court.

16. Bharat Earth Movers Limited & 3 others v. A. Muthu Manickam before the Civil Judge (Senior Division) bearing OS No. 124/2004

A case was filed by the defendant bearing number 7/2004 before the Hon'ble Civil Judge (Junior Division) for permanent and other reliefs pertaining to the construction of a common entrance for officers and employees. He had challenged the action of the management in awarding the contract by relaxing the condition that the contractor should hold valid Employees State Insurance, and Provident Fund Code numbers. The Civil Judge (Junior Division) dismissed the application filed by Mr. Muthu Manickam on April 13, 2004. However, our Company apprehending that he may appeal and obtain ex-parte orders, filed this caveat petition in the Court, that the court may order issue of notice to our Company of any interim application that may be filed in appeal or other proceedings by Mr. A. Muthu Manickam against our Company against the order dated April 13, 2004, before passing any ex-parte orders in the matter, in the ends of justice and equity. The matter is pending before the court.

17. Bharat Earth Movers Limited v. M/s Maruthi Civil Works before the Civil Court Bombay bearing Summary Suit No. 2590/1997

The summary suit has been filed by our Company for recovery of Rs. 7,54,114.30 from the defendant for sale of Hydraulic Excavator by our Company to the defendant company on deferred payment basis. The matter is pending before the Court.

18. Bharat Earth Movers Limited v. M/s Rajinder Steel before the Official Liquidator, Allahabad.

M/s Rajinder Steel had ordered for one Wheel Loader model BL 200 and one Backhoe Loader Model BL3 from our Company. There are amounts which are still due from the defaulting company to a tune of Rs. 4,51,400/- and Rs. 12,918/- respectively. In spite of repeated reminders the company did not make payments. Later it came to our knowledge that the company had got liquidated for which this complaint has been preferred to the official liquidator who is looking into the liquidation of M/s Rajinder Steel. The matter is yet to be disposed off by the Official Liquidator.

19. Bharat Earth Movers Limited-Bilaspur v. The office of the Regional Provident Fund Commissioner before the Employees Provident Appellate Tribunal, New Delhi bearing ATA-167(6)/2004

Our Company had engaged the services of a Contractor who employed his own labourers. The contractor was employing more than 15 employees, thus he was directed to obtain a separate PF Code Number from the concerned authority. While the said application was in process, the PF Inspector visited our Company's office at Bilaspur and pointed certain shortcomings which were duly submitted by our Company to the officer. Our Company was collecting PF contribution from the contract labourers but the same was not deposited with the Authority because the separate PF Code had not been yet received. Due to this the Authority directed our Company to pay an amount of Rs. 4,09,932 for the period July 1993 to March 1999 along with interest for an amount of Rs. 1,90,010/-. Our Company remitted the whole amount. The Authority upon the receiving the said amount assessed a further sum of Rs. 4,15,440 towards delayed payment by our Company. Aggrieved by the said demand, our Company has filed this appeal before the Tribunal.

20. Earth Movers Club v. Regional Provident Fund Commissioner before the Employee Provident Fund Appellate Tribunal, New Delhi bearing ATA No. 176 (6)/2005

Our Company's unit at KGF was exempt under the EPF and MP Act, 1952 to obtain a separate Employer's Code Number. In the year 1972, a club in the name of Earth Movers Club was established at the KGF unit to promote recreational facility to the employees and their families. The said club was registered under the Mysore Societies

Registration Act, 1980. On June 4, 1997 certain officers of the PF Authority visited the club and found out that, more than 20 workers were engaged in the activities of the club and thus they are supposed to pay PF contribution. The Committee for the Earth Movers Club calculated PF contribution of the employer as Rs. 1,16,781/- and that of the employee as Rs.1,04,438/-. The club was to deposit both the contributions. Upon depositing the said amounts, the authority levied a penalty of Rs. 2,25,081/- towards late payment of contribution. Aggrieved by this penalty the Earth Movers Club has preferred this appeal.

C. Labour cases pending in the High Court

1. Bharat Earth Movers Limited v. Shri Hareesh Kumar before the High Court of Karnataka bearing Writ Appeal No.3478/2003 and 3477/2003(S-Res)

This Writ Appeal has been filed against the order of the High Court on the Writ Petitions bearing nos. 13574/1999 and 13578/1999 filed by the respondent. The Respondent had been reduced in rank at work for continued absenteeism inspite of being warned for the same. Initially his pay was reduced but on reviewing it was restored but then he again started keeping himself absent from work, after such acts he was reduced in rank as punishment and subsequently dismissed from service. Even during the proceeding of the case he kept himself absent from work. The High Court passed an order dated February 13, 2003 directing our Company in Writ Petition No. 13578/1999 to pay 40% back-wages for reduction on rank, and order dated February 14, 2003 directing our Company in Writ Petition No. 13574/1999 to pay 30% back wages for dismissal and reinstatement. Our Company has filed this Appeal against the said orders to set aside the award passed earlier by the Hon'ble Court. The matter is pending before the Court.

2. Bharat Earth Movers Limited v. General Labour Association, Mysore before the High Court of Karnataka bearing Writ Petition No. 35453/2003(L-RES)

The Respondent had filed a claim statement, alleging that the canteen employees of our Company are the members of the said union and raised a dispute regarding higher wages and service condition. The matter was referred to the Industrial Tribunal who awarded the respondents on April 22, 2003 with the status of permanent employees and they shall be entitled to wage benefit and other allowances including leave, overtime and welfare benefits. The Tribunal also awarded 50% of the arrears of difference of salary from the date of order of reference till the date of the award. In respect of such award passed by the Tribunal, our Company has filed this Writ Petition. The Court passed an interim order holding the workers liable to pay only Rs.125/- towards food subsidy in place of Rs.357/-, or 15% of their salary. The matter is pending before the court.

3. Bharat Earth Movers Limited v. Mr. K. Venkatesh before the High Court of Karnataka bearing Writ Petition No. 11034/2005 (L-TER)

This Writ Petition has been filed against the order of the Industrial Tribunal dated January 17, 2004. The Respondent had been reduced in rank at work for continued absenteeism for more than 10 days without notice and subsequently he was dismissed from service. The order passed by the Tribunal directed our Company to reinstate the Respondent but without back wages and 3 compulsory increments. Our Company has filed this Petition against the said order to set aside the award passed by the Tribunal. The Court has passed an interim order of stay against the order of the Tribunal till further proceedings. The matter is pending before the court.

4. Bharat Earth Movers Limited v. N. Muniyappa before the High Court of Karnataka bearing Writ Petition No. 19723/2005

The Respondent was an ex-employee of our Company at the Bangalore Complex from September 16, 1948 to December 4, 1971 on which date his services were terminated on the grounds of misconduct and disorderly behaviour after investigation. The Respondent filed an appeal in the Industrial Tribunal for the same. During the pendency of the case in the Tribunal the respondent died, so his legal heirs continued the matter in the court. After carrying out proceedings the tribunal passed an order dated January 8, 2004 directing our Company to pay Rs. 1,00,000/- as compensation to the legal representatives and providing employment to one of his children suitable for the job. Our Company aggrieved by the said order filed a Writ Petition against such order. The matter is pending before the court.

5. *Bharat Earth Movers Limited v. Smt. R.Muniyamma before the High Court of Karnataka bearing MFA No. 7243/2005*

The Respondent is a rice cleaner in the Canteen on a daily wages basis. One day during work a bag of rice fell on her leg incurring injuries and all her medical expenses were incurred by our Company. After that he resumed work but after some time she stopped coming to work. Later she filed a claim before the Commissioner for Workmen's Compensation for an amount of Rs. 2,00,000/- for her injury during employment. The Commissioner passed an order allowing compensation to the tune of Rs.73,198/- along with interest @ 12% from May 5, 199 till such sum is deposited in the court and also a fixed deposit shall be made in her name and a sum of Rs. 25,000/- to be deposited by our Company. The said amount has been deposited by our Company but our Company has requested the Commissioner not to give the said amount to the respondent. Our Company had filed against that order in the High Court. The matter is pending before the court.

6. *Bharat Earth Movers Limited v. S. Kumar before the High Court of Karnataka bearing R.F.A. No. 71/2000*

The Respondent is an employee of our Company. He had joined our Company after which he was sent for training for a period of 1 year. Before the training the Respondent entered into an agreement with our Company to serve us for 3 years after completion of the training year. Subsequently the Respondent was chosen for another special training and he entered into another agreement with our Company stating that, he shall complete the earlier tenure and then serve our Company for another period of 4 years and if he causes any breach of such agreement he shall be liable to pay Rs. 1,00,000/- along with interest @ 9% per annum. Upon completion of his 3 years from the period of the 1st agreement and then one year from the second one, the Respondent gave in his letter for resignation. He was called upon to continue his tenure or to pay an amount of Rs. 69,467.78 as compensation. The Respondent failed to respond to such. Our Company sought for recovery for an amount of Rs. 76,560.58. The City Civil Court had passed an order stating that, the two agreements shall run concurrently and hence the Respondent has not created any breach of contract. Aggrieved by the said order, our Company has filed an appeal in the High Court to set aside the order of the City Civil Court and to get compensation for the breach of the said agreements. The matter is pending before the High Court.

7. *Bharat Earth Movers Limited v. Regional Director, E.S.I. Corporation before the High Court of Karnataka bearing M.F.A No. 4337/2001*

In the year 1988, our Company was issued a notice by the E.S.I, alleging non payment of contributions in respect of temporary casual employees, muster roll employees, night shift allowance and Direct Incentives and imposed damages or an amount of Rs. 4,03,024/-. Our Company had paid contribution for muster roll employees and not others as they do not fall under the definition of wages. However *vide* a Supreme Court ruling, the other items were also included as wages, so the Corporation levied interest on the amount demanded for an amount of Rs. 1,84,664/- for delayed payment. To challenge the said demand our Company filed an E.S.I application and the Tribunal passed an order dated June 22, 2001 for the Corporation to recover the amount demanded along with interest. Hence our Company has preferred this Appeal before the High Court to set aside the order of the Tribunal. The matter is pending before the court.

8. *Bharat Earth Movers Limited v. Employees State Insurance Corporation before the High Court of Karnataka bearing M.F.A. No. 4336/2001*

As stated above in the matter bearing M.F.A. No. 4337/2001 our Company has filed this Application to set aside the order passed by the Tribunal for payment of interest to the tune of Rs. 1,84,664/- and to grant such other relief as is appropriate. The Court passed an order for stay against the order of the Tribunal till further proceedings. The matter is pending before the court.

Labour Cases pending in the City Civil Courts

1. Bharat Earth Movers Limited v. C.V.S. Vishwanatha Sharma before the City Civil Court bearing O.S. No. 7031/1994

The Defendant was an ex employee of our Company who was an Assistant Manager He was sent to Australia for raining for which he entered into an agreement with our Company to serve our Company for a period of 5 years from the date of completion of the training. After completion of training the defendant joined work wherein he was again nominated for another training session in Australia, which he undertook after entering into a contract to serve our Company for further 5 years after completing the unexpired period of 5 years vide the first agreement. Upon completion of his second training session he joined work. After few months he took leave for few days but then did not resume work. He was served notice to join work but he did not. The defendant then sent in his resignation letter which was accepted by our Company. The defendant had committed breach of contract and was asked to pay the compensation amount laid down in the agreements which was not paid by the defendant. Thereafter our Company has claimed *vide* this suit for recovery of all expenses incurred by the Company on the defendant during his training along with interest @ 12% per annum amounting to Rs. 2,54,308/-. The matter is pending before the court.

D. Central Excise Cases

1. Bharat Earth Movers Limited v. Commissioner of Central Excise Commissionerate

Appeal filed by our Company against the Order of the Commissioner of Central Excise regarding demand for differential duty amounting to Rs. 59,10,358/-. The duty was imposed on the ground that the duty is required to be discharged on the provisions made in the balance sheet for the years 1999 – 2000 to 2002 – 2003 to meet the obligation towards MODVAT / CENVAT availed inputs treated as obsolete items after identification. Our Company had deposited a sum of Rs. 56,08,004/- before adjudication of the issue covered in the notice. Thus, our Company has filed this appeal for the CESTAT to dispense with the pre-deposit of balance amount of duty specified in the order and stay the order pending disposal of the Appeal.

2. Bharat Earth Movers Limited v. Commissioner of Central Excise, Bangalore bearing Appeal No. E/Stay/4542/97 in E/884/97

Our Company has filed a stay application for the waiver of pre-deposit of duty amounting to Rs. 85,31,675/-. The Assistant Collector made a demand of Rs. 85,31,675/- as Central Excise Duty on parts/components manufactured by our Company and used in the manufacture of rail coaches. The Commissioner (Appeals) dismissed the first appeal filed by our Company against this demand hence this second appeal filed before CEGAT, Bangalore (now CESTAT) to set aside the demand of the Assistant Collector as a substantial pre-deposit amount has been paid. The CESTAT has set aside the order of the Commssioner and has remanded the matter back for re-assessment to the Assessing Authority.

E. Sales Tax and Entry Tax

Sales Tax cases pending at Mumbai:

1. Assessment year 1993 – 1994

a) Appeal was filed before the Deputy Commissioner of Sales Tax (Appeals) against the demand of Rs. 3,62,214 raised against our Company due to the disallowance of claim of sales against declarations in specified forms, disallowance of claim credit notes in respect of goods returned, price variance, discrepancies in supply etc and the levy of interest under section 36 (3) (b). The Deputy Commissioner of Sales Tax(Appeals) partly allowed the appeal and granted relief in respect of declarations produced in form AF. As of result, the interest amount reduced.

Our Company has filed a second appeal against the Order of the Deputy Commissioner of Sales Tax only to the extent of levy of interest and penalty due to delay. Our Company had submitted that the delay caused is solely due to the customers not providing the declarations in a timely manner.

b) Appeal filed before the Deputy Commissioner of Sales Tax (Appeals) against the demand of Rs. 4,96,803/- along with interest under section 36 (3)(b) at Rs. 2,03,778/- and penalty under section 36 (2)(c) at Rs. 10,000/- levied by the Assistant Commissioner of Sales Tax (Assessment) for the period 1993-1994 under the Central Sales Tax Act. The Deputy Commissioner of Sales Tax (Appeals) had partly allowed the appeal and granted relief in respect of declarations produced in form C/D. He also reduced the interest under section 36 (3) (b) as a consequence. However, he confirmed the penalty under section 36 (2) (c) at Rs. 10,000/-.

Our Company has filed a second appeal against the order of the Deputy Commissioner of Sales Tax (Appeals) only to the extent of levy of penalty due to the delay. Our Company has submitted that the delay caused is solely due to the customers not providing the declarations in a timely manner. The appeal was heard on January 17, 2007 for which order is awaited.

2. Assessment year 1997 – 1998

Appeal was filed before the Deputy Commissioner of Sales Tax (Appeals) against the demand of Rs. 76, 650/-, levy of interest of Rs. 3,127/- and penalty of Rs. 175/- by the Assistant Commissioner of Sales Tax, Bombay. The Deputy Commissioner partly allowed the appeal and granted relief in respect of the declarations produced in form H and E. However, he did not waive the interest and penalty under section 36(3)(a) and 36(4A) respectively.

Our Company thus, filed a second appeal against said order of the Deputy Commissioner of Sales Tax (Appeals). The appeal was heard on January 17, 2007. Our Company has requested for waiving of interest and penalty to the Tribunal and order is awaited.

3. Assessment year 1999 – 2000

Appeal filed by our Company against the report of the Assistant Commissioner of Sales Tax which held that the requisite forms had not been produced in a timely manner. Our Company has asked for the amount claimed by the Assistant Commissioner of Sales Tax to be waived. Also, our Company alleged that the Assistant Commissioner of Sales Tax disallowed the claim of credit notes in respect of goods returned, price variance, discrepancies in supplies etc. and hence the penalty of Rs. 169/- and interest of Rs. 2,400/- levied by the Assistant Commissioner of Sales Tax was an error. The case is pending .

Sales tax Cases pending at Delhi

1. Assessment year 2003-2004

The case is pending with the Deputy Commissioner (Sales Tax) for short submission of Form 'C' to the value of Rs. 19,00,000/-.

2. Assessment year 2004-2005

The case is pending with the Deputy Commissioner (Sales Tax) for short submission of Form 'C' to the value of Rs. 14,23,000/-.

3. Assessment year 2005-2006

The case is pending with the Deputy Commissioner (Sales Tax) for short submission of Form 'C' to the value of Rs. 89,00,000/-.

Sales Tax Cases pending at Nagpur

1. Assessment year 1990 – 1991

The Assessment Order for the year 1990-1991 held that the books of accounts for the Chandrapur branch of our Company were not found to be maintained in a satisfactory manner. The balance tax levied on our branch office was an amount of Rs. 28,29,573/- considered as default amount due to the Assistant Commissioner of Sales Tax. Our Company filed an appeal against this order of the Assistant Commissioner of Sales Tax on the grounds as mentioned below:

- (i) Our Company is a public sector unit under the Ministry of Defence and our main customers are also public sector units and therefore the delay in filing Form N-15, which the Assistant Commissioner of Sales Tax failed to appreciate.
- (ii) Form N-15 amounting to Rs. 1,69,00,000/- was pending due to the delay against a total turnover of Rs. 8,95,00,000/- for which a demand of Rs. 14,32,621 has been imposed and the same would be subsequently issued.
- (iii) That the penalty imposed by the Assistant Commissioner of Sales Tax be minimized with the presenting of form N-15 amounting to Rs. 1,69,00,000/-

The appeal was rejected by the Deputy Commissioner of Sales Tax (Appeals) at Nagpur.

Our Company filed a second appeal against the dismissal order passed by the Deputy Commissioner of Sales Tax (Appeals), Nagpur.

Sales Tax Cases pending at Dhanbad:

1. Assessment year 1996-1997

Demand and penalty was imposed due to short collection of state sales tax concessional forms. The total demand is Rs. 1,00,74,213.09 because of shortage of forms and penalty has been imposed for an amount of Rs. 4,92,35,921.10. After appeal, the penalty amount was quashed by the appellate authority. The case is pending. Our Company has collected the required the form and submitted it to the sales tax department. An amount of Rs. 25 lacs has been deposited for appeal.

2. Assessment year 1998 – 1999

Appeal filed against the order of the assessing officer, Dhanbad, Bihar. The total demand is Rs. 20,12,842.85. Reason for demand is short collection of Form F amounting to Rs. 2,95,587 and Rs. 17,17,255.85 towards rejection of claims for sales return and warranty. The demand has been quashed by Deputy Commissioner (Appeal) and sent for re-assessment. The case is pending before the assessing officer.

3. Assessment year 1999 – 2000

Assessing authority has imposed the demand for want of detailed consumption of road permit. Assessing authority has fixed the value of sales for the year at Rs. 28,42,86,105.46 whereas our contention is that actual sales value is Rs. 16,13,35,912.88.

Jharkhand Sales Tax

Total tax demand is for an amount of Rs. 1,98,68,978.25. Due to delay in deposit of admitted tax, further demand of Rs. 44,660.52 and for delay in submission of return penalty is Rs. 92,440/-.

Central Sales Tax

Demand for an amount of Rs. 48,078/- towards short collection of Form 'F' and Rs. 46,220/- towards delay in submission of return.

At present the case is pending before the Assistant Commissioner of sales tax (appeal) and our company has received the stay order.

4. Assessment year 2000-2001

Assessment for the year has been carried out by imposing additional tax and penalty because values of stock transfer as per road permit and as per our charge vouchers are not tallying. Rs. 47,98,157/- has been deposited as a regular tax, and balance amount of Rs. 74,05,006/- is disputed for, which our Company has gone in for an appeal and has received a stay order.

Sales Tax Cases pending at Kolkata:

1. Assessment year 1999 – 2000

Matter pending before Central Sales Tax Authority

The case is in appeal (final stage). The total tax liability under CST sales is Rs. 1,03,91,000/- where as our company has paid Rs. 73,10,000/- against CST sales for the year 1999-2000. The difference of Rs. 30,81,000/- is due to the reason is an amount disallowed on export sales, an amount charged as additional tax for non production of Form C against sales of Rs. 468 lakh, which we received completely later on, amount levied as penalty on the grounds for alleged non submission of return in scheduled time and interest of Rs. 16,000/- has been charged allegedly due to late payment of tax.

Matter pending before the West Bengal Sales tax Authority

The case is in appeal (final stage). The total tax liability under WBST Sales is Rs. 102.91 lakh where as our Company has paid Rs. 87.39 lakh against WBST sales for the year 1999-2000. The difference of Rs. 15.52 lakh has been charged as additional tax for non production of Form 12, which we received later on.

Matter pending before the Central Sales Tax Authority

The case is in the final Appeal stage. The total tax liability under CST Sales is Rs. 1,33,47,000/-, wherein our Company has paid Rs. 80,94,000/- against tax assessment for the year 2002-2003. The difference of Rs. 52,53,000/- is due to the reason of an amount of Rs. 52,36,000/- has been levied as additional tax for non production of Form C against sales of Rs. 8,72,66,000/-, which our Company received subsequently. An amount of Rs. 10,000/- has been levied as penalty on the grounds of alleged non submission of return in scheduled time and the interest levied being Rs. 7,000/- has been charged due to alleged late payment of tax.

Matter pending before the West Bengal Sales Tax Authority

The case is in the final appeal stage. The total tax liability under WBST Sales is Rs. 1,40,35,000/- wherein our Company has paid Rs. 87,03,000/- for the assessment year 2002-03. The difference of Rs. 53,32,000/- is due to amount disallowed on export sales, amount charged as additional tax for non production of Form 12 against sales of Rs. 12,05,10,000/-, which our Company received later on subsequently. Further, an amount of Rs. 8,000/- has been levied as purchase tax and Rs. 11,000/- as interest, both these amounts which we have alleged are incorrect.

2. Assessment year 2003-2004

Matter pending before the Central Sales Tax Authority

The case is in the initial Appeal stage. The total tax liability under CST Sales is Rs. 81,59,000/-, wherein our Company has paid Rs. 80,74,000/- against tax assessment for the year 2003-2004. The difference is due to the reason of amount levied as additional tax for non collection of Form C against sales of Rs. 16,66,000/- and the same have been received and to be shown in next appeal date.

Matter pending before the West Bengal Sales Tax Authority

The case is in the initial appeal stage. The total tax liability under WBST Sales is Rs. 82,93,000/- wherein our Company has paid Rs. 68,89,000/- for the assessment year 2003-04. The difference of Rs. 14,04,000/- is due to amount disallowed on export sales, an amount charged as additional tax for non production of Form F which our Company received subsequently. Further, additional tax has been levied for non production of Form 12 against sales of Rs. 1,43,30,000/- and an amount of Rs. 10,000/- has been levied as purchase tax, both these amounts which we have alleged are incorrect.

Sales Tax Cases pending at Goa:

1. Assessment year 2000 – 2001

Interest of Rs. 1,44,076/- has been levied by the sales tax department for late payment of turnover tax amounting to Rs. 3,39,003/- during the assessment year 2000-2001. An appeal has been filed in the year 2005 with Deputy Commissioner and further hearing is awaited.

Sales Tax Cases pending at Bilaspur:

1. Assessment year 1999 – 2000

Appeal filed by our Company against the order of assessment passed by the Sales Tax Officer for the year 1999 – 2000 for payment of penalty of Rs. 4,96,122 under section 61 (2) of the Chattisgarh Vanijyik Kar Adhiniyam 1994.

2. Assessment year 2000-2001

Assessment order was passed by the Assistant Commissioner, Commercial Tax, Bilaspur on February 23, 2004. The Assessing Authority has not allowed the deduction towards credit note issued to M/s Ambuja Cement Limited, Raipur and Commercial TDS certificate issued by SECL Korba area. Hence, our Company has filed this case for reassessment by the Additional Commissioner, Commercial Tax, Raipur on February 23, 2006 for reassessment. The reassessment notice is awaited from the sales tax department.

3. Assessment year 2001-2002-Entry Tax Case

Revision appeal filed against the assessment order passed by the Assistant Commissioner, Commercial Tax, Bilaspur. The appeal was rejected by the Additional Commissioner, Raipur on March 4, 2005 and our plea for non levying of entry tax was not considered by the Appellate Authority. In turn we have filed a writ petition in the Hon'ble High Court of Chattisgarh on April 20, 2006. Hearing notice is awaited from the High Court

4. Assessment year 2001-2002 – CST Case

In the assessment order passed by the Assistant Commissioner, Bilaspur on December 30, 2004, Commissioner of Sales Tax levied tax at the full rate *i.e* 10% on concessional rate sales against 'C' Forms and raised a demand notice of Rs. 4,66,390/- as closing of assessment. Our Company has gone in for an appeal as we have already collected the said Form. The Appellate Authority has remanded the case for considering the Form and reassessment to be carried out on February 22, 2006. Reassessment notice awaited from the Authority.

5. Sales Tax Assessment for the year 2002-2003

Raipur

State Case

Assessment order received on May 25, 2006. The assessing authority had raised a demand of Rs. 81,010/- for Form 'F' for value of Rs. 1,74,972/- received from our Company rejected, sales Tax declaration forms for sales

value of Rs. 36,12,499 not accepted and penalty of Rs. 38,005/- levied for delayed payment of monthly sales tax. We have filed Revision Appeal before the Additional Commissioner, Raipur. Appeal was held on September 26, 2006. Order is awaited from the Department.

Central Case

Assessment order received on May 25, 2006, and a refund order was passed for Rs. 1,40,359/-. The refund was adjusted by the Department against the demand raised in State case of 2002-2003. We have alleged that stock transfer of Rs. 1,74,972/- was treated as Central Sales. Form 'F' was rejected by the assessing authority. Hence this revision appeal lies before the Additional Commissioner, Raipur. Appeal was heard and order is awaited from the Department.

6. 2002-2003 Entry Tax

An assessment order was passed on May 25, 2006, a demand of Rs. 3,78,056/- was raised by the assessing authority. We have filed this Revision Appeal before the Additional Commissioner, Raipur. The Appeal has been heard and an order is awaited from the department.

2. Cases filed against our Company:

A. Criminal Cases

1. M/s Pan India Engineering & Construction Company (P) Limited v. Bharat Earth Movers Limited and 2 others before the High Court of Kerela bearing Crl. M.C. Nos .4846, 4853, 4854, 4858, 4859 & 4860 of 2003

The Petitioner had defaulted in making payments to our Company upon receiving Hydraulic Excavators for which our Company has preferred a suit for the same. The petitioner had later paid the balance amount through 6 cheques, which were returned dishonoured for which our Company had preferred 6 separate criminal cases. In turn the petitioner filed 6 criminal miscellaneous petitions before the High Court of Karnataka for staying further proceedings in the criminal cases filed by our Company. The matter is pending before the court.

B. Civil Disputes

Matters pending before the Supreme Court

1. The Shipping Corporation of India Limited v. Bharat Earth Movers Limited and Another before the Supreme Court of India bearing SLP No. 7346 of 2005

Our Company's KGF Complex imports certain items from Komatsu, Japan. The goods left from Japan through a vessel of Shipping Corporation of India Limited. When the items were received at the Madras Port, there was a shortage/items damaged. Accordingly our Company filed for claim from the insurance company, who settled the claim for an amount of Rs. 16,72,143.87. Thereafter the insurance company preferred a claim against the shipping company for payment of Rs. 16,72,143.87 along with interest at 12% per annum from the date of suit. The High Court *vide* order dated December 2, 2004 upheld the claim of the insurance company. Aggrieved by the said order the shipping company has preferred this SLP against our Company and the insurance Company. Our Company is not contesting the same, as after settlement of claim from insurance company, claiming compensation from the erring party is at the discretion of the insurance company. The matter is pending before the court.

Matters pending before the High Court

1. M/s Parikh Metal & Chemical Industries v Our Company and 4 others before the High Court of Madras bearing Writ Petition No. 17387/91

The Petitioners supplied railway components to our Company. Our materials are purchased from various suppliers for which Form 'D' is issued for to avail certain benefits in relation to sales tax and commercial tax. Various suppliers later came up with the view that our Company is not eligible for such benefit under Form 'D', and hence we are liable to pay the differential amount of sales tax leviable by the Sales Tax Department. One such supplier is the Petitioner. Thus this petition has been preferred against us so that we are liable to pay the differential amount. The matter is pending before the Court.

2. Anil Kumar Kumra v. Bharat Earth Movers Limited before the High Court of Delhi bearing Civil Writ No. 1529/ 1994

Mr. Anil Kumar Kumra was under the employment of our Company since July 14, 1971. On October 18, 1993, his services were terminated on account of compulsory retirement as per the 'Service Rules' of the Officers. Aggrieved by his termination, Mr. Kumra filed this Civil Writ Petition on April, 1994, challenging the action of the management. During the pendency of the above writ petition, the Petitioner filed an application before the court seeking direction to the management to release all his post retirement benefits including Provident Fund, Gratuity, balance of salary etc. The application was allowed by the court *vide* an interim order dated October 8, 2002 directing our Company to settle all post retirement benefits of the Petitioner. Accordingly, all the post retirement benefits of the Petitioner were settled by our Company. Moreover, in compliance with the provisions contained in the 'Service Rules' of the Officers of our Company, our Company also paid the Petitioner a sum of Rs. 21,558/- towards the payment of three months salary. The matter is pending before the court.

3. Sahayam Constructions Private Limited v. Bharat Earth Movers Limited before the High Court of Karnataka M. F. A. No. 4712 / 2000

The Appellants, in this case being Sahayam Constructions Private Limited were hired by our Company for the works of construction of the residential quarters at BEML Township *vide* agreement dated November 16, 1987. After settlement of the final bill, they raised certain disputes and made claims against the work done by them to the tune of Rs. 42,15,178/-. These claims were turned down by our Company. Subsequently, the Appellant moved the court for appointment of an arbitrator as per the arbitration clause of the said agreement. The court after the completion of the arbitration process set aside the entire award published by the sole arbitrator except the award in respect of cost, which were directed to be borne by the parties. The Appellants against this order passed by the court have filed this present Miscellaneous First Appeal. The matter is pending before the Court.

4. Canara Bank, Madras v. Mr. Bhuvaneshwari Metal Industries; Mr. N. A. Margabandhu; and Bharat Earth Movers Limited before the High Court of Chennai bearing Original Suit No. 8576 / 1996

The Plaintiff, being a financial institution, had granted to the 1st and 2nd Defendant a limit for discounting the supply bills for goods sent to our Company by the 1st Defendant and the 2nd Defendant being guarantor for the same. The 1st Defendant started supply of goods to our Company, and the Plaintiff stated that they had notified us that if due to whatever reason the supplies under the bills were rejected in part or full the same should be intimated to the Plaintiff immediately. The Plaintiff alleged that as they had not been intimated by our Company of any rejection, the Plaintiff bank continued to discount bills subsequent to the first one. The Plaintiff alleged that in spite of various reminders to all three Defendants in the bills were not paid. However, our Company represented to the Plaintiff that after certain adjustments we were only liable to pay a sum of Rs. 29,000/- with respect to the supply bills discounted by the 1st Defendant with the Plaintiff. The Plaintiff's claim is that in spite of various reminders and notices, the Defendants have failed to pay the Plaintiff the bill amounts. Further, the Plaintiff alleged that the amount due to them by our Company amounts to Rs. 1,70,000/- being the aggregate amount of the supply bills plus interest at 19.25% compounded quarterly. Thus, the Plaintiff has filed this present Suit to pass a decree against the Defendants for repayment of Rs. 1,70,940/-. The matter is pending in the Court.

5. *Shri G. Harikrishna v. Bharat Earth Movers Limited before the High Court of Karnataka bearing Writ Petition No. 44909/2003*

The Petitioner is an ex-staff of our Company wherein he was appointed on the permanent rolls of our Company with effect from November 18, 1971. At the time of his appointment he had submitted a Caste Certificate claiming to be belonging to Scheduled Caste at the KGF Complex of our Company. Upon enquiry it was found out that, the certificate was false, thus as for punishment the petitioner was dismissed from his services on October 6, 2002. The petitioner has filed this case praying for issue of Writ or Certiorari to reinstate him along with back wages and also payment of all costs of proceedings. The matter is pending before the court.

6. *Official Liquidator of the High Court of Madras in the matter of M.S.Krishnamurthy v. M/s. Trac Industries and Components Limited along with Bharat Earth Movers Limited as Respondent added by the Official Liquidator before the High Court of Judicature at Madras bearing C.P. No. 60/1980*

M/s. Trac Industries and Components Limited were to be wound up vide Court order dated July 16, 1983 and thus the Official Liquidator was appointed to carry out the said winding up process. In the course of the winding-up process, the liquidator has alleged that our Company owed the company in liquidation a sum of Rs. 3,23,845.91 towards payment of material supplied by the company in liquidation to our Company. Thus, our Company was made a respondent to the said matter calling our Company to pay the amount due to the company in liquidation. The amount allegedly due along with interest at 18% per annum was Rs. 7,58,609.25, and the matter is pending.

7. *Shri J. Shivakumar v. Bharat Earth Movers Limited, General Manager (IR) and Senior Manager (HR) before the High Court of Karnataka bearing Writ Petition No. 7482/2007*

An advertisement was published in the newspaper for vacancy in our Company for the post of Assistant Manager/ Engineer/ Officer in the Finance, HR, Legal and PR department. The petitioner applied for the post of Assistant Manager (Legal) through his present employer on January 18, 2007. On February 2007, the petitioner learnt that, candidates for the said post have already been shortlisted pursuant to an interview session conducted by our Company. Aggrieved by the shortlisting procedure adopted by our Company, the petitioner has preferred this petition in the High Court.

8. *Shri V. Sundareshan v. Union of India and Bharat Earth Movers Limited before the High Court of Karnataka bearing Writ Petition No. 7429/2007*

Our Company had issued a notification of tender bearing no. ESW/CA/01/2007-08 dated April 16, 2007 for tender work relating to house keeping civil and carpentry and water supply in estate maintenance in BEML Complex, KGF Complex for a period of one year. The petitioner who had earlier undertaken various contract works from our Company in relation to house keeping, civil and carpentry, water supply in estate maintenance, supplying labourers to our Company etc has filed this petition for not being granted the said tender floated by our Company and claims that, the said procedure opted by our Company to grant the tender to another enterprise was unconstitutional, arbitrary and not sustainable under law.

9. *M/s Mining and Allied Machinery & Another v. Bharat Earth Movers Limited and Union of India before the High Court of Guwahati bearing Writ Petition No. 5605/2006*

Our Company had published an advertisement soliciting dealership for various regions for the products manufactured by our Company. The petitioner had made an application for the said dealership and as stated by the petitioner, our Company upon inspecting the office of the petitioner and reviewing their presentation for the dealership was very satisfied. The petitioner later came to know that, our Company is in the process of appointing a different dealer which in turn was violating the norms laid down for appointing the dealer by our Company in the advertisement published. Aggrieved by the act of our Company, the petitioner has preferred this petition before the High Court.

10. M/s Dozco Private Limited v. Western Coalfields Limited, Coal India Limited, Bharat Earth Movers Limited and Union of India before the Nagpur Bench of High Court of Bombay bearing Writ Petition No. 1733/2007

The said writ petition has been filed against an order placed by Western Coalfields Limited pursuant to a tender floated by them for the said purpose for 45 Under Carriage sets to our Company. The Government had introduced a 'Purchase Preference Policy', giving preference to public sector enterprises who are making bids for certain tenders or contracts. The petitioner alleges that, respondent no.1 gave the whole contract to our Company which was in violation of the 'Purchase Preference Policy' so introduced by the Government of India. Aggrieved by the said tender being granted to our Company, the petitioner has preferred this petition.

11. Syed Afsar v. Bharat Earth Movers Limited and 7 others before the High Court of Karnataka, Bangalore bearing Writ Petition No. 18053/2006

The petitioner who is an employee of our Company working as the Incharge of Technical Information Centre EM-Division was issued a charge sheet for misconduct and fabricating false vehicle documents being registration certificates for vehicles for availing vehicle advance by other employees of our Company and in the process obtaining illegal monetary gratification. An enquiry was conducted against the petitioner and upon the conclusion of the said enquiry he was found guilty and punishment of reduction of pay by one increment in the present grade of pay scale for a period of two years with effect from October 1, 2000 was imposed on him. Aggrieved by the said punishment, the petitioner has preferred this petition.

12. Puran Chandra Saha v. State of Jharkhand and others before the High Court of Jharkhand bearing Writ Petition No. 89 of 2006

The petitioner is an ex employee of our Company who was dismissed on the grounds of theft after a thorough enquiry for the same was conducted and wherein the petitioner was given ample opportunity to defend himself, but his defence was not satisfactory due to which the enquiry committee passed an order of dismissal. The petitioner after four long years filed a case for the said dismissal before various authorities which were dismissed due to delay in moving the Court. After the dismissal of his application by the Labour Court on May 11, 2005, the petitioner has approached the High Court for allowing his application and pass requisite orders after hearing both the parties.

Matters pending in the City Civil Courts and other Courts

1. C.G.Prakash Reddy and 7 others v. Bharat Earth Movers Limited before the City Civil Court at Bangalore bearing Original Suit No. 1424 of 2006

This Suit has been filed by the plaintiffs for land situated at villages in Byrasandra and Vibhuthipara belonging to our Company being used as public road which the plaintiffs claim customary rights and therefore claim that the said property cannot be obstructed in any manner for public use. The plaintiffs have claimed for permanent injunction against our Company to restrain them from obstructing the said land for public use. Our Company had filed a suit bearing O.S. No. 419/2006 claiming that the land belongs to our Company and is being used for the Railcoach division. The court had passed a temporary injunction order restraining the plaintiffs to trespass into our Company's premises. The said suit has been filed against the order in the matter bearing O.S. No. 419/2006 and is pending in the court. The case is currently pending before the court.

2. Navrang Estate Private Limited v. Bharat Earth Movers Limited before the 6th Judge (Senior Division), Alipore bearing Title Suit No. 79 of 2005

The plaintiff has filed this suit against our Company who is a sub-lessee of the land for 4,800 sq. mts situated at P-45, Hyde Road Extension, Police Station- Garden Road, Kolkata- 700 027. The plaintiff was a sub-lessee on the land, who had taken the said sub-lease from one William Jacks & Co. (India) Limited, who was the lessee of the Calcutta Port Trust. The plaintiff had then further leased the land to our Company. The Plaintiff has alleged that our Company has not paid the rent due, and had not vacated the premises despite notice being served on us. The plaintiff under the said suit has claimed for vacant possession of the land along with rent due from January 1993

till March 2004 from our Company and mense profit to an amount of Rs. 5,000/-. The matter is pending before the court.

3. *Smt. T.Thulasamma v. Bharat Earth Movers Limited before the City Civil Court, Bangalore bearing O.S.No. 6626 of 2003.*

The plaintiff, in her capacity the owner of property bearing survey no. 135/1 measuring 1 Acre 8 Guntas in Vibhuthipura village, has filed this suit against us. One side of the road leads to our Company's township. Our Company started to dig in front of the gate of the plaintiffs land to lay the foundation to close the road for ingress and egress. The said laying of foundation was resisted by the plaintiff. The plaintiff has claimed for our Company and its agents, etc. be restrained from closing the path of the plaintiffs' property. The matter is pending before the court.

4. *BEML SC/ST Welfare Association v. Assistant General Manager, Bharat Earth Movers Limited and 7 others before the City Civil Court bearing Appeal No. 633/2006*

An election was held in the Bangalore complex wherein, after election, the ex-officers allegedly did not hand over the management charge to the new appointees. Hence this suit has been filed impleading our Company for an injunction order to disallow the old management to continue in office. The matter has been dismissed for non presentation of parties, thus the plaintiff has filed an appeal bearing number 633/2006 for restoration of OS No. 5436/2006.

5. *M/s Rajasthan Enterprises Private Limited v. Bharat Earth Movers Limited before the Small Causes Court bearing T.E & R Suit No. 80/95/2005*

The plaintiff is the owner of the flat at 'Raj Mahal' being Flat No. 1 and 11 measuring 3000 sq. ft. situated on the ground floor at No. 84, Veer Nariman Road. Our Company had taken the said flat on rent from the plaintiff. The plaintiff has alleged that the tenancy period ended on October 1, 2004, but our Company did not vacate the said premises. Hence, this suit has been filed against our Company for vacation of the premises along with monthly tenancy with effect from October 1, 2004 till possession of vacant premises. The matter is pending before the court.

6. *Shri K.R.A. Narayan v. Bharat Earth Movers Limited and 2 others before the City Civil Court, Bangalore bearing O.S.No. 154 of 2007.*

The Plaintiff was a staff in the Bangalore Complex working as Joint Supervisor. He was issued two charge sheets on account of the allegedly running LIC business in the premises. Prior to issuing the said charge sheet he was placed under suspension with effect from December 26, 2005. While enquiry was going on for the said matter the plaintiff, alleging that he was denied assistance of an advocate, aggrieved by the said denial filed this case before the civil court. The plaintiff has prayed for permanent injunction against our Company from restraining to continue the said enquiry against him. The matter is pending before the court.

7. *M/s Gordan Woodroffe v. Bharat Earth Movers Limited before the City Civil Court, Chennai bearing O.S.No. 5740 of 1998 and Application No. 895 of 2003.*

A contract was signed between the Plaintiff and our Company for clearing and forwarding of cargo imports/exports at Chennai and Bangalore. The contract was for a period of two years. As alleged by the plaintiff, an amount of Rs. 2,01,635/- is due from our Company and further an amount of Rs. 30,000/- is payable by our Company towards security deposit, taking the total amount allegedly due from our Company to Rs. 2,31,635/- and interest at 18% . Against the order of the Civil Court for stay of judgment and decree, the plaintiff has filed an appeal in application no 895 of 2003, which is pending in the court.

8. *Shri Sathyamurthi v. Bharat Earth Movers Limited before the City Civil Court, Bangalore bearing O.S.No. 9152 of 2006.*

On September 16, 2006 a show cause notice was issued to the plaintiff alleging that he threatened the KGF Security personnel and its officers during a meeting at KGF. It is also alleged that he had further threatened the officials of assaulting them if they entered the shop floor of the KGF Complex. On the alleged happening of this episode, the plaintiff was suspended and when he tried to enter the said premises he was not allowed to do so and hence he has filed this suit praying for permanent injunction against our Company so that he is permitted to enter the premises and directing the plaintiff to pay all costs of the suit. The matter is still pending in the court.

9. *Shri Vikraman Pillai, Proprietor of M/s Parampil Engineering v. Bharat Earth Movers Limited before the City Civil Court bearing OS No. 15764/2001*

During the year 1995-96, Bangalore complex had awarded certain contracts to the petitioner for carrying out civil works. After completion of the works, during the settlement of the final bills, an amount of Rs.25,424/- was deducted since the plaintiff did not produce clearance certificate from PF & ESI authorities for having remitted the contributions. Subsequently, upon furnishing bank guarantee for Rs.25,000/-, an amount of Rs.22,000/- was released to the plaintiff.

Pursuant to demand received from Employee State Insurance (“ESI”) & Provident Fund (“PF”) authorities, we had encashed the Bank Guarantee and paid a sum of Rs.20,177/- towards PF and a sum of Rs.5,247/- to ESI.

The Plaintiff has filed the above Civil Suit alleging that our Company had remitted the above amounts even without demand from the authorities and claimed an amount of Rs.51,401/- (including interest upto June 20, 2001) with interest at the rate of 21% p.a. from June 20, 2001. The matter is pending before the court.

10. *Mary Shyla & Mary Sheela v. M.S Rajendran, Bharat Earth Movers Limited & others before the Family Court, Bangalore bearing OS No. 51/ 2005*

This Suit was filed in the Family Court against Mr. M.S. Rajendran, our Company and others in March 2005, in order to obtain a judgment and decree to effect partition of the service benefits of Mr. Rajendran from out of employment from our Company on his voluntary retirement or from any other mode and allot Mary Shyla and Mary Sheela one third share for each towards their future maintenance and the grant of other reliefs including costs of the suit. Defendant No. 1 is the father of the minor Petitioners who are represented by their mother. The matter is pending in the Court.

11. *SC/ST Housing Co-Operative Society Limited v. Bharat Earth Movers Limited and 2 others before the Civil Judge (Senior Division) KGF bearing OS No.104/2003*

Our Company had filed a petition bearing number R.A 46/91-92 before the Deputy Commissioner, Kolar district, Kolar for cancellation of the site in Doddukurupenhalli Plantation of Bangarpet Taluk granted to the SC/ST Housing Co-Operative Society Limited as the abovesaid site was situated in the land granted to our Company. The Deputy Commissioner passed an order dated December 31, 1996 for taking immediate steps for the cancellation of the grant as per the provisions of the Karnataka Grant Rules 1969. Thereafter, the petitioner filed an appeal bearing number Rev. Misc. 5/2000-2001 before the Divisional Commissioner, Bangalore Division. In the said appeal, the Divisional Commissioner upheld the order of the Deputy Commissioner and dismissed the appeal *vide* its order dated May 7, 2001. Aggrieved by both of the orders of the Deputy Commissioner as well as the Divisional Commissioner, Bangalore Division, the Petitioner preferred an appeal bearing number 382/2001 before the Karnataka Appellate Tribunal at Bangalore. The Karnataka Appellate Tribunal dismissed the appeal *vide* its order dated May 29, 2002. The Petitioner then filed a writ petition bearing number W.P No. 28318/2002 before the High Court of Karnataka which in turn also dismissed the writ petition. The Petitioner then preferred an appeal bearing number 5898/2002 against the said order. The Division Bench of the High court of Karnataka dismissed the said appeal for delay in filing *vide* its order dated June 12, 2003. The Petitioner then filed this Civil Suit seeking the cancellation of the order passed by the Deputy Commissioner on December 31, 1996 and for permanent injunction restraining our Company from interfering with the Petitioners peaceful possession and enjoyment of the disputed property. The matter is pending in the Court.

12. Halegowda and others v. Bharat Earth Movers Limited in the Court of the IInd Civil Judge (Junior Division) Mysore bearing O.S No. 80/2005

The Plaintiffs filed this plaint praying for a judgment and decree in their favour against our Company for a declaration that the plaintiffs and the other public at large having common interest over the Voni Road and using the same as easmentary right since time immemorial and a permanent injunction restraining our Company and its agents, servants, power of attorney holders, etc. claiming through them from interfering with their peaceful possession and enjoyment of the property situated on the Eastern end of survey no. 43,40 and other survey no. South to North direction for Hinkal Village to Hebbal and from closing the Voni Road by way of building a compound wall and other reliefs including costs of the suit. The Plaintiffs further filed an application under order 39 Rule 1 and 2 of the Code of Civil Procedure in the Court of the IInd Civil Judge (Junior Division) bearing I.A No. 2/2005 praying for an ad interim ex parte temporary injunction restraining our Company and its agents, servants, power of attorney holders, etc. claiming through them from interfering with their peaceful possession and enjoyment of the property situated on the Eastern end of survey no. 43,40 and other survey no. South to North direction for Hinkal Village to Hebbal and from closing the Voni Road by way of the constructing of a compound wall pending disposal of the suit. The II Civil Judge (Jr. Dn.) vide his order dated March 10, 2005 directed both parties to maintain a status quo in respect of the abovementioned property till the next date of hearing of the suit.

13. Mr. M. Shivashankar v. Bharat Earth Movers Limited and 5 others before the Civil Court KGF bearing RA No. 54/2005.

This Appeal has been filed against the order of the Civil Judge Junior Division dated August 11, 2005. The Appellant stated that his date of birth had been recorded wrongly unintentionally during the time of his admission in school, which he was unaware of. In the year 2003, he states that he came to know the same and asked our Company to rectify the same after getting a copy of his birth certificate from the hospital where he was born. Upon receipt of such information, our Company asked the Appellant to seek orders from the Civil Court for the same under a Government Notification. Under these circumstances the Appellant had filed a suit bearing OS No. 166/2004 wherein the Court dismissed the petition of the Appellant for which he has filed this Appeal. The matter is pending before the court.

14. C. Mackertich Limited v. Bharat Earth Movers Limited; Karvy Computershare Private Limited; Asha Jain and Manisha Gupta before the Learned Registrar in the City Civil Court at Kolkata bearing Title Suit No. 668 of 2006

The plaintiff is a stock broker, who had purchased 5000 shares of our Company on behalf of his clients for which he received share transfer deeds. Subsequently the said shares were sold in the market and the share certificates were exchanged with various stock brokers. The ultimate purchaser had lodged a complaint against our Company because 200 shares out of the 5000 shares held by Defendant No. 3 and 4 who are registered share holders of our Company could not be transferred because the signature of the transferors did not match with the signature held by the 2nd Defendant who is the registrar and transfer agent of our Company. Upon receipt of the returned share certificates, the plaintiff informed Defendant No. 3 and 4 of the same and requested them to sign a transfer deed with their accurate signature which was not carried out by them. Thus the plaintiff has preferred this suit praying that his clients are the lawful owners of the 200 shares and should be entitled to all benefits including dividend, bonus, rights and any other corporate benefits, and also the court may pass an order for mandatory injunction against our Company and Defendant No. 2 to transfer and register the shares in the name of the plaintiff in place of Defendant No. 3 and 4 and all costs of the suit. The matter is pending before the court.

15. Puranmal Kedia v. Bharat Earth Movers Limited and Smt. Baidehi Devi Kedia before the Assistant District Judge at Alipore bearing Title Suit No. 74/1992

The plaintiff has filed this suit against our Company for ejectment, and praying for recovery of vacant possession of Flat No. 1-N situate at 9/2 Dover Lane, Kolkata. Further the plaintiff has claimed for recovery of Rs. 2,77,700/- and Rs. 3,500.37 towards arrears of rent and other charges and further a decree of mesne profit at the rate of Rs. 10,000/- per month. The said property was leased to our Company for a period of 99 years for which the plaintiff was paid an amount of Rs. 8,61,300/- as security deposit and Rs. 725/- was the monthly rent. We have alleged

that, since September 30, 1989 the plaintiff stopped granting any rent receipts to our Company. Our contention is that as per the lease agreement, the plaintiff is entitled to give rent receipts upon receiving rent from our Company, which he failed to do so. Our Company used to pay the proportionate tax payable for the said flat as long as the bills were issued to our Company for demand of such. Our Company has in turn filed an application alleging that since they did not receive receipts for the rent paid by our Company and even for other charges thus our Company is not liable to pay any arrears of rent. The plaintiff in turn filed an application praying that the said application filed by our Company should not be admitted. The matter is pending before the court.

16. Puranmal Kedia v. Bharat Earth Movers Limited and Smt. Baidehi Devi Kedia before the Assistant District Judge at Alipore bearing Title Suit No. 79/1992

As per the above facts of the case, this suit was filed by the plaintiff for directing our Company to furnish upto date particulars with regard to proportionate taxes, maintenance charges, electricity and rent receipts for adjustment of such amounts with the security deposit. Our Company in turn has filed an application praying that plaintiff furnishes all the rent receipts not received by our Company towards rent paid for the abovementioned flat. The matter is pending before the court.

17. Puranmal Kedia v. Bharat Earth Movers Limited and Smt. Baidehi Devi Kedia before the Assistant District Judge at Alipore bearing Title Suit No. 6/1992

The said suit was filed in respect of Flat No. 28, 2nd floor, 9/2 Dover Lane, Kolkata owned by the plaintiff which was leased to our Company for a period of 99 years and the lease rent was fixed at Rs. 592/- per month. Our Company is supposed to pay maintenance charges, corporation tax, lift maintenance and electricity charges were to be paid by the plaintiff and later to be reimbursed by our Company. The plaintiff has alleged that our Company has not paid rent from October 1989 till date and neither of other charges as to be paid by our Company as per the lease agreement. Thus the plaintiff has prayed for vacant possession of the said flat from our Company on the ground that our Company is in wrongful possession of the said flat and is occupying the flat without authority. The matter is pending before the court.

18. Late Mr. K.Marappa through his legal representatives v. The Special Land Acquisition Officer and General Manager of Bharat Earth Movers Limited before the Additional City Civil Judge bearing Execution Case No. 1372 of 1996

Our Company had acquired 1 acre of land through land acquisition proceedings situated at Survey No. 85 in Bysandra Village after depositing Rs. 1,20,000/- with the Special Land Acquisition Officer. The petitioner, being the owner of the land, was not satisfied by the said quantum of compensation awarded and filed a case before the City Civil Court bearing LAC No. 39/89 for enhancement of the compensation amount. The Court passed an order enhancing the quantum to Rs. 1,55,000/-. While the said matter was pending in court, the petitioner died and the case has been carried on by his legal representatives. Aggrieved by the said order of the City Civil Court, the petitioners filed a case bearing MFA No. 217 and 218 of 1997 for further enhancement of the compensation amount to Rs. 1,88,250/-, which was not upheld. The legal heirs have now filed an Execution case for executing the decree passed by the City Civil Court in which the Land Acquisition Officer and our Company have been made Judgment Debtors seeking attachment of movable property. The petitioners have also claimed for enhancement of compensation in the Execution Case. The matter is pending before the court.

19. M/s. Ingawale Patil Construction Company v. Bharat Earth Mover Limited and Citicorp Finance (India) Limited before the Civil Court Pune baring Regular Civil Suit No. 4482/2002

The Plaintiff placed an order for one BEML BE-220-LC-1 hydraulic excavator from our Company having a warranty period of one year. It was agreed between the parties that part of the payment being Rs. 25,00,000/- would be made through some financial institution and the remainder of the cost being Rs. 10,00,000/- for the hydraulic excavator will be paid after one year from the date of dispatch against a bank guarantee of a scheduled bank worth the same amount. Accordingly, the Plaintiff dispatched a bank guarantee for the said amount to our Company and the machine was delivered to him. The Plaintiff *inter alia* alleged that the machine delivered to him was an old machine and not a new one, and had several defects which allegedly could not be solved by out technicians and engineers who had visisted the Plaintiff's site. The Plaintiff further claimed that our Company

agreed to solve the problems with the machine and extend the facilities subject to payment of Rs. 25,00,000/- that the Plaintiff stopped payment of on account of the various problems existing with the machine. In accordance with the negotiations between the Plaintiff and our Company, we were to replace all the defective parts, machine and all the rubbers parts within a period of one month and we also further assured the Plaintiff that we would extend the warranty period to two years subject to the payment of the Rs. 25,00,000/-. Accordingly, the Plaintiff intimated its bankers to disburse the said amount to us. The Plaintiff alleged that although our Company had to replace the defective parts within a month the same was not done and that our engineers would only visit the site after multiple reminders and do some temporary repair works. Also, since the Plaintiff alleged that the machine has not been functioning properly there have been heavy losses and no income for the Plaintiff and hence he has not been able to repay the loan taken in this regard from the bankers, and the bankers may re-possess the same. Hence the Plaintiff has filed this Suit for the Court to direct our Company to replace the said excavator. The matter is pending in the Court.

20. Indo Arya Central Transport Limited v. Bharat Earth Movers Limited before the Civil Court, Bangalore bearing Ordinary Suit No. 5778 / 2004

The Plaintiff company had submitted a bid for a tender issued by our Company for transport of heavy machinery etc. all over India from Bangalore. Subsequent to making a bid but prior to the determination of the lowest bidder, the rates of diesel increased and the Plaintiff company vide a letter requested to increase their bid keeping in mind the revised rates of diesel. The plaintiff had submitted a demand draft for an amount of Rs. 30,000/- as Earnest Money Deposit (“EMD”) as required in the Bid / Tender process. On tendering of letter for revised bid amount, our Company forfeited the EMD of Rs. 30,000/- since we treated it as commitment of breach of the terms and conditions of the tender on the ground of revision of rates after submission of quotation. The Plaintiff alleged that he has not committed any breach as the tender was not yet accepted and no formal contract was entered into and therefore our Company is not entitled to forfeit the EMD amount paid by the Plaintiff while submitting his bid. The Plaintiff has filed this suit for repayment of the money with interest which is pending before the Court.

21. Mrs. Kanti Devi Chaudhari v. Bharat Earth Movers Limited before the Civil Court, Calcutta bearing Common Suit No. 171 / 1995

The Plaintiff supplied goods to us against purchase orders issued by us. This suit filed is with respect to purchase orders between January 23, 1991 and December 4, 1993 and a subsequent purchase order in the year 1994 for which Plaintiff has alleged that inspite of various requests and demands our Company has neglected to make good to the Plaintiff the cost of goods supplied by her, which amounted to Rs. 98,971/-. The Plaintiff has filed this suit for recovery of the bill amount and additional interest on the same @ 18% per annum amounting to a total of Rs. 1,54,202/-. The matter is pending in the Court.

22. M/s. Jagdish Narayan Indira Bahadur Singh v. Bharat Earth Movers Limited, Kolar Gold Fields and Others before the Civil Court, Karnataka bearing Original Suit No. 5295 / 1994

Our Company invited tenders for the disposal of various items like steel scraps, equipments/machinery items, non-ferrous, obsolete/surplus items, tooling items etc. The Plaintiff, in terms of the said tender, offered to tender the lot of 31 Main Clutch Pumps for Rs. 1,28,000/-, which was confirmed by our Company. Subsequently, the Plaintiff alleged that he had negotiated sale of the said 31 Main Clutch Pump Assembly with another party for which he also accepted an advance payment, and had made the payment for the same to us. However, the Plaintiff has alleged that these goods were not cleared by our Company’s personnel and were detailed illegally by them, despite his repeated efforts. In this context, the Plaintiff then filed a Writ Petition in the High Court of Karnataka seeking a Writ of Mandamus to our Company to deliver the goods, as alleged by him, detained illegally. The High Court of Karnataka dismissed the petition. Subsequently, the Plaintiff filed a Writ Appeal in the High Court of Karnataka which was also disposed off by a Division Bench of the Karnataka High Court for jurisdictional reasons holding that this was a matter for a Civil Court to decide. Hence, the Plaintiff has filed this suit such that the Court may direct our Company to deliver the goods as aforesaid. The matter is pending before the Court

C. Labour cases

Labour Cases pending in the High Court

1. P.Sathyarayanan v. Bharat Earth Movers Limited & others before the High Court of Karnataka bearing Writ Petition No. 18994 of 2005

The Petitioner was a Director (HR) in our Company. He was appointed on July 1, 2003 for a period of 5 years starting from the date of his joining office till the date of his superannuation or until further orders. After two years, the services of petitioner as Director were terminated and he was reverted to the post of Chief General Manager. is the petitioner has challenged the said order of termination as he alleges that he was not given reasonable cause for such action. He has filed this petition to set aside the said order. The matter is pending before the court.

2. Mr. Selvapandian v. Bharat Earth Movers Limited & another before the High Court of Karnataka bearing CP. No. 1729-1730/2003

The petitioner is the nephew of Late Mr. M. Rangaswamy, who was an employee of our Company, now deceased. The petitioner had been nominated by the said deceased employee to receive amounts payable to the deceased employee towards PF, Gratuity, GSI etc. One Smt. Susheela, claiming to be the wife of the deceased employee, filed a suit in the court to claim the money for which the petitioner had been nominated, and obtained an injunction towards payment to the petitioner. The settlement of amount the said amount was kept at abeyance. In the meanwhile the sisters of the deceased filed a suit to claim the amount and the court granted them 'Succession Certificate' and allowed them to receive all money due. Aggrieved by the order, the petitioner preferred this appeal for grant of stay in the matter. The matter is still pending in the Court.

3. Shri. A.R.Ramarao & others v. Bharat Earth Movers Limited before the High Court of Karnataka bearing Writ Petition No. 18714 of 2005.

The petitioners were initially appointed by HAL Railcoach division, Bangalore. Subsequently the said division was transferred to our Company. Our Company introduced gratuity scheme, which was amended in 1984 and made applicable to managerial staff also. In 1997, our Company enhanced the ceiling of gratuity from 2.5 lacs to 3.5 lacs with effect from September 24, 1997. This writ petition has been filed since the aforesaid benefits of the gratuity scheme were not extended to the petitioners. The writ petition is currently pending in the Court.

4. Mr. M. H. Halageri and Others v. Bharat Earth Movers and Others before the High Court of Karnataka bearing W. P. No. 7601-67/2002

This Joint Writ Petition has been filed by the ex-employees of our Company for payment of revised voluntary retirement benefit amount calculated on the basis of revised scales of pay effected from January 1, 1997 issued by the Government of India wherein, it was advised that, Public Sector Enterprises in the country have to revise the scales for pay based on the recommendation of the High Level Commission. Our Company's contention include that these ex-employees formed part of the union and hence are bound by the staff agreement under section 18 and 9(3) of the Industrial Disputes Act. The agreement between the Union and our Company mentions that the voluntary retirement benefit amount will be calculated on the amount actually drawn by the employee at the time of retirement. The matter is pending before the Court.

5. Mr. R. Pushparaj v. Bharat Earth Movers Limited before the High Court of Karnataka bearing Writ Petition No. 710/2002 (S-PRO)

The Petitioner, Mr. R. Pushparaj had applied to our Company for the post of Assistant Welfare Officer. The Petitioner was offered the post of Assistant Supervisor, which is a grade below the Assistant Welfare Officer. In 1995, our Company notified vacancies for the posts of Deputy General Manager, Assistant General Manager and Senior Personnel Manager. The Petitioner had applied for the post of Assistant General Manager and Senior Personnel Manager. However, the petitioner was not selected for the posts for which he had applied. The petitioner earlier approached the National Commission for Scheduled Castes and Scheduled Tribes. The petitioner

has filed this writ petition in the High Court of Karnataka challenging our Company for not having considered him for the higher posts. The matter is pending in Court.

6. V. Venkataramu and Others v. Chairman and Executive Director of Bharat Earth Movers Limited before the High Court of Karnataka bearing Writ Petition No. 33581-33612 / 2001 and 34001 / 2001

For details regarding this case, please refer to case number 1 under the heading “Cases filed against our Directors” beginning on page 190 of this Red Herring Prospectus.

7. A. Srikantaswamy v. The Chairman-cum-Managing Director and Director (Marketing), Bharat Earth Movers Limited before the High Court of Karnataka bearing Writ Petition No. 21142 / 1986

For details regarding this case, please refer to case number 2 under the heading “Cases filed against our Directors” beginning on page 190 of this Red Herring Prospectus.

8. Employee State Insurance Corporation v. Bharat Earth Movers Limited and the employees of Bharat Earth Movers Limited before the High Court of Karnataka bearing M. F. A. No. 6537/2002

The appellants, the Employee State Insurance Corporation have filed this appeal under section 82(2) of the ESI Act, 1948 against the order passed by the Employee State Insurance Court at Bangalore in relation to the date from which the interest on contribution due is to be levied. The matter is pending in the Court.

9. Employee State Insurance Corporation v. Bharat Earth Movers Limited and the employees of Bharat Earth Movers Limited before the High Court of India bearing M. F. A. No. 6538 / 2002

The appellants, the Employee State Insurance Corporation have filed this appeal under section 82(2) of the ESI Act, 1948 against the order passed by the Employee State Insurance Court at Bangalore in relation to the date from which the interest on contribution is due to be levied. The matter is pending in the Court.

10. Employee State Insurance Corporation v. Bharat Earth Movers Limited and the employees of Bharat Earth Movers Limited before the High Court of Karnataka bearing M. F. A. No. 6539 / 2002

The Central Government *vide* notification increased the wage ceiling for coverage under the Employee State Insurance Act, 1948 up to Rs. 3,000 per month. Thus, all employees drawing wages up to Rs. 3,000 per month are to be insured as per section 39 of the Act and the contribution payment were re-fixed at 4% employers’ contribution and 1.5% employees contribution. The said notification was challenged by our employees before the High Court which were not successful. Subsequently, the ESI Corporation issued notice dated July 25, 1997 directing our Company to show cause as to why the amount shown as due in the said notice should not be determined for the period April 1, 1992 to December 12, 1996 in respect to the same employees. The Corporation claimed an amount of Rs. 1,89,41,670/- towards contributions. After showing cause to the same a personal hearing was afforded to our Company wherein the Corporation passed an order holding that our Company is liable to pay a sum of Rs. 33,75,851.30 as contribution in respect of our employees drawing wages between Rs. 1,600/- and Rs. 3,000/-. Our Company filed an application under section 75 (1)(g) for questioning the coverage and the action for recovering amounts from us. The ESI Court passed a common order partly allowing the applications holding that our Company is liable to pay contributions together with interest from August 1, 1995. Against this Order of the ESI Court, our Company had filed a miscellaneous first appeal bearing nos. 160, 161, 162 of 2002 in the High Court of Karnataka. The Court passed an order directing our Company to pay 50% of the Principal and Interest amount to the Corporation and stayed the recovery of the rest. Our company has paid an amount of Rs. 111.68 lacs which is 50% of the amount in respect of Bangalore, Mysore and KGF Complex during April/May 2002. Aggrieved by the order, the Employees State Insurance Corporation has preferred this Appeal in the High Court. The matter is pending in the Court for further proceedings.

- 11. *Bharat Earth Movers Employees' Association; and Mr. Puttaswamy Gowda v. The Chairman and Managing Director, Bharat Earth Movers Limited; The Director (H.R.), Bharat Earth Movers Limited; and The Executive Director, Bharat Earth Movers Limited before the High Court of Karnataka bearing Writ Petition No. 11882 and 11883 / 2004 (S)***

For details regarding this case, please refer to case number 3 under the heading “Cases filed against our Directors” beginning on page 190 of this Red Herring Prospectus.

- 12. *Mr. K.K. Purushu v. The Chairman and Managing Director, Bharat Earth Movers Limited; The Director (HR), Bharat Earth Movers Limited; The Director (Finance), Bharat Earth Movers Limited; The Secretary (DP&S), Government of India, Ministry of Defense; The Secretary, Government of India, Ministry of Industries, Department of Public Enterprises before the High Court of Karnataka bearing Writ Petition No. 19589/ 2003***

For details regarding this case, please refer to case number 4 under the heading “Cases filed against our Directors” beginning on page 190 of this Red Herring Prospectus.

- 13. *Mrs. C.S. Susan v. Executive Director, Bharat Earth Movers Limited; Chief General Manager – HR, Bharat Earth Movers Limited; General Manager – Finance, Bharat Earth Movers Limited; and Personnel Officer, Enquiry Section, Bharat Earth Movers Limited before the High Court of Karnataka bearing Writ Petition No. 30977 / 2003 (SER)***

The petitioner in this suit was working in the accounts department of our Company. The petitioner was transferred to another division and various letters of transfers were issued to her regarding the same. We have alleged that the petitioner refused to accept any of those letters and abstained from attending office or reporting to the transferred division. Our Company therefore issued a suspension order to the petitioner. The petitioner has, *inter alia*, denied all charges placed against her in respect of misconduct and non-adherence with our Company’s rules and regulations. The petitioner has filed this petition against the punishment imposed on her in respect of stoppage of increments, etc., also alleging that the quantum of punishment imposed on her was not in accordance with our Company’s rules and regulations. Therefore, this petition has been filed by the petitioner praying for an order or writ for setting aside the letter of suspension issued by our Company and the order imposing punishment on the Petitioner. The matter is pending before the Court.

- 14. *Mr. Ranga Raja Lavi v. The Chairman and Managing Director, Bharat Earth Movers Limited; The Director – Finance, Bharat Earth Movers Limited; The Secretary (DP&S), Government of India, Ministry of Defence; and the Secretary, Government of India, Ministry of Industries, Department of Public Enterprises before the High Court of Karnataka bearing Writ Petition No. 3724 / 2003 (L)***

For details regarding this case, please refer to case number 5 under the heading “Cases filed against our Directors” beginning on page 190 of this Red Herring Prospectus.

- 15. *T. Ramachandra v. The Chairman and Managing Director, Bharat Earth Movers Limited; The Director – HR, Bharat Earth Movers Limited; The Secretary (DP&S), Government of India, Ministry of Defence; the Secretary, Government of India, Ministry of Industries, Department of Public Enterprises; and The Chairman, Standing Conference of Public Enterprises before the High Court of Karnataka bearing Writ Petition No. 3723 / 2003 (L)***

For details regarding this case, please refer to case number 6 under the heading “Cases filed against our Directors” beginning on page 190 of this Red Herring Prospectus.

- 16. *Mr. M. Revanasiddaiah and Others v. The Chairman and Managing Director, Bharat Earth Movers Limited; the Director – Human Resource, Bharat Earth Movers Limited; and the Director – Finance, Bharat Earth Movers Limited before the High Court of Karnataka bearing Writ Petition No. 16958 – 16996***

For details regarding this case, please refer to case number 7 under the heading “Cases filed against our Directors” beginning on page 190 of this Red Herring Prospectus.

17. K.M. Puttamadaiah and Others v. The Chairman and Managing Director, Bharat Earth Movers Limited before the High Court of Karnataka bearing Writ Petition No. 14253 – 14265 / 2002 (L-RES)

For details regarding this case, please refer to case number 8 under the heading “Cases filed against our Directors” beginning on page 190 of this Red Herring Prospectus.

18. M/s Arcadia Shipping & Trading Company against Bharat Earth Movers Limited and The Oriental Insurance Company before the High Court of Judicature, Chennai bearing C.S. No. 787/2000

The petitioner had been working as clearing and forwarding agent for our Company for clearing equipments manufactured by our Company. Pursuant to a case filed by an insurance company against the petitioner, the petitioner has filed this case for recovering a sum of Rs. 2,55,111/- from our Company allegedly due on account of the work carried out by them. The matter is pending before the court.

Labour Cases pending before the Labour Courts

1. Mr. S. Anandraj v. Bharat Earth Movers Limited before the Additional Labour Court bearing Ref. No. 65/2006

The petitioner had undergone an apprenticeship course in the trade of welder at our Company. He was engaged temporarily on the muster roll on two separate occasions to meet requirements then. His services were subsequently terminated. In October 1986, the District Employment Exchange, Kolar District sponsored the petitioners name for an interview and written test for the muster roll welders. The petitioner failed to pass the written examination, hence he was not selected for the post. Subsequently, applications were invited for imparting advanced training for which the petitioner qualified. However, the requirement for the said post was subsequently cancelled so the petitioner was not called for an interview and was not provided with a ‘Service Certificate’ as he was engaged in our Company on a temporary basis. He had filed a writ petition bearing no. 36893/2002 before the High Court of Karnataka, alleging that the management of our Company is not providing employment to him without giving any sufficient reason and that our Company should be directed to give him a Service Certificate for his services and also to provide him appointment in our Company. The High Court passed an order dated June 23, 2006 directing our Company to issue the service certificate within a period of two weeks, and if conciliation proceedings regarding the said certificate do not culminate then the same shall be referred to the Labour Court. Our Company has provided the Service Certificate to the petitioner. However, we allege that he has refused to take the same. The Labour Officer at Kolar has thus preferred this matter in the Additional Labour Court, Bangalore. The matter is pending before the court.

2. Shri M. Hanumanthappa v. Bharat Earth Movers Limited before the II Additional Labour Court, Bangalore bearing Ref. No. 11/2006

The petitioner is an ex employee of our Company. He was issued a charge sheet for absents himself from work for a period of 72 days and while he was attending work he came late to work for 114 days. The petitioner submitted an explanation for the same. However, the same was not found to be satisfactory, hence our Company conducted an enquiry and upon the completion of the same, the the petitioner was dismissed from service.. Aggrieved by his dismissal, the petitioner has filed this case in the Labour Court. The matter is pending before the court.

3. Devilal, Chandulal, Dilip Kumar and Shiv Kumar v. General Manager Bharat Earth Movers Limited before the Labour Court, Bilaspur bearing 140-141/FA/1999

The petitioners were contract labourers of our Company whose services as contract labourers were terminated due to involvement in a theft case. Aggrieved by the said termination, the petitioners have filed these applications praying for re-instatement and claiming that the grounds for termination were incorrect. The matter is pending before the court.

4. Ex- Tradesmen of Bharat Earth Movers Limited v. Bharat Earth Movers Limited before the II Additional Labour Court, Bangalore bearing I.D. Nos. 115 to 135/1999

Certain persons were engaged as tradesmen, etc. by our Company on a purely casual basis to meet exigencies, and subsequently their services were terminated on March 31, 1999. Since there was no requirement and vacancies, 22 candidates, among others, who were not taken back, filed this application under Section 10(4)A of the Industrial Disputes Act (Karnataka Amendment Act 1987) before the II Additional Labour Court, Bangalore, praying that the Court hold the action of the management in terminating their services and refusing employment with effect from April 1, 1999 as unjustified and seeking direction to the management to reinstate them as regular employees with all consequential benefits including back wages from the date of termination till the date of reinstatement. Our contention is that since the services of the candidates were taken by our Company specifically on casual basis, their services were terminated after completion of the specified period and therefore they cannot claim for absorption as permanent employees. The matter is pending before the court.

5. Shri K.S. Periyaswamy v. Bharat Earth Movers Limited before the 1st Additional Labour Court, Bangalore bearing ID. No. 525/2006.

The petitioner was working as Administrative Assistant in Wage Group-D in BEML Soudha, Bangalore. On account of certain acts of misconduct, he was kept under suspension, pending enquiry. After conducting full-fledged domestic enquiry, the enquiry committee held him guilty of the charges and thereafter the Disciplinary Authority imposed the punishment of dismissal from the services of the Company with effect from September 6, 2006. Aggrieved by the action of the management, he has filed this petition under the Industrial Disputes Act (Karnataka Amendment Act 1987) before the Labour Court, Bangalore challenging the order of his dismissal and seeking relief of setting aside the order of dismissal dated September 6, 2006 and grant him all the consequential benefits, including full back wages, continuity of service, along with the costs of these proceedings. The matter is pending before the court. Our Company has filed a criminal complaint against the petitioner bearing PCR No. 2549 of 2000. For further details regarding this case, please refer “Cases filed by our Company - Criminal Cases” in this section.

6. N.H.Dhanpal v. Bharat Earth Movers Limited before the Labour Court, Mysore bearing ID No. 111/2003

The plaintiff was appointed as a trainee in our Mysore branch on October 14, 1995 for a period of one year under the Apprenticeship Act and his tenure came to an end on October 13, 1996. Application was made to extend the plaintiff's apprenticeship tenure for a further period of 3 months which was granted by our Company. Subsequently, further extensions were granted in periods of three months, and in all, the extensions were granted nine times. Upon completion of the said extension period, the plaintiff asked for regularizing his employment along with back wages on the grounds that he had worked for more than 240 days. Our Company refused the plaintiff's offer since he acted in the capacity of a trainee and that he was paid stipend during such period under the Apprenticeship Act, for which the plaintiff has filed this petition. The matter is pending before the court.

7. Shri. K. Kumar v. Bharat Earth Movers Limited before the II Additional Labour Court, Bangalore bearing Ref. 13/2003

The plaintiff was engaged a casual labour on March 3, 1992 on temporary basis due to exigency of work at our Bangalore complex. His services were discontinued with effect from February 4, 1999 after completion of exigency of work. The plaintiff raised a dispute before the Assistant Labour Commissioner, Bangalore during July 2002 praying the authority to hold that the management is not justified in discontinuing his services and seeking relief of reinstatement in the services of our Company. Our Company appeared before the abovementioned authority and filed our objection, taking a stand that he was taken purely as a temporary casual labour on a monthly consolidated remuneration and hence his services were discontinued after completion of exigency of work. Thus, the conciliation proceedings before the said authority were not successful. The Government of Karnataka has referred the matter to the 2nd Additional Labour Court, Gandhinagar, Bangalore under reference number 13\2003. The matter is pending before the court.

8. *Shri Roopchand Grawker v. Bharat Earth Movers Limited before the Second Labour Court, Nagpur bearing ULPA (Complaint) No. 311/2005*

The complainant was engaged as part-time sweeper in 1990 in the Regional Office, Nagpur. The complainant has approached the Second Labour Court at Nagpur, claiming various reliefs on basis of alleged facts. The complainant has claimed that, he was satisfactorily working with our Company, and has alleged that a certificate had been issued to that effect. The complainant has also alleged, *inter alia*, that he was being forced to attend to jobs other than in his scope of work, including personal work of certain Company officials, on the threat of termination, without extra payment which amounted to unfair trade practice. The complainant has further contended that he should be absorbed as a permanent employee since he has completed over fifteen years as a temporary worker, and that he has satisfied the criteria of 240 days continuous service. He has also alleged that he is being threatened termination, and that, his initial appointment was on an assurance for subsequent permanent appointment. The complainant has sought for various reliefs viz., direct the Respondents not to terminate him and direct that he should be appointed on permanent post with all benefits, arrears etc. He has also sought interim order against our Company from terminating his services till the final decision in the matter. The matter is pending before the court.

9. *Shri S.R.Vishwanathan v. Bharat Earth Movers Limited before the II Additional Labour Court bearing ID.No. 152/1994*

The services of the plaintiff, an ex-employee of our Company, was terminated with effect from May 27, 1987 on account of the alleged acts of misconduct committed by him for tampering records and committing fraud. Since dispute relating to bonus was pending before the Industrial Tribunal (ID No.25/74), an application under Sec.33 (2) (b) of the Industrial Disputes Act was filed by our Company seeking approval for the action taken in terminating the services of the employee. The Industrial Tribunal accorded approval for the action taken in respect of termination of the plaintiff's appointment on May 24, 1994. The plaintiff has filed an application under Section 10(4-A) of the Industrial Disputes Act (Karnataka Amendment), before the II Additional Labour Court, Bangalore, challenging his dismissal order by the management and praying for his reinstatement. The matter is pending before the court.

10. *Smt. Sujatha v. Bharat Earth Movers Limited before the II Additional Labour Court bearing ID No. 3/2004*

The plaintiff, who is an ex-employee of our Company, has filed this case against her dismissal from service from our Company. The plaintiff, who was a Technician in our Company, was issued a charge sheet on January 4, 2001 as she was alleged to have been engaged in certain corrupt practices to gain monetary benefits, which amounted to misconduct under our Company's certified standing order. Pursuant to an enquiry, the allegations against her were upheld and she was dismissed from service vide order dated September 20, 2003. Aggrieved by this order of dismissal from service, the plaintiff filed this case. The matter is pending before the court.

11. *Shri B.K. Muralidhar v. Bharat Earth Movers Limited before the I Additional Labour Court, Bangalore bearing ID No.332/2003*

As stated above, the services of the petitioner was terminated due to misconduct. Thereafter, application before the I Additional Labour Court bearing SL. No. 20 of 1999 was made for admitting their cause of action against the petitioner. The Court passed an order in July, 2003 according approval to the action of termination of the plaintiff. In the meanwhile the petitioner has preferred this case seeking relief of reinstatement and payment with back wages.

12. *Shri K.R.A. Narayanan v. Bharat Earth Movers Limited before the II Additional Labour Court, Bangalore bearing Ref. No. 28/98*

The plaintiff was appointed as Ward Guard, in Wage Group-B on June 29, 1977 and is an employee of our Company. He has raised a dispute before the Assistant Labour Commissioner alleging that he continued to serve as a Group-B up to October 16, 1985, that is for more than 8 years in the same wage Group, whereas certain other persons who were also working with him under Wage Group-B had been promoted to the post in Wage Group-C

in 1982. Pursuant to failure report of the Assistant Labour Commissionerin deciding the dispute, the Government has referred the matter to the II Additional Labour Court for adjudication. The plaintiff has prayed in his claim statement for considering his case for promotion with effect from October 14, 1982 instead of October 16, 1985 and all consequential benefits, including back wages from October 14, 1982 with cost of proceedings. The matter is pending in the Court.

13. BEML Contract Workers Union v. Bharat Earth Movers Limited & 3 others before the Industrial Tribunal Bangalore bearing I.D. No. 34/98

BEML Contract Workers Union, CITU, Marikuppam, KGF, raised a dispute before the Labour Commissioner, claiming among other things regularization of the services of the contract labourers, wages at par with those for permanent employees, etc., pursuant to the issue of notification by the Government abolishing contract labour in certain areas. Government of Karnataka has now referred the dispute raised by the above BEML Contract Workers Union to the Industrial Tribunal for adjudication on defined points of dispute. Proceedings of the matter before the Tribunal has been concluded and the matter is reserved for passing an award.

D. Customs Cases

i. A Show Cause cum Demand Notice under section 18 of the Customs Act, 1962 read with Project Import Regulations, 1986 was issued to our Company by the Commissioner of Customs (Seaport) dated April 26, 2006. Our Company had registered a project contract under Project Import Regulations, 1986 for import of components for the manufacture of 3 Sets of BG 825 Motor Graders. The goods were assessed provisionally under the Provisional Bills of Entry for concessional rate of duty. After scrutiny of documents submitted with customs authorities, the customs authorities have alleged that our Company was not eligible for project benefits in respect of project contract registered in the Custom House. Our Company was required to show cause notice as to why they should be allowed concessional rate of duty and also why we should not be paying an amount of Rs. 37,23,936/- as differential duty on the import goods. Our Company has replied to the said show cause notice. The matter is still pending before the Commissioner of Customs.

ii. A Show Cause Notice dated November 7, 2005 was issued to our Company under section 124 of the Customs Act, 1962 read with section 228 of Project Import Regulations, 1986 by the Commissioner of Customs (Seaport). Our Company, on behalf of one of our customers, had registered a project under the Project Import Regulation for import of components to be utilized for the manufacture of 31 Dumpers for that customer's projects. The goods were provisionally assessed under PD Bill of Entry fro extending the concessional rate of duty. Upon completion of manufacturing and supplying of the said components to the coal mines, our Company submitted all documents for finalization. On verifying the same, it was found out that the said import goods were not exempt from custom duty and that they are not eligible for concessional project rates. Thus our company was asked to pay Rs. 52,32,61,579/- as differential duty on account of reclassification of the goods. Our Company replied to the said Show Cause Notice dated January 23, 2006 The matter is currently pending before the Deputy Commissioner, Customs.

E. Service Tax

Service tax demand pending before the Joint Commissioner, Service Tax

A Show Cause notice bearing number C No IV/16/44/2005 ST GR III.B.6154 dated September 22, 2005 was issued to our Company. The demand relates to claim of service tax on three counts, namely:

- a) maintenance and repair and service attended to by our Company on certain vehicles upon which service tax sought to be demanded amounting to Rs. 8,40,353/-;
- b) rendering of 'technical information and certification service' under which head it is alleged that our Company had undertaken technical and analytical service upon which service tax demand of Rs. 1,05,956/- has been sought;
- c) Givng training facility upon which service tax demand of Rs. 320/- is sought to be recovered.

Our Company had replied to the said show cause notice vide letter dated December 16, 2005 with our main contentions as follows:

- a) in the first element, our contention is that the levy sought to be made on repair and service of motor vehicles, which is outside the purview of service tax, and the amount is realized in dollars, which exempts our Company from the levy of service tax.
- b) In the second element, our contention is that the tax was levied from July 1, 2003 on substantial part of the service, which was extended prior to the period and in respect of the charges realized covering the period of the taxable service the related amount had been paid.
- c) In respect of the training and coaching service, our contention is that our Company does not run a commercial training or coaching center and therefore the service tax is not applicable. The matter is pending before the Joint Commissioner of service tax.

F. Consumer Cases

1. Patel Alloy Steel Limited v. Bharat Earth Movers Limited, Ahmedabad and Bharat Earth Movers Limited, Bangalore before the Consumer Dispute Redressal Forum bearing Complaint No. 419 / 2001

The complainant had ordered for 'BEML' Model BL8H Back Hore loader (Machine) Sr. No. 051 from our Company. The complainant has alleged that the machine supplied to them was defective, and that the quality of materials supplied was inferior in quality and the service of our Company was poor, hence this complaint has been filed against us in the District Forum. The complainant has also claimed for replacement of the defective machine and to get a refund of principal amount along with cost of damage and harassment amounting to Rs. 84,355.27 along with interest @ 18% per annum. Our Company has replied to the said complaint denying, *inter alia*, our liability to pay the amount claimed. . The matter is pending.

2. K. Shahnawaz v. Bharat Earth Movers Limited before the National Consumer Disputes Redressal Commission bearing Original Petition No. 51 / 2000

The complainant had placed an order with our Company for the supply of BE 300 (Heavy Earthmoving Machine) Hydraulic Excavator used for mining activity and for handling granite for their quarry at Thogamalai. This machine had certain guaranteed performance and after sales obligations. The complainant alleged that the machine delivered to them was defective and malfunctioning in the very first few days after commissioning of work. The complainant further alleged that our Company failed to perform after sale service, which has amounted to the complainant losing a considerable amount of business and profits. The complainant has alleged that all efforts made by him to sort this dispute and obtain a replacement of defective parts from our Company having failed, he has filed this Petition before the National Consumer Disputes Redressal Commission and prays for full replacement and compensation towards losses suffered by the complainant. The matter is pending.

3. K. Yusuf Basha v. Bharat Earth Movers Limited before the National Consumer Disputes Redressal Commission bearing Original Petition No. 50 / 2000

The complainant had placed an order with our Company for the supply of BE 300 (Heavy Earthmoving Machine) Hydraulic Excavator used for mining activity and for handling granite for their quarry at Thogamalai. This machine had certain guaranteed performance and after sales obligations. The complainant alleged that the machine delivered to them was defective and malfunctioning in the very first few days after commissioning of work. The complainant further alleged that our Company failed to perform after sale service, which has amounted to the complainant losing a considerable amount of business and profits. The complainant has alleged that all efforts made by him to sort this dispute and obtain a replacement of defective parts from our Company having failed, he has filed this Petition before the National Consumer Disputes Redressal Commission and prays for full replacement and compensation towards losses suffered by the complainant. The matter is pending.

4. K. Shoukath Ali v. Bharat Earth Movers Limited before the National Consumer Disputes Redressal Commission bearing Original Petition No. 61 / 2000

The complainant had placed an order with our Company for the supply of BE 300 (Heavy Earthmoving Machine) Hydraulic Excavator used for mining activity and for handling granite for their quarry at Thogamalai. This machine had certain guaranteed performance and after sales obligations. The complainant alleged that the machine

delivered to them was defective and malfunctioning in the very first few days after commissioning of work. The complainant further alleged that our Company failed to perform after sale service, which has amounted to the complainant losing a considerable amount of business and profits. The complainant has alleged that all efforts made by him to sort this dispute and obtain a replacement of defective parts from our Company having failed, he has filed this Petition before the National Consumer Disputes Redressal Commission and prays for full replacement and compensation towards losses suffered by the complainant. The matter is pending.

5. *A. Anthony Dass v. The Executive Director of Bharat Earth Movers Limited; Assistant General Manager, Bharat Earth Movers Limited Medical Centre and Others before the Consumer Dispute Redressal Forum bearing First Appeal No. 143 / 2000*

For further details please refer to case number 9 under cases filed against our Directors beginning on page 190 of this Red Herring Prospectus.

6. *Shrenik Marbles Limited v. Bharat Earth Movers Limited before the Consumer Disputes Redressal Forum bearing CA NO. 324/99*

The complainant had placed an order with our Company for the supply of BE 220-LC for the use of marble mining for a warranty period of 2 years. Initially the machine was used for earthwork in loose soil at their Kalibore site. Subsequently, the machine was shifted to their site at Kelwa for marble mining. The complainant alleged that the machine then started giving trouble and was defective and certain parts of the machine were getting damaged easily, which the complainant alleged was a result of certain manufacturing defects in the machine. The complainant has also, *inter alia*, alleged poor after sales service for the damaged parts as a result of which other parts of the machine started to wear off and broke, and that the request for replacement of the excavator was not accepted. The complainant has alleged that our Company has indulged in unfair trade practice by representing as to the good quality and performance of our machinery. The matter is pending.

7. *Hriday Narain Keshri v. Bharat Earth Movers Limited before the District Forum, Munger bearing Complaint Case No. 57/2005.*

The complainant had purchased 100 shares of our Company of face value Rs. 10/- each, wherein Rs.5/- per share had been paid by the complainant. The complainant wanted to dematerialize his shares for which he approached the Stock Holding Corporation of India (SHCI) to do the same. On verification, SHCI found out that the shares of the complainant were partly paid so they declined his request to dematerialize the shares of our Company held by him. Upon receiving letter of rejection to dematerialize, the complainant informed the same to our Company, wherein our Company communicated to him that, balance amount for payment of the shares were due on December 1998 and since no payment had been made by the Complainant, the shares were hence forfeited. The complainant has, *inter alia*, alleged that no notice or intimation had been posted by our Company for the payment of the balance amount, and further alleges that if he had not approached our Company for dematerialization of his shares, then he would not have been informed of such due date of payment of balance amount for the shares held by him, and that no agreement or arrangement had been entered into by the parties for due date of payment. The complainant prays that the forfeited shares be returned to the Complainant and that, he be allowed to convert them in dematerialized form and that our Company should pay an amount of Rs. 20,000/- as mental harassment. Our Company has filed a reply to the said complainant contending that the said matter does not fall under the ambit of the Consumer Protection Act and also that, adequate notice had been served on the complainant for payment of balance amount. Our Company has also contended that the complainant is not entitled to any amount for mental harassment and also they are not entitled to allotment of the 100 shares as they are not fully paid up and in turn they cannot dematerialize the same. The matter is pending before the court.

8. *Shri Prasad Purohit v. Bharat Earth Movers Limited before the District Forum, Jaipur bearing Complaint Case No. 25/06.*

Our Company had come out with an issue of Partly Convertible Debentures (PCDs) in December 1994. During that time the Complainant had subscribed for 200 PCD's by paying an amount of Rs. 10,000/- wherein after finalization only 100 PCD's which were converted to 100 shares were allotted to the Complainant and an amount of Rs. 7,300/- was due to be paid by the Complainant. The shares were in the name of Prasad Purohit while the

complainant's name was otherwise read as Shri Prasad Purohit. He intimated our Company of the change of name along with the change in address, wherein our Company corrected the address, but the name was still incorrect. The Complainant has alleged that due to the said name difference, the complainant didn't entertain any letters from our Company intimating him on his payment of the balance amount of Rs. 7300, resulting in the forfeiture of the said shares. The complainant claims that the shares so forfeited be returned to him and that he be compensated for mental harassment and be provided with costs of litigation. Our Company has replied to the said complaint contending that the complainant held back payment just because of a trivial issue of change in name and further that the said matter does not fall under the ambit of the Consumer Protection Act.

9. M/s Plakattu Granite Industries Private Limited v. Bharat Earth Movers Limited before the District Consumer Redressal Forum bearing Complaint Nos. 151, 152 and 153 of 2005.

Complaint No. 151 was filed for alleged defects in Hydraulic Excavator supplied by our Company to the complainant. The complainant has filed this complaint for an award of Rs. 3,24,100/- towards cost of Track Link Assembly, Rs. 25,000/- as compensation and Rs. 10,000/- as cost of proceedings.

Complaint No. 152 has also been filed in respect of the same machine with almost identical facts and grounds of complaint as Complaint No. 151.

Complaint No. 153 was filed for defects in Hydraulic Excavator supplied by our Company to the Complainant. The complainant has filed this complaint for an award of Rs. 19,74,000/- towards cost of Track Link Assembly along with interest at the rate of 12% per annum, Rs. 15,000/- as compensation and Rs. 10,000/- as cost of proceedings. The matter is pending..

10. M/s Lalit Marble Private Ltd. v. Bharat Earth Movers Limited and other before the District Consumer Forum bearing C.C No. 215/2006

The complainant has filed this case regarding non settlement of warranty issues and services with regard to a BE220 Hydraulic Excavator supplied by our Company. Our Company has filed their reply to the above complaint

G. Property Disputes

1. Mr. M. B. Ramchandran v. State of Karnataka; The Deputy Commissioner, Bangalore (Urban); The Special Land Acquisition Officer, Bangalore and Bharat Earth Movers Limited before the High Court of Karnataka bearing RFA No. 1373 / 2005

Out of land area admeasuring 2 Acres and 37 Guntas held by the plaintiff in Byrasandra, Village, Krishnarajapuram Hobli, Bangalore South Taluk the Government of Karnataka had acquired 21 guntas of land for the purpose of construction of administrative quarters for our Company. The plaintiff has alleged that instead of using the said land for the purpose of constructing administrative quarters, it was being used as kennels for dogs trained by personnel employed in our Company. The plaintiff has alleged that subsequently, on two other occasions, the Government of Karnataka had proposed the acquisition of the remaining over 2 acres held by the appellant for our Company which the plaintiff resisted and on both occasions the Government did not go through with the acquisition. The plaintiff had filed a suit bearing OS No.3371/1992 in the City Civil Court to pass a judgment and decree against our Company and by way of permanent injunction restrain our Company or any of our agents from interfering with the peaceful possession of the said property. The Court dismissed the suit of the Plaintiff and hence he has filed this appeal in the High Court of Karnataka. The High Court has ordered the parties to maintain Status Quo till further orders from the Court. The matter is pending in the court.

2. Mr. Lakshmaiah; Mr. Papaiah; Mrs. Radhamma; Mrs. Jayalakshmi; and Mrs. Akkayamma v. State of Karnataka Department of Revenue; The Special Land Acquisition Officer; and Bharat Earth Movers Limited [Writ Petition No. 13195 / 2005]

The petitioners in this case have filed this writ petition against the respondents including our Company against the acquisition of property twenty years ago from their ancestors.. The Petitioners submit that even after having possession of the land in question, our Company has not put the said land to and use and the said property

continues to remain as of date of filing of this petition agricultural land. The Petitioners alleged that acquisition of said land by the 1st and 2nd Respondent for our Company is unlawful and amounts to misuse of the power vested in the 1st Respondent. The Petitioners have filed this writ petition that the High Court issue a writ of certiorari to quash the notifications issued by the 1st Respondent in relation to aforesaid acquisition of the property from the ancestors of the petitioner and also a Writ of Mandamus directing our Company to restore the property to the petitioners and deliver the possessions for the same. The matter is pending in the Court.

H. Motor Accident Claims

1. Indira Nagar Police Station v. B.M.Suresh (Driver of Bharat Earth Movers Limited) and Bharat Earth Movers Limited before the Metropolitan Magistrate, Traffic Court bearing CC No. 1999/2005

On March 17, 2005, defendant no. 1, who being a driver in our Company, was driving a vehicle owned by our Company which met with an accident with a scooter, resulting in the death of the pillion rider and severe injury to the rider. On the happening of this event, the Indiranagar police station had filed a criminal complaint bearing Cr. No. 77/2005 against Defendant No. 1 and 2. Defendant No. 1 was arrested, who was later released on bail. Subsequently this Complaint has been filed before the Traffic Court against the Defendants. The matter is pending in the court.

I. Show Cause Notices issued to our Company in relation to Excise matters:

1. Notice issued to our Bangalore Complex unit dated October 8, 2003 for alleged non-payment of automobile cess during the period September 2002 to August 2003 on several categories of automobiles such as Tatra Mast, Heavy recovery vehicle, High mobility vehicle, trailer, special purpose motor vehicle, Chassis for S.P.M. vehicle etc, and to show cause as to why automobile cess amounting to Rs. 30,39,515/- leviable on automobiles cleared by us during the period should not be paid.
2. Notice issued to our Bangalore Complex unit dated March 3, 2004 for alleged non-payment of automobile cess during the period September 2002 to August 2003 on certain categories of automobiles, and to show cause as to why automobile cess amounting to Rs. 11,09,592 leviable on the specified categories of automobiles cleared by us during the period should not be paid.
3. Notice issued to our Bangalore Complex unit dated February 2, 2001 for alleged non-payment of automobile cess payable on certain categories of automobiles amounting to Rs. 16,27,280, and to show cause why the aforesaid amount should not be paid.

J. Show Cause Notices issued to our Company in relation to automobile cess

1. Show cause notice dated September 2, 2004 issued to our Company's Bangalore unit for alleged non payment of automobile cess during the period July 2004 to December 2004 in respect of certain categories of automobiles and to show cause as to why an amount of Rs. 5,89,039/- for the same should not be paid by our Company.
2. Show cause notice dated July 14, 2005 issued to our Company's Bangalore unit for alleged non payment of automobile cess during the period September 2003 to June 2004 in respect of certain categories of automobiles and to show cause as to why an amount of Rs. 3,95,253/- for the same should not be paid by our Company.
3. Show cause notice dated December 19, 2005 issued to our Company's Bangalore unit for alleged non payment of automobile cess during the period January 2005 to June 2005 in respect of certain categories of automobiles and to show cause as to why an amount of Rs. 2,49,847/- for the same should not be paid by our Company.
4. Show cause notice dated March 14, 2006 issued to our Company's Bangalore unit for alleged non payment of automobile cess during the period July 2005 to January 2006 in respect of certain categories of automobiles and to show cause as to why an amount of Rs. 24,938/- for the same should not be paid by our Company.

5. Show cause notice dated July 31, 2006 issued to our Company's Bangalore unit for alleged non payment of automobile cess during the period January 2006 to June 2006 in respect of certain categories of automobiles and to show cause as to why an amount of Rs. 14,17,000/- for the same should not be paid by our Company.

III. Litigation by and against our subsidiary Vignyan Industries Limited ("VIL")

1. Cases filed by VIL

1. Vignyan Industries Limited v. Shri Rama Transport Service before the City Civil Court, Bangalore bearing Execution Petition No. 524/99

The services of Shri Rama Transport were engaged for transporting 5 load of scrap from our Company's factory to VIL which did not reach its destination on account of which VIL incurred a loss for an amount of Rs. 85,000/-. VIL filed a suit for the recovery of the said amount and the matter was decided in favour of VIL. The matter is in the execution stage for the recovery of the said amount.

2. Vignyan Industries Limited Contract Employees Union, Tarikere v. 1. The Chairman, BEML, Bangalore, 2. The General Manager, VIL before the High Court of Karnataka, Bangalore bearing Writ Petition No. 14173/2006

VIL has engaged the services of various contract labourers for their different departments. 188 contract labourers have been working at VIL for a continuous period of 2-24 years and the Union formed by the labourers demanded the regularisation of the services of the 188 contract labourers since there is no Contractor between the company and the labourers. The officers of the company had gone ahead and terminated the services of the 188 contract labourers. Aggrieved by the said act of the management, the Union has filed this petition.

2. Cases filed against VIL

1. Assistant Director of Factories, Shimoga v. Shri T. Subramanian, Occupier and Sri Chandrshekhar T. Bellad, factory manager before the Judicial Magistrate First Class, Tarikere, Karnataka bearing CC No. 21/2007

The Assistant Director of Factories has filed this criminal complaint in pursuance of inspection of VILs' factory premises on November 3, 2006 on alleged grounds that the company had not provided contract workers on the factory floor with necessary safety appliances such as safety shoes, helmets and goggles in contravention of provisions of the Factories Act. This inspection has been carried out in pursuance to a complaint dated August 21, 2006 submitted to the inspector by the Contract Employees Union of VIL.

2. M/s Shri Sharada Engineering Works (P) Limited vs. VIL before the Civil Judge (Jr. Division), Tarikere, Chikmagalur Distric, Karnataka bearing OS No. 182/2007

VIL had leased out 3 acres of land to the palintiff situated at Galihalli Village for a period of 30 years for carrying our work of fettling, shot blasting, heat treatment and Machining (the "**disputed property**"). The plaintiff alleges that, the representatives of VIL are interfering in the peaceful possession of the disputed property leased to the palintiff and is threatening the plaintiffs' to vacate the disputed property. Consequently the plaintiffs have file this suit seeking orders to restrain VIL and its associates from interfering with the peaceful possession and enjoyment of the disputed property. The plaintiff's prayer for interin injunction to this effect has been refuted by the Court, and the suit is still pending disposal.

3. M/s Sri Sharada Engineering Works (P) Limited v. VIL before the Civil Judge (Sr. Division), Tarikere, Chikmagalur, Karnataka bearing MA No. 2/2007

VIL had leased out 3 acres of land to the palintiff situated at Galihalli Village for a period of 30 years for carrying our work of fettling, shot blasting, heat treatment and Machining ("disputed property"). The plaintiff alleges that, the representatives of VIL are interfering in the peaceful possession of the disputed property and is threatening

them to vacate the disputed property. Aggrieved by the act of the company, the petitioner had filed a suit before the Civil Judge (Jr. Division) praying for permanent injunction restraining the defendants from (i) entering upon the disputed property (ii) hindering the peaceful possession of the disputed property by the plaintiff and barring the company from trying to dispossess them from the disputed property. The said injunction was vacated and so the plaintiff has filed this application against the order of the Civil Judge (Sr. Division).

4. *Mr. T S Vijaya Kumar v. VIL before the Labour Officer & Commissioner for Workmen's Compensation, Chikmagalur, Karnataka bearing WCA/N.F. No. 103/2002*

The petitioner is a contract labourer of VIL who met with an industrial accident while on duty. The officer was paid compensation for the accident as per the Workmen Compensation Act. Dissatisfied by the said compensation received, he has filed this application for additional compensation for the said accident.

IV. Arbitration Cases

1. *W.B.Engineers Private Limited v. Bharat Earth Movers Limited*

This dispute is as to payment under an agreement dated May 26, 2000 amounting to Rs. 76.94 lakh along with interest @ 24% per annum. The parties had entered in to a Memorandum of Understanding for promoting sale of goods manufactured by our Company. Initially it was valid for the period August 1, 1998 to July 31, 1999, then it was extended till March 31, 2000 and then further for a period of 3 years, giving the petitioner a fee of 4.5% of the net sales under the agreement. The petitioner has claimed for an amount of Rs. 76.94 lakhs as their remuneration, which was allegedly not paid by our Company. Thus, the petitioner approached the Karnataka High Court by way of Civil Miscellaneous Petition No. 80/2005 under Section 11 of the Arbitration and Conciliation Act for appointment of arbitrator in terms of the arbitration clause contained in the agreement between the parties. The said matter is currently pending before Sole Arbitrator Justice A.B.Murgod (Retd.).

V. PAST PENALTIES LEVIED IN THE LAST FIVE YEARS

Particulars	Penalty imposed
In the year 2002 penalty levied on our Company for baselessly dismissing an employee on the grounds of theft.	Rs. 2,00,000/-
In the year 2004 penalty was levied on our Company towards a motor accident claim.	Rs. 76,000/- along with 6% interest per annum beginning from date of Petitioner till amount is paid.

VI. MATERIAL DEVELOPMENTS SINCE LAST BALANCE SHEET DATE:

Except as stated under the section titled "Management's Discussion and Analysis of Financial Statements and Results of Operations" on page 173 of this Red Herring Prospectus and our financial statements included herein, no material developments have taken place after December 31, 2006, the date of the latest balance sheet, that would materially adversely affect the performance or prospects of our Company. In accordance with SEBI requirements, our Company and BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

VII. AMOUNT OWED TO SMALL SCALE UNDERTAKING AND OTHER CREDITORS:

As on March 20, 2007, there is an amount of Rs. 7302.55 lakh outstanding to our creditors which include small scale undertakings for a period of more than one month. The amount outstanding to each one of them is either Rs. 1 lakh or more.

GOVERNMENT/ STATUTORY AND BUSINESS APPROVALS

In view of the material approvals listed below, our Company can undertake this Issue as well as our current business activities. We have received the requisite material consents, licenses, permissions and approvals from the Government and various Government agencies required for carrying out our present business except as mentioned below. Further, we have not applied for, or obtained, any statutory or regulatory approvals in relation to the objects of the Issue.

Issue Related

We have received the following Government approvals relating to the Issue:

1. Approval granting the Issue from the Ministry of Defence, Government of India *vide* a letter number 1(1)/2004/ Vol.II-D (BEML) dated February 21, 2007.
2. In-principle approval received from BSE *vide* letter dated April 24, 2007 for listing of Equity Shares being issued through this Issue.
3. In-principle approval received from NSE *vide* letter dated May 7, 2007 for listing of Equity Shares being issued through this Issue.
4. In-principle approval received from BgSE *vide* letter dated April 17, 2007 for listing of Equity Shares being issued through this Issue.
5. SEBI observation letter no. CFD/DIL/ISSUES/94408/2007 dated May 24, 2007

In addition to the aforesaid, pursuant to our letter dated March 31, 2007, we have applied to the FIPB to permit our Company to issue and allot Equity Shares to Non Resident Indians, FII's registered with SEBI, Foreign Venture Capital Funds and Foreign Venture Capital Investors registered with SEBI and other permitted persons/entities, if any, resident outside India other than erstwhile Overseas Corporate Bodies, pursuant to the Issue, as per SEBI Guidelines who are allowed to invest as per the SEBI Guidelines as applicable to the Issue, subject to limits as specified in the SEBI Guidelines, and the same has been approved by the FIPB. For further details regarding this application and the FIPB approval, please refer section titled "Regulations and Policies" beginning on page 87 of this Red Herring Prospectus.

Business Related

We have received the following major Government and other approvals pertaining to our business:

A. General

1. Allotment of new ECC number i.e. AAACB8433DXM002 by the Directorate General of Inspection Custom and Central Excise, Delhi *vide* letter dated June 14, 2000 with respect to all the manufacturing units.
2. Issuance of permanent account number, *viz.* AAACB8433D under the Income Tax Act, 1961.
3. Certificate of registration bearing number 17001158 dated July 12, 1976 for registering our Company as an employer under the Karnataka Tax on Professions, Trades, Callings and Employment Act, 1976.
4. Registration certificate of establishment dated August 2, 1984 bearing registration number 73/CE/0143 with respect to our marketing division and corporate office under the Karnataka Shops and Establishments Act, 1961 valid till the December 31, 2008.
5. Exemption from registering regular employees under the provisions of the Employee's State Insurance Act, 1948 *vide* letter dated January 9, 2007 from the GoI, Ministry of Labour & Employment for a period up to and inclusive of September 30, 2008.

6. Certificate of Importer Exporter Code number 0788013441 dated July 7, 1988 by the Foreign Trade Development Officer, Joint Director General of Foreign Trade, Ministry of Commerce, GoI.
7. Certificate of registration bearing number 90750032 dated January 21, 1965 issued by the Deputy Commissioner of Commercial Taxes under the Central Sales Tax Act (Registration and Turnover) Rules, 1957 for manufacturing and/ or assembly of rail coaches and earth moving equipment for sale and for the distribution / agency for earth moving equipment and spares
8. Issuance of provisional Value Added Tax (VAT) registration bearing Tax Identification Number (TIN) 29040051691 on March 23, 2003 by the Commercial Taxes department, Government of Karnataka under the Karnataka VAT Rules, 2003 for our manufacturing units and corporate office effective from April 1, 2003

B. Registrations for our Regional/ District offices

Kolkata

1. Trade registration issued by the Kolkata Municipal Corporation for a Company dealing in non food items bearing registration number 0358643 valid till December 31, 2007
2. Certificate of registration bearing number ST-1/M & R/ Tara-III/ Range-3/ 2003 dated December 10, 2003 issued under section 69 of the Finance Act, 1994 by the Superintendent of Central Excise, Kolkata for payment of service tax on the services on maintenance and repairs
3. Allotment of Service Tax Code bearing number AAACB8433DST002 dated December 10, 2003 issued by the Assistant Commissioner of Central Excise, Kolkata for payment of service tax on the services on maintenance and repairs
4. Issuance of VAT registration bearing TIN 19200420076 dated March 11, 2005 by the Assistant Commissioner, Kolkata for our regional office at Kolkata.
5. Issuance of Central Sales Tax registration bearing registration number 19200420270 dated Match 14, 2005 issued by the Assistant Commissioner, Commercial Taxes for our regional office at Kolkata.
6. Issuance of State Act registration number bearing registration number 19200420173 dated Match 14, 2005 issued by the Assistant Commissioner, Commercial Taxes for our regional office at Kolkata.
7. Registration Certificate under the West Bengal Sales Tax Act, 1994 bearing registration number AW/1354 issued by the Assistant Commissioner on June 9, 1995 for our office at Kolkata.

Guwahati

1. Issuance of certificate of registration on May 21, 1984 bearing number GAU/5261 under the Central Sales Tax (Registration and Turnover) Rules, 1957 for our district office at Guwahati
2. Issuance of sales tax registration bearing number GAU (C)/ AGST-2520 on July 1, 1993 under the Assam General Sales Tax Act, 1993 and bearing TIN Number 18090034288 for our district office at Guwahati
3. Registration certificate of establishment dated January 23, 2004 bearing registration number A-II/006219 under the Bombay Shops and Establishments Act, 1948 valid till the December 31,2007 for our regional office at Mumbai

Ranchi

1. Issuance of certificate of registration dated February 6, 1981 bearing number BIHAR/RN/2574 under the Central Sales tax (Registration and Turnover) Rules, 1957 for our regional office at Ranchi.
2. Issuance of sales tax registration bearing number RN(N)19322 on February 3, 1981 under the Bihar Sales Tax Ordinance, 1976, renewed and valid till May 31, 2007 for our regional office at Ranchi.
3. Registration Certificate of Establishment dated January 1, 2007 under the Bihar Shops and Establishment Act, bearing registration number RN 7219/859 valid till December 31, 2007.
4. Allotment of Service Tax Code Number AAACB8433DST010 by the Assistant Commissioner of Service Tax for our regional office at Jharkhand, Ranchi.
5. Allotment of TIN 20870302322 dated February 3, 2006 by the Deputy/Assistant Commissioner of Commercial Tax for our regional office at Ranchi.

Dhanbad

1. Issuance of sales tax registration on December 28, 1982 bearing number DH1123 (R) under the Bihar Sales Tax Ordinance, 1977 for our district office at Dhanbad

Singrauli

1. Allotment of Tax Deduction Account Number JBPB0169F by the Income Tax Officer for our Regional Office at Singrauli
2. Issuance of certificate of registration dated August 27, 1984 bearing number RWA/SDH/SRC/186 under the Central Sales tax (Registration and Turnover) Rules, 1957 for our sales of at Singrauli
3. Issuance of sales tax registration dated December 23, 1983 bearing number 2361700626 under the Madhya Pradesh Sales Tax Act, 1958 by the Commercial Sales Tax Officer for our district office at Singrauli
4. Certificate of Registration dated January 20, 2006 bearing registration number 17/RC/SGRL/200 under sub-section (2) of Section 7 Contract Labour (Regulation and Abolition) Act, 1970 for our Regional Office at Singrauli

New Delhi

1. Issuance of certificate of registration dated March 8, 1985 bearing number LC/16/104469/01/85 under the Central Sales tax (Registration and Turnover) Rules, 1957 for our regional office at Delhi.
2. Issuance of VAT registration bearing number TIN LC/ 007/ 104469/ 0185 on November 5, 2003 by the Commercial Tax Officer, Delhi for our regional office at New Delhi under the Delhi Sales Tax Act, 1975.

Hyderabad

1. Allotment of Tax Deduction Account Number HYDB00162B by the Income Tax Officer for our Regional Office at Hyderabad
2. Issuance of VAT registration bearing TIN 28450203847 dated March 1, 2007 by the Commercial Tax Officer, GoK for our regional office at Hyderabad with effect from April 1, 2005.

3. Registration certificate of establishment dated December 15, 2006 bearing registration number ACL3/HYD/48/2003 under the Andhra Pradesh Shops and Establishments Act, 1988 valid till the December 31, 2007 for our Regional office at Hyderabad.
4. Allotment of Service Tax Code bearing number AAACB8433DST004 dated January 18, 2007 issued by the Superintendent Service Tax Officer, Hyderabad for payment of service tax on the services on maintenance and repairs.
5. Certificate of Registration dated December 13, 2005 for acting as dealer under section 7(1) and 7(2) of the Central Sales Tax Act, 1956 for our registered office at Hyderabad, which is valid from April 1, 2005 till cancelled issued by the Commercial Tax Officer, Hyderabad.

Kothagudem

1. Registration certificate of establishment dated January 1, 2007 bearing registration number 16/LO/KGM under the Andhra Pradesh Shops and Establishments Act, 1988 valid till the December 31, 2007 for our district office at Kothagudem

Karimnagar

1. Registration certificate of establishment dated January 1, 2007 bearing registration number LO/KNR-78 under the Andhra Pradesh Shops and Establishments Act, 1988 valid till the December 31, 2007 for our district office at Karimnagar

Hospet

1. Registration certificate of establishment dated January 1, 2005 bearing registration number KNH-II/16/A/01024/2005 under the Karnataka Shops and Commercial Establishments Act, 1961 valid till the December 31, 2009 for our district office at Hospet .

Chennai

1. Allotment of Tax Deduction Account Number CHEB00259A by the Income Tax Officer for our Regional Office at Chennai

Mumbai

- 1 Allotment of Tax Deduction Account Number MUMB11256A by the Income Tax Officer for our Regional Office at Mumbai
2. Issuance of sales tax registration bearing number 400020-S-62 dated April 1, 1996 under the Bombay Sales Tax Act, 1959 by the Assistant Commissioner of Sales Tax, Maharashtra for our regional office at Mumbai
3. Issuance of certificate of registration on December 21, 1981 bearing number MAH/1A-20897 under the Central Sales tax (Registration and Turnover) Rules, 1957 for our regional office at Mumbai.
4. Certificate of Registration dated April 1, 2006 for allotment of TIN number 27390264883V issued by the registration officer, Sales Tax Department for our regional office at Mumbai.
5. Registration certificate of establishment dated January 23, 2004 bearing registration number A-II/006219 under the Bombay Shops and Establishments Act, 1948 valid till the December 31, 2007 for our regional office at Mumbai
6. Registration certificate of establishment dated November 7, 2006 bearing registration number N-II/001553 under the Bombay Shops and Establishments Act, 1948 valid till the December 31, 2007 to deal in machinery, spare and compartment at earth moving equipments at our regional office at Mumbai

Udaipur

1. Issuance of certificate of registration dated July 29, 1995 bearing number 2744/00454 under the Central Sales tax (Registration and Turnover) Rules, 1957 for our district office at Udaipur.
2. Issuance of sales tax registration dated July 29, 1995 bearing number RST/2744/00454/SP under the Rajasthan Sales Tax Act, 1954 for our district office at Udaipur.
3. Issuance of certificate of Registration dated February 16, 2005 bearing number RET/2754/N/108 under section 11 of the Rajasthan Tax on Entry of Goods into Local Areas Act, 1999
4. Form B for Certificate of Registration under section 7(1) and 7(2) of the Central Sales Tax Act, 1956 to act as dealers for Earth Moving spares for Earth Moving Equipment bearing registration number 00454/SP dated July 29, 1995 and the certificate is valid with effect from April 1, 1984 until cancelled.

Ahmedabad

1. Registration certificate of establishment dated December 14, 1973 bearing registration number BII/EL/00/0000586 under the Gujarat Shops and Establishments Act, 1948 valid till the December 31, 2007 for our district office at Ahmedabad.
2. Form 2 for Certificate of Registration under Gujarat Sales Tax Act, 1960 bearing registration number 24073602109 on December 20, 2005 issued by Assistant Sales Tax Officer for our regional office at Ahmedabad.

Goa

1. Issuance of VAT registration bearing TIN 30120105029 by the Sales Tax Officer for our regional office at Goa
2. Registration certificate of establishment dated March 22, 2004 bearing registration number S/I/P/2K/508 under the Goa, Daman and Diu Shops and Establishments Rules, 1975 valid till December 31, 2009 for our district office at Goa
3. Registration certificate of establishment dated March 17, 1976 bearing registration number CLE/BSE/II/ACT/2545 under the Goa, Daman and Diu Shops and Establishments Rules, 1975 for after sales service valid till December 31, 2010 for our district office at Goa.
4. Certificate for allotment of TIN number 30120105029 by the Sales Tax Officer, Panjim for our regional office at Panaji, Goa.

Bilaspur

1. Issuance of VAT registration bearing TIN 22834200838 dated October 6, 2003 by the Sales Tax Officer for our regional office at Bhilaspur.
2. Certificate of registration bearing number 60/ST/ M & R/ Bil/ 2003 dated August 4, 2003 issued under section 69 of the Finance Act, 1994 by the Superintendent of Central Excise, Bilaspur for payment of service tax on the services on maintenance and repairs
3. Issuance of certificate of registration dated April 1, 2002 bearing number 11-07-1088-c under the Central Sales tax (Registration and Turnover) Rules, 1957 for our regional office at Bilaspur

4. Issuance of sales tax registration dated April 1, 20025 bearing number 11-07-1553-s under the Madhya Pradesh Sales Tax Act , 1958 for our regional office at Bilaspur
5. Allotment of Tax Deduction Account Number BPLB02029G by the Income Tax Officer for our Regional Office at Bilaspur
6. Registration and factory license bearing number 166/12987/BSP/2M(1) dated November 20, 1995 issued by the Chief Inspector of Factories, Madhya Padesh under the Factories Rules, 1948 to manufacture and produce at the unit
7. Issuance of Registration certificate dated March 5, 1999 allotting code no. KN/2416 issued by the Assistant Regional Provident Fund Commissioner

Sambalpur

1. Issuance of certificate of registration on July 3, 2001 bearing number SAI-C-3272 under the Central Sales tax (Registration and Turnover) Rules, 1957 for our regional office at Sambalpur for resale of spare parts for earth moving equipments. The certificate is valid till our Company carries on the activity of maintenance or repair service
2. Issuance of VAT registration bearing TIN 21121703495 on March 18, 2005 by the Sales Tax Officer, Sambalpur, for our regional office at Sambalpur
3. Issuance of certificate of Registration dated November 12, 2003 bearing number ST-2/MRS/SBPR/31/2003 by the Central Excise Officer under section 69 of the Finance Act, 1994 for our Regional office at Sambalpur
4. Allotment of Tax Deduction Number BBNB00008B by the Income Tax Officer for our regional office at Sambalpur, Orissa.
5. Certificate registration under the Orissa Shops and Establishment Act, for our regional office at Sambalpur bearing registration number P1-340 issued by the District Labour Officer, Bhubaneshwar which is valid till December 31, 2007

Nagpur

1. Allotment of Tax Deduction Account Number NGPB00576C by the Income Tax Officer for our regional office at Nagpur
2. Issuance of sales tax registration bearing number 440010/S/449 on February 5, 1996 under the Bombay Sales Tax Act, 1959 by the registration authority for our regional office at Nagpur
3. Issuance of certificate of registration on April 1, 1996 bearing number 400020/C/60 under the Central Sales tax (Registration and Turnover) Rules, 1957 for our regional office at Nagpur
4. Registration certificate of establishment issued on May 5, 1976 bearing registration number II-XII-73-677 under the Bombay Shops and Establishments Act, 1948 valid till the December 31,2009 for our regional office at Nagpur
5. Issuance of VAT registration dated April 1, 2006 bearing TIN 27390264883 V by the Registration Officer, Sales Tax Department for our regional office at Nagpur

Chandrapur

1. Issuance of VAT registration dated April 1, 2006 bearing TIN 27390264883 C by the Registration Officer for our regional office at Chandrapur

2. Issuance of certificate of registration on April 1, 2006 bearing number 27390264883 C under the Central Sales tax (Registration and Turnover) Rules, 1957 for our district office at Chandrapur

Bhilai

1. Issuance of certificate of registration on January 4, 1991 bearing number DRG/DRO/2284 under the Central Sales Tax (Registration and Turnover) Rules, 1957 for our district office at Bhilai.
2. Registration certificate of establishment issued on January 3, 1998 bearing registration number 611/BL/CE/90 under the Madhya Pradesh Shops and Establishments Act, 1958 valid till the December 31,2007 for our district office at Bhilai
3. Issuance of VAT registration bearing TIN 22243200074 on November 1, 2003 by the Sales Tax Officer for our district office at Bhilai.

Cochin

1. Issuance of certificate of registration on March 9 , 1984 bearing number 23126677 under the Central Sales Tax (Registration and Turnover) Rules, 1957 for our district office at Cochin.
2. Issuance of sales tax registration on January 7, 1984 bearing number 23210323 under the Kerala General Sales Tax Rules, 1963 for our district office at Cochin

Bangalore Unit

1. Registration and factory license bearing number MYB- 1218 dated April 26, 1971 issued by the Director of Factories and Boilers, Bangalore under the Factories Rules, 1948 valid till December 31, 2007 to manufacture and produce at the unit.
2. Central Excise Registration Certificate dated December 17, 2001 having registration number AAACB8433D – XM – 001 for manufacturing of excisable goods, earthmoving vehicles, equipments, rail bus, rail wagons/ coaches, defence vehicles, dumpers, heavy recovery vehicles, special purpose vehicles, trailers and parts thereof.
3. Certificate of registration bearing registration number (GTA)/ AAACB8433ST015 dated March 23, 2005 issued under section 69 of the Finance Act, 1994 by the Superintendent of Service Tax, Service Tax Commissionerate, Bangalore, Ministry of Finance, Department of Revenue, GoI For payment of service tax on the services of transport of goods by road
4. Consent order dated December 19, 2006 obtained under section 25 of the Water (Prevention and Control of Pollution) Act, 1974 issued by the Karnataka State Pollution Control Board for discharge of sewage and trade effluents valid till September 30, 2007.
5. Consent order dated December 19, 2006 obtained for operation of the industrial plant under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 issued by the Karnataka State Pollution Control Board, which is valid till September 30, 2007.
6. Standard ISO 9001:2000 quality management system certificate issued by Bureau Veritas Quality International on March 10, 2007 valid till November 28, 2009 for manufacturing, designing and supplying of railway coaches powered and unpowered, EMUs, metro coaches, railway wagons, heavy duty all terrain trucks and their variants, track laying and track management equipments, heavy duty trailers upto 50 tonne capacity, earth, excavating, loading and moving equipments.
7. Tax Account Number (TAN) for our Bangalore office – BLRB00173F

Mysore Engine Unit

1. Registration and factory license bearing number FPN/SR-33/90-91 dated July 1, 1990 issued by the Director of Factories and Boilers, Mysore under the Factories Rules, 1948 valid till December 31, 2007 to manufacture and produce at the unit.
2. Certificate of registration bearing number MRS/MYS-III/ST-II/161/BEML/2003 dated August 18, 2003 issued under section 69 of the Finance Act, 1994 by the Superintendent of Service Tax, Service Tax Range – II, Mysore, office of the Assistant Commissioner of Central Excise, for payment of service tax on the services of maintenance and repair
3. Consent order dated December 30, 2006 obtained for discharge of sewage and trade effluents under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974 issued by the Karnataka State Pollution Control Board, which is valid till September 30, 2007.
4. Consent order dated December 30, 2006 obtained for operation of the plant under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 issued by the Karnataka State Pollution Control Board, which is valid till September 30, 2007.
5. Standard ISO 9001:2000 quality management system certificate issued by Bureau Veritas Quality International on July 26, 2006 valid till June 5, 2009 for design, manufacture and servicing of Diesel Engines of Flywheel Horse Power 55KW, and design and manufacture of Diesel Generator Sets of 62.5 KVA to 600 KVA Rating, .
6. Registration certificate bearing number 10/ F–Mysore/ 92 issued by the Central Excise department, Bangalore for manufacturing of various parts and accessories including of aircraft towing tractor, dumpers, water sprinklers, motor graders, IC piston engines, ferrous waste and scrap, diesel electric generating sets, etc
7. Issuance of certificate of registration on January 21, 1965 bearing number A1-382/64-65 under the Central Sales tax (Registration and Turnover) Rules, 1957
8. Allotment of Service Tax Code bearing number AAACB8433DST003 dated December 12, 2003 issued by the Assistant Commissioner of Central Excise, Mysore for payment of service tax

Mysore Equipment Unit

1. Registration and factory license bearing number FPN2/SR-199/84-85 dated July 1, 1984 issued by the Director of Factories and Boilers, Mysore under the Factories Rules, 1948 valid till December 31, 2007 to manufacture and produce at the unit.
2. Registration certificate bearing number 10/ F–Mysore/ 92 issued by the Central Excise department, Bangalore for manufacturing of various parts and accessories including of aircraft towing tractor, dumpers, water sprinklers, motor graders, IC piston engines, ferrous waste and scrap, diesel electric generating sets, etc.
3. Consent order dated December 30, 2006 obtained for discharge of sewage and trade effluents under section 25 of the Water (Prevention and Control of Pollution) Act, 1974 issued by the Karnataka State Pollution Control Board, which is valid till September 30, 2007.
4. Consent order dated December 30, 2006 obtained for operation of the plant under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 issued by the Karnataka State Pollution Control Board, which is valid till September 30, 2007.
5. Certificate of registration bearing number GTA-27/AAACB 8433D ST014/ ST-3/ 2004 dated February 4, 2005 issued by the Superintendent of Central Excise, Service Tax Range – III, Mysore, Ministry of Finance, Department of Revenue, GoI for payment of service tax on the services of transportation of goods by road.

6. Standard ISO 9001:2000 quality management system certificate issued by Bureau Veritas Quality International on January 25, 2007 valid till November 18, 2009 for design, manufacturing and servicing of heavy earth moving off highway dumpers up to 170 tonnes capacity, motor graders, air craft towing tractors, defence equipments like high mobility military trucks and aircraft weapon loaders.
7. Issuance of certificate of registration on January 21, 1965 bearing number A1-382/64-65 under the Central Sales tax (Registration and Turnover) Rules, 1957
8. Allotment of Service Tax Code bearing number AAACB8433DST014 dated January 28, 2005 issued by the Assistant Commissioner of Central Excise, Mysore for payment of service tax

Kolar Gold Field Unit

1. Registration and factory license bearing number MYK-60 dated January 1, 1976 issued by the Director of Factories and Boilers, Bangalore under the Factories Rules, 1948 valid till December 31, 2007 to manufacture and produce at the unit.
2. Registration and factory license bearing number MYK-370 dated July 1, 2004 issued by the Director of Factories and Boilers, Bangalore under the Factories Rules, 1948 valid till December 31, 2007 to manufacture and produce at the BEML Rail Products Fabrication Unit
3. Registration and factory license bearing number MYK-371 dated July 1, 2004 issued by the Director of Factories and Boilers, Bangalore under the Factories Rules, 1948 valid till December 31, 2007 to manufacture and produce at the BEML Heavy Fabrication Unit
4. Central Excise Registration Certificate dated November 17, 2004 bearing registration number AAACB8433 – DXM – 003 for manufacturing of excisable goods.
5. Certificate of registration bearing number MRS/ BG-I/ 256/ BEML/ 2004 dated April 22, 2004 issued under section 69 of the Finance Act, 1994 by the Superintendent of Service Tax, Service Tax Division, B-1 Commissionerate, Bangalore, Ministry of Finance, Department of Revenue, GoI for payment of service tax on the services on maintenance and repairs.
6. Standard ISO 9001:2000 quality management system certificate bearing number 204399 issued Bureau Veritas Quality International on January 19, 2007 valid till December 19, 2007 for Design, Manufacture and Servicing of Transmissions, Axles, Final Drives, Power Take-Offs, Hydraulic Pumps, Cylinders, Suspensions, Control Valves, Accumulators, Swivel Joints, Hydraulic Tank Assemblies, Hydro Pneumatic Suspensions, Traverse and Elevation System, for Construction, Earth Moving/ Mining Equipments, Railways, Machine Tools and Defence and steel Mill Applications at the Hydraulics and Powerline division of the KGF unit.
7. Standard ISO 9001:2000 quality management system certificate issued Bureau Veritas Quality International on January 19, 2007 valid till December 14, 2009 for Design and Development, Manufacture, Erection/ Installation, Testing and Servicing of both IC Engine and Electric Powered Crawler Mounted Construction, Earth Moving and Mining Equipment like Dozers, Pipe Layers, Hydraulic Excavators, Power shovels and their Variants, Wheel Mounted Construction, Earth Moving and Mining Equipment like Loaders, Dozers, Tyre Handlers, Excavators, Cranes, Backhoe Loaders and their Variants, Heavy Recovery Vehicles, Crawler Mounted Armoured Recovery Vehicles and Mine Ploughs. Manufacture, Erection/ Installation, Testing and Service of Heavy Earth Moving Equipments like Walking Dragline, Long Wall Mining Equipment, Bucket Wheel Excavator for Mining and Mineral Industries, Stackers, Reclaimers and Stacker Reclaimers for Material-Handling Industries and Plant Equipment for steel Industries at the Earth Mover division of the KGF unit.

8. Consent order dated November 29, 2006 obtained for existing discharge of sewage and trade effluents under section 25/26 of the Water (Prevention and Control of Pollution) Act, 1974 issued by the Karnataka State Pollution Control Board, which is valid till December 31, 2007 for our Rail Products Fabrication Unit and Heavy Fabrication Unit.
9. Consent order dated November 29, 2006 obtained for operation of the plant under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 issued by the Karnataka State Pollution Control Board, which is valid till December 31, 2007 for our Rail Products Fabrication Unit and Heavy Fabrication Unit.
10. Consent order dated November 25, 2006 obtained for existing discharge of sewage and trade effluents under section 25/26 of the Water (Prevention and Control of Pollution) Act, 1974 issued by the Karnataka State Pollution Control Board, which is valid till June 30, 2007 for our KGF Unit
11. Consent order dated November 25, 2006 obtained for existing discharge of sewage and trade effluents under section 25/26 of the Water (Prevention and Control of Pollution) Act, 1974 issued by the Karnataka State Pollution Control Board, which is valid till June 30, 2007 for our KGF Unit

Licenses/ approvals applied for:

1. Renewal of the Registration and Licensing of the factory under the Factories Act, 1948 *vide* a letter dated December 5, 2006 for our factory located at our Regional office in Kolkata
2. Application dated May 30, 2007 has been made for Sales Tax Registration under the Bihar Sales Tax Act for our regional office at Ranchi which will expire on May 31, 2007

Further, we have not applied for, or obtained, any statutory or regulatory approvals in relation to the objects of the Issue.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for This Issue

The Board of Directors have, pursuant to a resolution passed at its meeting held on June 2, 2005, authorised this Issue, subject to the approval of the shareholders of our Company under Section 81 (1A) of the Companies Act.

Our shareholders have authorised this Issue by a special resolution adopted under Section 81 (1A) of the Companies Act, passed at the Extraordinary General Meeting held on July 13, 2005.

We have also obtained all necessary contractual approvals required for this Issue. For further details, please refer section titled “Government/Statutory and Business Approvals” beginning on page 231 of this Red Herring Prospectus.

Prohibition by SEBI

Our Company, our Directors, companies with which our Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Our Subsidiary does not appear on the RBI defaulter list, nor are there any violations of securities laws committed by them in the past or pending against them.

ELIGIBILITY FOR THIS ISSUE

Our Company is eligible for this Issue in accordance with Clause 2.3.1 of the SEBI Guidelines as per eligibility criteria calculated in accordance with financial statements under Indian GAAP:

“2.3 Public Issues by Listed Companies

- 2.3.1 A listed company shall be eligible to make a public issue of equity shares or any other security which may be converted into or exchanged with equity shares at a later date.

Provided that the aggregate of the proposed Issue and all previous issues made in the same financial year in terms of size (i.e. offer through offer document + firm allotment + promoters’ contribution through the offer document), Issue size does not exceed 5 times its pre-Issue networth as per the audited balance sheet of the last financial year. Provided that in case there is a change in the name of the issuer company within the last 1 year (reckoned from the date of filing of the offer document), the revenue accounted for by the activity suggested by the new name is not less than 50% of its total revenue in the preceding 1 full-year period).”

The details of such Eligibility Criteria are as follows:

- (1) The Aggregate of the proposed Issue in terms of size will not exceed 5 times the pre-Issue net worth.
- (2) Net Worth as on March 31, 2006: Rs. 85,390.06 Lakhs
- (3) Five times Pre-Issue Net Worth: Rs. 4,26,950.30 Lakhs

For a complete explanation of the above figures please refer to the section entitled “Auditors’ Report to the Restated Unconsolidated And Consolidated Financial Statements” beginning on page 112 of this Red Herring Prospectus. The Issue size can be known only on determination of the final Issue Price in accordance with the Book Building Process. We undertake that the Issue size will not exceed five times the pre-Issue net worth of our Company.

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THIS DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THIS DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, ICICI SECURITIES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER, ICICI SECURITIES LIMITED IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, ICICI SECURITIES LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED APRIL 09, 2007 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

(1) “WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THIS DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT’S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THIS ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM that:

- a) this Draft Red Herring Prospectus forwarded to SEBI is in conformity with the documents, materials and papers relevant to the Public Issue;**
- b) all the legal requirements connected with the said Issue as also the guidelines, instructions, etc. issued by SEBI, the Government, and any other competent authority in this behalf have been duly complied with; and**
- c) the disclosures made in this Draft Red Herring Prospectus are true, fair and adequate to enable the investors to make a well informed decision as to the investment in the proposed Public Issue.**
- d) We confirm that besides ourselves, all the intermediaries named in this Draft Red Herring Prospectus are registered with SEBI and that till date such registrations are valid.**
- e) When underwritten, we shall satisfy ourselves about the worth of the Underwriters to fulfil their underwriting commitments.**

All legal requirements pertaining to this issue will be complied with at the time of filing of the Prospectus with the Registrar of Companies, Karnataka at Bangalore, in terms of Section 56, Section 60 and section 60(B) of the Companies Act.

The filing of this Draft Red Herring Prospectus does not, however, absolve our Company from any liabilities under Section 63 and Section 68 of the Companies Act or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed offer. SEBI further reserves the right to take up at any point of time, with the BRLM any irregularities or lapses in this Draft Red Herring Prospectus.

Disclaimer Statement from the Company and the BRLM.

Investors that apply in this Issue will be required to confirm and will be deemed to have represented to our Company and the Book Running Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. Our Company and the Book Running Lead Manager and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

Our Company, the Director and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above, mentioned entities and anyone placing reliance on any other source of information, including our website, www.bemlindia.com would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the the Memorandum of Understanding between the BRLM and the Company.

Our Company and the BRLM shall make all information available to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centers etc.

Neither our Company nor the Book Running Lead Manager is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families (HUFs) , companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Eligible Employees in relation to the Employee Reservation Portion, Indian Mutual Funds registered with SEBI, Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorised under their constitution to hold and invest in shares). This Red Herring Prospectus does not, however, constitute invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an issue or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or her self about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Bangalore only.

No action has been or will be taken to permit a public issuing in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and the Prospectus has been filed with Registrar of Companies, Karnataka as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be issued or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring

Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of Bombay Stock Exchange Limited

Bombay Stock Exchange Limited (“the Exchange”) has given *vide* its letter dated April 24, 2007 given permission to this Company to use the Exchange's name in this offer document as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

And it should not for any reason be deemed or construed to mean that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of NSE

As required, a copy of this Red Herring Prospectus has been submitted to NSE. NSE has given *vide* its letter dated May 7, 2007, permission to the Company to use the NSE's name in this Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. The NSE has scrutinized this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of BgSE

Pursuant to receiving the approval of the BgSE, the disclaimer clause of BgSE would be inserted in the Red Herring Prospectus filed with RoC.

Filing of Prospectus with SEBI and the Registrar of Companies

A copy of the Red Herring Prospectus required to be filed under Section 60 and Section 60B of the Companies Act would be delivered for registration with Registrar of Companies, Karnataka. A copy of this Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at SEBI Bhavan, Plot No. C4-A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051. A copy of the Red Herring Prospectus along with the documents required to be filed under section 60B of the Companies Act would be delivered for

registration to the RoC, Karnataka atleast 3 (three) days before the issue opening date. The final Prospectus would be filed with the Corporate Finance Department of SEBI and the RoC at the respective aforesaid addresses upon closure of the issue and on finalization of the Issue Price.

Listing

The Equity Shares issued through this Red Herring Prospectus are proposed to be listed on The Bombay Stock Exchange Limited (BSE), the Bangalore Stock Exchange Limited and the National Stock Exchange of India Limited (NSE). In-principle approval for listing of the equity shares of the Company from BSE; BgSE and NSE have been received *vide* their letters dated April 24, 2007, April 17, 2007 and May 7, 2007 respectively.

If the permission to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest all money received from the Bidders in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it. (i.e. from the date of refusal or within 15 days from the Bid/Issue Closing date, whichever is earlier), then our Company, and every Director of our Company who is an officer in default shall, on and from such expiry of eight days, be jointly and severally liable to repay the money with interest at the rate of 15% per annum on the Bid Amount, as prescribed under Section 73 of Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalization and adoption of the Basis of Allotment for this Issue.

The Equity Shares of our Company were also listed on the Delhi Stock Exchange Association Limited (“DSE”), The Calcutta Stock Exchange Association Limited (“CSE”) and The Madras Stock Exchange Limited (“MSE”). However, our Company has received delisting approvals from DSE and MSE in March and April, 2004 respectively. Application was also made to CSE in February 25, 2004 for delisting the Equity Shares of our Company. Letters of correspondence with the Calcutta Stock Exchange Association Limited (“CSE”) for delisting including letters dated February 25, 2004; June 4, 2004; November 7, 2005; March 21, 2006; June 13, 2006; January 9, 2007 and April 4, 2007 from our Company to CSE and letters dated May 7, 2004; September 15, 2005; March 8, 2006; April 17, 2006 and December 21, 2006 from CSE to our Company have been included in the material documents for inspection. This delisting application has been pending with CSE for over three years and pending issuance of any letter from CSE confirming delisting of Equity Shares, our Company has stopped complying with the listing requirements of CSE. Accordingly the Equity Shares of the Company have been assumed to have been delisted from CSE and no compliance with CSE in respect of this Issue is being made.

Impersonation

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

“Any person who:

(a) makes in a fictitious name, a Bid to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

Consents

Consents in writing of: the Directors; our Company Secretary; Compliance Officer; the Auditors; Bankers to our Company; Escrow Collection Banks; BRLM; the Registrar and the legal advisors to this Issue, to act in their respective capacities, have been obtained and will be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Karnataka at Bangalore as required under Sections 60 and Section 60B of the

Companies Act and such consents have not been withdrawn up to the time of filing of this Red Herring Prospectus with SEBI.

M/s. Rao Associates, Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with SEBI.

M/s. Rao Associates, Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Red Herring Prospectus for registration with SEBI.

Expert Opinion

We have not obtained any expert opinions.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The total expenses of the Issue are estimated to be approximately Rs. [•] lakh. The estimated Issue expenses are as follows:

(Rs. in Lakhs)			
Activity	Expenses	% of Issue Expenses	% of Issue Size
Lead management, underwriting and selling commission *	[•]	[•]	[•]
Advertisement and marketing expenses*	[•]	[•]	[•]
Printing, stationery including transportation of the same	[•]	[•]	[•]
Other (Registrar's fees, legal fees, listing fees, etc.)*	[•]	[•]	[•]
Total Estimated Issue Expenses	[•]	100%	[•]

* Will be incorporated at the time of filing Prospectus with the RoC.

Details of Fees Payable

Fees Payable to the Book Running Lead Manager

The total fees payable to the Book Running Lead Manager will be as per the Engagement Letter dated July 5, 2005 and as stated in the Memorandum of Understandings executed between our Company and BRLM dated April 3, 2007, copy of which is available for inspection at our Registered Office.

Fees Payable to the Registrar to this Issue

The fees payable to the Registrar to this Issue will be as per the memorandum of understanding dated April 4, 2007, a copy of which is available for inspection at our Registered Office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Underwriting Commission, Brokerage and Selling Commission

The Underwriting Commission and Selling Commission for this Issue is as set out in the Syndicate Agreement amongst our Company, the BRLM and Syndicate Members. The Underwriting Commission shall be paid as set out in the Underwriting Agreement based on the Issue Price and amount underwritten in the manner mentioned in this Red Herring Prospectus.

Brokerage for the Issue will be paid not more than 1.5% of the Issue Price of the Equity Shares by our Company on the basis of the allotments made against the Bids bearing the stamp of a member of any recognized Stock Exchange in India in the 'Broker' column. Brokerage at the same rate will also be payable to the Escrow Collection Banks in respect of the allotments made against Bids procured by them provided the respective forms of Bid bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers'/Agents' codes on the Bid-cum-Application Form, our Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter. We, at our sole discretion, may consider payment of additional incentive in the form of kitty or otherwise to the performing brokers on such terms and mode as may be decided by us.

Previous Rights and Public Issues during the Last Five Years

We have not made any previous rights or public issues during the last five years.

Previous Issues of Shares otherwise than for Cash

Except as stated in the section titled "Capital Structure" beginning on page 16 of this Red Herring Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash.

Commission and Brokerage on Previous Issues

As per the Prospectus in relation to the public issue in the year 1994-95, brokerage at the rate of 1.5% and underwriting commission at the rate of 1% was payable in that issue. As per the Letter of Offer in relation to the rights issue of our Company in the year 1995, there was no brokerage or underwriting commission payable.

Promise versus Performance

Save and except the following, our Company has not made any public or rights issue in the past:

- a. Public issue of 60,00,000 12.50% Secured Redeemable Partly Convertible Debentures of Rs. 195/- each for cash at par in the financial year 1994-1995

In the year 1994, our Company made a public issue of 60,00,000 12.50% Secured Redeemable Partly Convertible Debentures of Rs. 195/- each for cash at par including firm allotments of 26,40,000 Partly Convertible Debentures of Rs. 195/- each and the same were compulsorily converted on allotment to equal number of Equity Shares of Rs. 10/- each at a premium of Rs. 155/- each and redeemable debenture of Rs 30/- each. The same were listed on the Stock Exchanges at Bangalore (Regional), Mumbai, Kolkata, Delhi and Chennai. The redeemable debentures of Rs. 30/- each redeemed in three equal installments at the end of 5th, 6th and 7th year respectively.

- b. Rights issue of 10,00,000 12.50% Secured Redeemable Partly Convertible Debentures of Rs. 180/- each for cash at par in the financial year 1994-1995

The public issue was followed by a Rights Issue in the year 1994-95 of 10,00,000 12.50% Secured Redeemable Partly Convertible Debentures of Rs. 180/- each for cash at par and the same were compulsorily converted on allotment to equity number of Equity Shares of Rs. 10/- each at a premium of Rs. 140/- each and redeemable debenture of Rs. 30/- each. The same were listed on the Stock Exchanges at Bangalore (Regional), Mumbai, Kolkata, Delhi and Chennai. The redeemable debentures of Rs. 20/- each were redeemed in three equal installments at the end of 5th, 6th and 7th year respectively.

The objects of the said public issue and rights issue were to part finance the cylinder project at Mysore and hydraulic cylinder project at KGF and meeting the long term working capital requirement.

The projections in respect of the major heads made in the prospectus and the letter of offer and actual performance is as follows:

(Rs. In Lakhs)

For the year		Particulars				
		Sales	PBIDT	PBT	PAT	Dividend
1994-1995	Projected	100,200	17,300	4,900	2,700	15%
	Actual	102,113	13,064	1,450	1,050	15%
	Shortfall	-	4,236	3,450	1,650	-
1995-1996	Projected	108,200	18,700	6,600	4,300	15%
	Actual	101,110	15,030	2,245	1,245	15%
	Shortfall	7,090	3,670	4,355	3,055	-
1996-1997	Projected	109,600	21,100	8,400	4,900	20%
	Actual	116,979	16,661	3,116	1,616	20%
	Shortfall	-	4,439	5,284	3,284	-
1997-1998	Projected	111,200	22,000	9,700	5,800	20%
	Actual	125,971	14,137	1,626	1,065	20%
	Shortfall	-	7,863	8,074	4,735	-

Reasons for shortfall in actual performance:

The reasons for shortfall in actual performance include under-utilisation of production capacity at the Bangalore complex, unremunerative prices for our rail coaches and losses sustained by the rail coach division, payment of wage arrears, increasing interest burden and severe competition.

Outstanding Debentures, Bond Issues and Preference Shares

As on the date of the filing of the Red Herring Prospectus, there are no outstanding debentures, bonds or preference shares of our Company.

Stock Market Data for the Equity Shares of our Company

The Equity Shares of our Company are listed on the BSE, NSE and BgSE. The stock market data for NSE and BSE, as extracted from their respective websites, are given below:

(i) The following table sets forth, the high and low of daily closing prices of our Equity Shares on BSE along with the number of Shares traded and the value traded in Lakhs of Rupees on these days, for a period of three years, for the periods indicated:

Period	High				Low				Average Price (in Rs.)
	Date	Price (in Rs.)	No. of Shares Traded	Value for the day (Rs Lakhs)	Date	Price (in Rs.)	No. of Shares Traded	Value for the day (Rs Lakhs)	
April 1, 2004 – March 31, 2005	Feb 17, 2005	374.65	71,401	263.90	May 17, 2004	101.60	162,580	169.03	232.71
April 1, 2005 – March 31, 2006	Mar 10, 2006	1,736.50	23,792	412.77	Apr 1, 2005	389.40	282,483	1,099.62	924.41
April 1, 2006 – March 31, 2007	Apr 27, 2006	1,606.75	132,144	2,090.03	June 14, 2006	767.90	24,255	192.90	1,066.54

(ii) The following table sets forth, the high and low of daily closing prices of our Equity Shares on NSE along with the number of Shares traded and the value traded in Lakhs of Rupees on these days, for a period of three years, for the periods indicated:

Period	High				Low				Average Price (in Rs.)
	Date	Price (in Rs.)	No. of Shares Traded	Value for the day (Rs Lakhs)	Date	Price (in Rs.)	No. of Shares Traded	Value for the day (Rs Lakhs)	
April 1, 2004 – March 31, 2005	Feb 17, 2005	375.80	291,661	1,079.02	May 17, 2004	101.90	266,005	276.11	232.98
April 1, 2005 – March 31, 2006	Mar 10, 2006	1,745.85	58,932	1,025.40	Apr 1, 2005	390.90	572,085	2,215.72	925.05
April 1, 2006 – March 31, 2007	Apr 27, 2006	1,605.95	323,756	5,096.86	June 14, 2006	764.60	82,394	650.31	1,066.51

(iii) The following table sets forth, the total value traded in Lakhs of Rupees of our Equity Shares on BSE and NSE, for a period of three years, for the periods indicated:

Period	Total value traded for the period (Rs. in Lakhs)	
	BSE	NSE
April 1, 2004 – March 31, 2005	50690.00	1,34,535.20
April 1, 2005 – March 31, 2006	1,96,318.56	5,39,345.11
April 1, 2006 – March 31, 2007	97,011.58	2,61,980.18

(iv) The following table sets forth, the high and low prices of our Equity Shares on BSE, the number of Equity Shares traded and the value traded in Lakhs of Rupees, in the last six months, for the periods indicated:

Month	High				Low				Total No. of Shares traded
	Date	Price (in Rs.)	No. of Shares traded	Value for the day (Rs Lakhs)	Date	Price (in Rs)	No. of Shares traded	Value for the day (Rs Lakh)	
December 2006	Dec 4, 2006	1,036.05	55,014	574.42	Dec 12, 2006	921.45	22,576	210.50	5,54,978
January 2007	Jan 15, 2007	1,213.00	73,439	880.71	Jan 2, 2007	1,071.15	83,251	879.74	8,26,791
February 2007	Feb 8, 2007	1,218.05	269,087	3,315.14	Feb 1, 2007	1,072.25	20,306	218.60	8,43,239
March 2007	Mar 30, 2007	1,083.60	14,483	156.57	Mar 7, 2007	1,007.35	18,203	183.11	2,86,280
April 2007	Apr 2, 2007	1,061.20	60,318	647.33	Apr 19, 2007	953.75	233,135	2,218.89	11,15,676
May 2007	May 29, 2007	1,057.45	35,673	378.28	May 11, 2007	955.30	15,576	148.82	6,48,246

(v) The following table sets forth, the high and low prices of our Equity Shares on NSE, the number of Equity Shares traded and the value traded in Lakhs of Rupees, in the last six months, for the periods indicated:

Month	High				Low				Total No. of Shares traded
	Date	Price (in Rs.)	No. of Shares traded	Value for the day (Rs Lakhs)	Date	Price (in Rs)	No. of Shares traded	Value for the day (Rs Lakhs)	
December 2006	Dec 4, 2006	1,034.20	122,975	1,281.21	Dec 12, 2006	919.90	57,763	538.45	15,22,692
January 2007	Jan 15, 2007	1,213.65	206,782	2,477.28	Jan 2, 2007	1,069.20	190,271	2,007.03	25,62,843
February 2007	Feb 8, 2007	1,218.05	568,522	6,997.20	Feb 1, 2007	1,071.55	85,350	918.95	22,95,767
March 2007	Mar 1, 2007	1,083.10	93,254	1,006.94	Mar 7, 2007	1,001.70	129,289	1,300.65	10,32,700
April 2007	Apr 2, 2007	1,061.20	172,694	1,852.62	Apr 19, 2007	952.35	301,862	2,871.51	27,27,044
May 2007	May 29, 2007	1,060.05	118,803	1,262.72	May 11, 2007	957.60	43,971	421.20	19,34,581

(vi) The closing market price of our Equity Shares on BSE and NSE as on the date after the date on which our Board of Directors approved this Issue, i.e. June 3, 2005 was Rs. 677.00 and Rs. 676.90 respectively.

Other Disclosures

Our Promoter or our Directors have not purchased or sold any securities of our Company during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI, except as disclosed in section titled "Capital Structure" beginning on page 16 of this Red Herring Prospectus.

Mechanism for redressal of investor grievance

The Memorandum of Understanding between the Registrar to this Issue and our Company will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the Bidder, number of Equity Shares applied for, amount paid on Bid and the bank branch or collection centre where the Bid was submitted.

During the year the ended March 31, 2007 we had received 60 complaints from investors including those received through SEBI and all 60 have been resolved. As on date there are no complaints pending from investors.

Disposal of Investor Grievances by our Company

The average time required by our Company or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Our Board of Directors in its meeting held on June 30, 2000 constituted Investor's Grievance Committee consisting of Mr. Abhijit Basu, Mr. J.B Diwale as members and Mr. K.C Medapa as the Compliance Officer. The members of the Committee as on date of filing this Red Herring Prospectus with SEBI are:

Name of the Director	Designation
Mr. Prakash Apte	Chairman, Part-Time Director
Mr. B.L Bajaj	Member, Director-Finance
Mr. K.C Medapa	Compliance Officer

The Committee is authorised to primarily maintain a close watch on the investor's complaints and take steps to resolve the same to the satisfaction of the investors. All complainants/ requests received from the shareholders are attended expeditiously within 30 days from the date of receipt.

Our Company has appointed Mr. K.C. Medapa, Company Secretary as the Compliance Officer and he may be contacted at

Mr. K. C. Medapa
Bharat Earth Movers Limited
BEML Soudha,
No. 23/1, 4th Main Road,
Sampangiramanagar,
Bangalore – 560 027
Phone: +91-80-22224455
Fax: +91-80-22226443
Email: medappakc@cs.beml.co.in

Investors may contact him in case of any pre-Issue or post-Issue problems.

Changes in Auditors during the last three financial years and reasons therefore

There has been a change in the Auditor of our Company as per the following details:

Past Auditors	Present Auditors	Date of Change	Reasons for Change
M/s. Rao & Swami	M/s. Rao Associates	June 26, 2006	Appointment by the Government of India

Capitalisation of Reserves or Profits

Except as stated in the section titled “Capital Structure” our Company has not capitalised its reserves or profits at any time since inception. For details on Capitalisation of Reserves and Profits please refer to section titled “Capital Structure” beginning on page 16 of this Red Herring Prospectus.

Revaluation of Assets

Our Company has not revalued its assets since incorporation.

SECTION VII – ISSUE RELATED INFORMATION

ISSUE STRUCTURE

Public Issue of 49,00,000 Equity Shares of Rs. 10/- each at a price of Rs. [●] per Equity Share aggregating Rs. [●] Lakhs (the “Issue”) including a reservation for Eligible Employees of 4,90,000 Equity Shares aggregating Rs. [●] Lakhs and a Net Issue to the Public of 44,10,000 Equity Shares by Bharat Earth Movers Limited. The Issue would constitute 11.77% of the fully diluted post-Issue paid-up capital of our Company.

The Issue is being made through the 100% Book Building Process:

	Eligible Employees in the Employee Reservation Portion	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Upto 4,90,000 Equity Shares	Upto 22,05,000 Equity Shares shall be available for allocation to QIBs aggregating Rs. [●] lakh.	Atleast 6,61,500 Equity Shares shall be available for allocation aggregating Rs. [●] lakh.	Atleast 15,43,500 Equity Shares shall be available for allocation aggregating Rs. [●] lakh.
Percentage of Issue Size available for allocation	Upto 10% of the Issue size available for allocation to Eligible Employees in the Employee Reservation Portion	Upto 50% of the Net Issue (of which 5% shall be reserved for Mutual Funds)* Mutual Funds participating in the 5% reservation in the QIB Portion (i.e. 1,10,250 Equity Shares aggregating Rs. [●] lakh) will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs.	Atleast 15% of the Net Issue.*	Atleast 35% of the Net Issue.*
Basis of allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate	Proportionate
Minimum Bid	[●] Equity Shares and in multiples of [●] Equity Shares	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000/- and in	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000/- and in	[●] Equity Shares and in multiples of [●] Equity Shares thereafter

	Eligible Employees in the Employee Reservation Portion	QIBs	Non-Institutional Bidders	Retail Individual Bidders
	thereafter	multiples of [●] Equity Shares thereafter.	multiples of [●] Equity Shares thereafter.	
Maximum Bid	Upto [●] Equity Shares	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Such number of Equity Shares per Retail Individual Bidder so as to ensure that the Bid Amount does not exceed Rs. 1,00,000/-
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.
Bid Lot	[●] Equity Shares and multiples thereof	[●] Equity Shares and multiples thereof	[●] Equity Shares and multiples thereof	[●] Equity Shares and multiples thereof
Allotment Lot	[●] Equity Shares and in multiples of one thereafter	[●] Equity Shares and in multiples of one thereafter	[●] Equity Shares and in multiples of one thereafter	[●] Equity Shares and in multiples of one thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Bid **	“Eligible Employees” as defined in the section titled “Definitions and Abbreviations” beginning on page i of this Red Herring Prospectus.	Public Financial Institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, Mutual Funds, Foreign Institutional Investors registered with SEBI, Multilateral and Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, foreign Venture capital investors registered with SEBI, State Industrial	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs in the name of karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000/- in value.

	Eligible Employees in the Employee Reservation Portion	QIBs	Non-Institutional Bidders	Retail Individual Bidders
		Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 lakh and pension funds with minimum corpus of Rs. 2500 lakh in accordance with applicable law.		
Terms of Payment	Margin Amount applicable to Eligible Employees at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Non-Institutional Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate.
Margin Amount	Full Bid Amount on Bidding	10% of the Bid Amount in respect of bids placed by QIB Bidder on Bidding.	Full Bid Amount on Bidding.	Full Bid Amount on Bidding.

* Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any portion would be allowed to be met with spillover inter-se from any of the other categories, at the sole discretion of our Company, the BRLM and subject to applicable provisions of the SEBI Guidelines.

** In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form.

However, Bids by Qualified Institutional Buyers, Non-Institutional Bidders and Retail Individual Bidders who are persons resident outside India, otherwise eligible to invest in the Issue, would be allowed only to the extent permitted by the FIPB vide the FIPB Approval Letter.

If the aggregate demand by Mutual Funds is less than 1,10,250 Equity Shares aggregating Rs. [●] lakh, the balance Equity Shares available for allocation in the Mutual Fund reservation will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.

Bidding Period / Issue Period

BID / ISSUE OPENS ON	JUNE 27, 2007
BID / ISSUE CLOSES ON	JULY 03, 2007

Bids and any revision in bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid-cum-Application Form and uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

The Price Band will be decided by our Company in consultation with the BRLM.

Our Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of the Price Band, subject to the Bidding/Issue Period not exceeding ten working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM and at the terminals of the members of the Syndicate.

TERMS OF THE ISSUE

Principal Terms and Conditions of the Issue

The Equity Shares now being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company, if any, the terms of the Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note (“CAN”) and other terms and conditions as may be incorporated in the allotment advice, and other documents/ certificates that may be executed in respect of the Equity Shares. Further to the above, the Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI/Government of India/Stock Exchanges and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares to be issued shall, subject to the Memorandum and Articles of Association of our Company, rank pari passu in all respects with the other existing Equity Shares of our Company in all respects including rights in respect of dividend. The Allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by us after the date of allotment. See the section titled “Main Provisions of Articles of Association of Our Company” beginning on page 287 of this Red Herring Prospectus for a description of the Articles of Association.

Mode of Payment of Dividend

The declaration and payment of dividend will be as per the provisions of the Companies Act and recommended by the Board of Directors and the shareholders at their discretion, and will depend on a number of factors, including but not limited to earnings, capital requirements and overall financial condition of our Company.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each will be offered in terms of the Red Herring Prospectus to be filed with RoC, Karnataka at a price of Rs. [•] per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws. The Issue Price is [•] times the face value of the Equity Shares.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Articles of Association of our Company.

For further details on the main provisions of our Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see "Main Provisions of Articles of Association of Our Company" beginning on page 287 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allocation and allotment through this Issue will be done only in electronic form in multiples of one Equity Shares to the successful bidders subject to a minimum allotment of [●] Equity Shares. For details of allocation and allotment, see the section titled "Issue Procedure" on page 259 of this Red Herring Prospectus.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares transmitted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or at the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in this Issue will be made only in dematerialized mode, there is no need to make a separate nomination with our Company. Nominations registered with respective Depository Participant of the Bidder would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

"If our Company does not receive the minimum subscription of 90% of the Net Issue amount including devolvement of Underwriters within 60 days from the Bid / Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act, 1956."

If the number of allottees in the proposed Issue is less than 1,000 allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after our Company becomes liable to pay the amount, our Company shall pay interest at the rate of 15% per annum for the delayed period.

Withdrawal of the Issue

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid/ Issue Opening Date without assigning any reason thereof.

Arrangements for Disposal of Odd Lots

Our Company's Equity Shares will be traded in dematerialized form only and therefore the marketable lot is one share. Therefore there is no possibility of odd lots.

Restriction on Transfer and Transmission of Shares

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation/splitting, please refer sub-heading "Main Provisions of Articles of Association of Our Company" appearing on page 287 of this Red Herring Prospectus.

There is no reservation for Non –Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Fund Bidders will be treated on the same basis as other categories for the purpose of allocation. However, investments by persons resident outside India requires the prior approval of the FIPB, for which we have applied vide our letter dated March 31, 2007, and the same has been approved by the FIPB. For details regarding this application and the FIPB approval, please refer section titled "Regulations and Policies" beginning on page 87 of this Red Herring Prospectus.

As per the policy of RBI, Overseas Corporate Bodies cannot participate in the Issue.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the U.S. Securities Act, 1933), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

ISSUE PROCEDURE

BOOK BUILDING PROCEDURE

The Issue is being made through the 100% Book Building Process wherein 4,90,000 Equity Shares are reserved for Eligible Employees in the Employee Reservation Portion and the Net Issue is for 44,10,000 Equity Shares. Upto 50% of the Net Issue to the Public shall be available for allocation on a proportionate basis to QIBs (of which 5% shall be allocated for Mutual Funds). Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non- Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. However, the Bids by QIB shall be submitted only to the BRLM. In case of QIB Bidders, our Company in consultation with the BRLM may reject Bids at the time of acceptance of the Bid-Cum-Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non Institutional Bidders and Retail Individual Bidders our Company in consultation with the BRLM would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares will be allotted to successful Bidders only in the dematerialized form. Bidders will not have the option of getting allotment in physical form. The Equity Shares, on allotment shall be traded only in the dematerialized segment of the Stock Exchange(s).

BID-CUM-APPLICATION FORM

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, ("CAN"), and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public or NRI applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund/Multilateral and Bilateral Development Financial Institutions applying on repatriation basis	Blue
Eligible Employees in the Employee Reservation Portion	Pink

WHO CAN BID

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies and corporate bodies not having majority ownership and control of persons resident outside India and societies registered under the applicable laws in India and authorized to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;

5. Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations, as applicable);
6. Venture Capital Funds registered with SEBI;
7. FIIs registered with SEBI.
8. Foreign Venture Capital Funds registered with SEBI;
9. State Industrial Development Corporations;
10. Multilateral and bilateral development financial institutions;
11. Insurance companies registered with the Insurance Regulatory and Development Authority;
12. Provident funds with minimum corpus of Rs. 2,500 lac and who are authorized under their constitution to hold and invest in Equity Shares;
13. Pension funds with minimum corpus of Rs. 2,500 lac and who are authorized under their constitution to hold and invest in Equity Shares;
14. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorized under their constitution to hold and invest in Equity Shares; and
15. Eligible NRIs and other Non Residents including FIIs on a repatriation basis or non-repatriation basis subject to applicable laws; and
16. Scientific and/ or Industrial Research Organizations authorized to invest in Equity Shares.

Notes:

1. Notwithstanding the aforesaid, in the Employee Reservation Portion, Bids can only submitted by the Eligible Employees.
2. The BRLM and the Syndicate Members shall not be entitled to participate in this Issue in any manner except towards fulfilling their underwriting obligation. However, associates and affiliates of the Book Runners and Syndicate Members are entitled to bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in Non-Institutional Portion as may be applicable to such investors, where the allotment will be on a proportionate basis. Such bidding and subscription may be on their own account or on behalf of their clients.
3. Bidders are advised to ensure that any single Bid from them does not exceed the investment limit or maximum number of Equity Shares that can be held by them under applicable law, rules, regulations, guidelines and approvals.

MAXIMUM AND MINIMUM BID SIZE

- a. **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Bid amount payable by the Bidder does not exceed Rs. 1,00,000/-. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. In case the Bid amount is more than Rs. 1,00,000 due to revision of the Bid, or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- b. **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds Rs. 1,00,000/- and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date. In case of revision of bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000/-. In case the Bid Amount reduces to Rs. 1,00,000/- or less due to a revision in Bids, the same would be considered for Non-Institutional Bidders who are eligible for Allotment in the Retail Portion, for allocation under the Retail portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'Cut-Off'.

- c. **For Bidders in the Employee Reservation Portion:** Bids must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The maximum Bid by an Eligible Employee in the Employee Reservation Portion cannot exceed [●] Equity Shares.

The maximum Bid size would also, in part, be determined in relation to persons resident outside India, by the decision in relation to the application made by us to the FIPB vide our letter dated March 31, 2007, which has been approved by the FIPB Approval Letter.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

INFORMATION FOR BIDDERS

- (a) Our Company will file the Red Herring Prospectus with the Registrar of Companies, Karnataka at least 3 (three) working days before the Bid/Issue Opening Date.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our Registered Office or from any of the BRLM/ Syndicate Members.
- (d) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLM or Syndicate Member or their authorised agent(s) to register their Bid.
- (e) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

METHOD AND PROCESS OF BIDDING

- a) Our Company, the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with Registrar of Companies, Karnataka and also publish the same in three widely circulated newspapers (one English national newspaper, one Hindi national newspaper and one regional language newspaper). This advertisement shall contain the disclosures as prescribed in Schedule XX-A of the SEBI Guidelines, as amended from time to time. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period.
- b) The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and one regional language newspaper by indicating on the websites of the BRLM and at the terminals of the members of the Syndicate. The Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding 10 working days.
- c) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below on page 262 of this Red Herring Prospectus) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

- d) The Bidder cannot Bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph “Build up of the Book and Revision of Bids” on page 267 of this Red Herring Prospectus.
- e) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- f) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph “Terms of Payment” on page 265 of this Red Herring Prospectus.
- g) The Members of the Syndicate will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It is the responsibility of the Bidder to obtain the TRS from the Members of the Syndicate.

BIDS AT DIFFERENT PRICE LEVELS

The Issue Price will be determined by the Company in consultation with the BRLM, on the basis of assessment of the market demand for the Equity Shares, by way of the Book Building Process. The Price Band will be decided by us in consultation with the BRLM and inserted in the Red Herring Prospectus filed with RoC or will be announced and advertised at least one day prior to the Bid/Issue Opening date

- (a) The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share of Rs. 10/- each, Rs. [●] being the Floor Price and Rs. [●] being the Cap Price. The Bidders can Bid at any price with in the Price Band, in multiples of Re 1/-(one).
- (b) Our Company in consultation with the BRLM reserves the right to revise the Price Band by informing the Stock Exchanges, releasing a press release, disclosure on the website of the members of the Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. Our Company in consultation with BRLM can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders. During the Bidding period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down upto 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus or the advertisement one day prior to Bid/Issue Opening Date.
- (c) Our Company in consultation with the BRLM can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval, or intimidation, to the Bidder.
- (d) The Bidders can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at “Cut-off” where the value of the Bid is less than Rs. 1,00,000/-. However, bidding at “Cut-off” is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
- (e) Retail Individual Bidders, who bid at the Cut-Off, agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Issue

multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Refund Account.

- (f) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000/- to Rs. 7,000/-.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band, with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 1,00,000/-, the Bid will be considered for allocation under the Non Institutional category in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off.
- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut Off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Refund Account.

Option to Subscribe

Equity Shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only.

Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

HOW TO APPLY – AVAILABILITY OF FORMS, RED HERRING PROSPECTUS AND MODE OF PAYMENT

BIDS BY MUTUAL FUNDS

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund portion. In the event that the demand is greater than [●] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB portion, after excluding the allocation in the Mutual Fund portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights. Further, Bidders may bid as per the limits prescribed above.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

BIDS BY NRIs

Bid-cum-Application Forms will be made available for NRIs at our Registered Office., members of the Syndicate and the Registrar to the Issue.

NRI Bidders may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians (white in colour).

BIDS BY FIIs

As per current regulations, the following restrictions are applicable for investment by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of our Company (i.e. 10% of 4,16,44,500 Equity Shares). In respect of an FII investing in Equity Shares of our Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital in case such sub-accounts is a foreign corporate or in individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.

BIDS BY SEBI REGISTERED VENTURE CAPITAL FUNDS AND FOREIGN VENTURE CAPITAL INVESTORS

As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds and foreign venture capital investors.

The SEBI (Venture Capital Funds) Regulations, 1996 prescribed investments restriction on the venture capital funds registered with SEBI. Accordingly, holding in our Company by any individual venture capital fund registered with SEBI should not exceed 25% of its corpus.

The above information is given for the benefit of the Bidders. Our Company, the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

ESCROW MECHANISM

Escrow Account

Our Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with one of the Escrow Collection Bank as per the terms of the Escrow Agreement with our Company. Payments of refunds to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar, BRLM and Syndicate Members to facilitate collections from the Bidders.

Payment of refund, if any, to the Bidders shall also be made from the Refund Account by the Escrow Collection Banks, as per the terms of the Escrow Agreement and this Red Herring Prospectus.

TERMS OF PAYMENT AND PAYMENT INTO THE ESCROW COLLECTION ACCOUNT

Each Bidder shall pay the applicable Margin Amount with the Bid Cum Application Form through a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details please see the sub-section titled “Payment Instructions” beginning on page 274 of this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid Cum Application Forms accompanied by cash or stockinvest shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid Cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with one of the Escrow Collection Banks. . The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account maintained by the Refund Bank, and not later than 15 days from the Bid/Issue Closing Date, the Refund Bank shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

Each category of Bidders (i.e. Eligible Employees bidding in the Employee Reservation Portion, QIB Bidders, Non Institutional Bidders and Retail Individual Bidders) would be required to pay their applicable Margin Amount at the time of submission of the Bid Cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled “Issue Structure” beginning on page 252 of this Red Herring Prospectus. After the Bid Closing Date, the level of subscription in all categories shall be determined. Based on the level of subscription, additional margin money, if any, shall be called from the QIB Bidders. If such additional margin money is not paid into the appropriate Escrow Account within the time and in the manner stipulated above, the Bid of such QIB Bidder is liable to be rejected. Further we may call for additional Margin amount over and above the minimum prescribed 10% Margin amount from certain QIBs at our discretion prior to acceptance of the Bid anytime upto the Bid/Issue Closing date and shall have the right to reject such bids on technical ground in case of non-receipt of such additional margin. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM, and would be specified in the CAN. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not accept such margin payment, the full amount of payment has to be made at the time of submission of the Bid Cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which and our Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

ELECTRONIC REGISTRATION OF BIDS

- (a) The members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity to each city where a stock exchange is located in India and where Bids are accepted.
- (b) BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject

to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the member of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

- (c) Aggregate demand and price for bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centers and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:
 - Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form).
 - Investor Category –Individual, Corporate, NRI, FII, or Mutual Fund, etc.
 - Numbers of Equity Shares bid for
 - Bid price
 - Bid-cum-Application Form number
 - Whether payment is made upon submission of Bid-cum-Application Form
 - Margin Amount; and
 - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind
- (g) The members of the Syndicate have the right to review the Bid. The Syndicate Members have right to reject a bid received from a QIB at the receipt of Bids. However, a Syndicate Members shall disclose the reason for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids shall not be rejected except on the technical grounds listed on page 277 in this Red Herring Prospectus
- (h) It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, its promoters, its management or any scheme or project of our Company
- (i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this

Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on BSE and NSE.

BUILD UP OF THE BOOK AND REVISION OF BIDS

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIBs, the members of the Syndicate shall collect the payments in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate Member. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.
- (h) Only Bids are uploaded on the online IPO system of the BSE and NSE shall be considered for allocation/allotment. In case of discrepancy of data between BSE or NSE and the Syndicate Member, the decision of the BRLM based on physical records of Bid-cum-Application Forms shall be final and binding to all concerned.

PRICE DISCOVERY AND ALLOCATION

- (a) After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.
- (b) Our Company, BRLM shall finalise the "Issue Price" and the number of Equity Shares to be allotted.
- (c) The allocation for QIBs, upto 50% of the Net Issue, of which 5% shall be reserved for Mutual Funds would be proportionate. The allocation to Non-Institutional Bidders, and Retail Individual Bidders of not less than 15% and 35% of the Net Issue, respectively, would be on proportionate basis, in consultation with Designated

Stock Exchange, subject to valid Bids being received at or above the Issue Price. The allocation in the Employee Reservation Portion would also be on a proportionate basis.

- (d) Under subscription, if any, in any of the categories would be allowed to be met with spill over from any of the other categories at the discretion of our Company, the BRLM. However, if the aggregate demand by Mutual Funds is less than 1,10,250 Equity Shares, the balance Equity Shares from the portion specifically available for allocation to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.
- (e) The BRLM, in consultation with us, shall notify the Syndicate Member of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (f) Our Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment.
- (g) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.
- (h) The allotment details shall be put on the website of the Registrar to the Issue.

SIGNING OF UNDERWRITING AGREEMENT AND ROC FILING

- (a) Our Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

ADVERTISEMENT REGARDING ISSUE PRICE AND PROSPECTUS

We will issue a statutory advertisement after the filing of the Prospectus with RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

ISSUANCE OF CONFIRMATION OF ALLOCATION NOTE (CAN)

After the determination of Issue Price, the following steps would be taken

- (a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail Individual and Non-Institutional Bidders. However, Bidders should note that our Company shall ensure that the date of Allotment of the Equity Shares to all Bidders, in all categories, shall be done on the same date.
- (b) The BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (d) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a

CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

- (e) The issuance of CAN is subject to “Allotment Reconciliation and Revised CANs” as mentioned below.

Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/ NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be required to be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

DESIGNATED DATE AND ALLOTMENT OF EQUITY SHARES

- (a) After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, we would ensure allotment of the Equity Shares to the allottees within two days of the finalization of the basis of allotment.
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be issued only in the dematerialized form to the allottees.** Allottees will have the option to re-materialize the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

We would ensure the allotment of Equity Shares within 15 days of Bid/Issue Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment. In case, our Company fails to make allotment or transfer within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% p.a.

GENERAL INSTRUCTIONS

Do's:

- a) Check if you are eligible to apply;
- b) Complete the Bid-cum-Application Form after reading all the instructions carefully;
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be allotted in the dematerialized form only;
- d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a Syndicate Member;
- e) Ensure that you have been given a TRS for all your Bid options;

- f) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;
- g) Ensure that the bid is within price band;
- h) Investors must ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depository Account is held. In case, the Bid-cum- Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same sequence as they appear in the Bid-cum- Application Form;
- i) Ensure that you mention your Permanent Account Number (PAN) allotted under the IT Act, where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000/- or more. The copy of the PAN Card or the PAN allotment letter should be submitted with the application form;
- j) If you have mentioned “applied for” or “not applicable” in the Bid-cum-Application Form in the section dealing with PAN number ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof; and
- k) Ensure that demographic details (as defined hereinbelow) are updated, true and correct in all respects.

Don'ts:

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;
- c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- d) Do not pay the Bid amount in cash;
- e) Do not send Bid-cum-Application Forms by post; instead submit the same to Syndicate Member only;
- f) Do not Bid at Cut-Off price (for QIBs and non-institutional bidders);
- g) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- h) Do not submit Bid accompanied with Stock invest;
- i) Do not submit GIR number instead of PAN as Bid is liable to be rejected on this ground; and
- j) Do not submit the Bid without the QIB Margin Amount incase of a Bid by a QIB.

INSTRUCTIONS FOR COMPLETING THE BID-CUM-APPLICATION FORM

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM or Syndicate Members.

Bids and Revision of Bids

Bids and revision of Bids must be:

- (a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for resident Indians and blue for Non-residents including NRIs, FIIs, Foreign Venture Capital

Fund/Multilateral and Bilateral Development Financial Institutions applying on repatriation basis, pink in colour for the Bidders in the Employee Reservation Portion.

- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- (c) The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid amount of Rs. 1,00,000/-. For Eligible Employees bidding in the Employee Reservation Portion, Bids must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to a maximum of [●] Equity Shares.
- (d) For Non-institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds or equal to Rs. 1,00,000/-. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- (e) In single name or in joint names (not more than three and in the same order as their Depository Participant details).
- (f) In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB's.
- (g) Thumb impressions and signatures other than in the languages specified in the eighth schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

BIDDER'S DEPOSITORY ACCOUNT DETAILS AND BANK ACCOUNT DETAILS

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant's Identification Number, Beneficiary Account number provided by them in the Bid-Cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf.

Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither our Company, the Registrar, the Escrow Collection Bank (s), Bankers to the Issue nor the BRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant- Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as

address, bank account details for printing on refund orders and occupation (“Demographic Details”). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Bidders may note that receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant’s identity (DP ID) and the beneficiary’s identity, then such Bids are liable to be rejected.

Our Company in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order / CANs / allocation advice / refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum-Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

BIDS UNDER POWER OF ATTORNEY

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development

Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 2,500 lac and pension funds with minimum corpus of Rs. 2,500 lac, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that BRLM may deem fit.

BIDS BY ELIGIBLE NRIs AND FIIs ON A REPATRIATION BASIS

Bids and revision to Bids must be made:

1. On the Bid-cum-Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. By FIIs for a minimum of such number of Equity Shares and in multiples of [●] thereafter that the Bid Amount exceeds Rs. 1,00,000. For further details see section titled “Issue Procedure” on page 259 of this Red Herring Prospectus.
4. Bids by NRIs for a Bid Amount of up to or less than Rs. 1,00,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 1,00,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of [●] Equity Shares thereafter so that the Bid Amount exceeds Rs. 1,00,000; for further details see “Maximum and Minimum Bid Size”.
5. In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB’s.
6. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid-cum-Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Eligible NRIs and FIIs. All Eligible NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

PAYMENT INSTRUCTIONS

We, the BRLM and the Syndicate Members shall open an Escrow Account with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

PAYMENT INTO ESCROW ACCOUNT:

- (a) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favor of the Escrow Account and submit the same to the members of the Syndicate.
- (b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the equity shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
- (c) All cheques / bank drafts accompanying the Bid should be crossed “A/c Payee Only” and made payable to the Escrow Collection Banks and marked:

In case of Eligible Employees bidding in the Employee Reservation Portion: “Escrow Account – BEML FPO – Employee”.

In case of Resident QIB Bidders: “Escrow Account – BEML FPO - QIB - R”

In case of Non Resident QIB Bidders: “Escrow Account – BEML FPO - QIB - NR”

In case of Resident Non-Institutional and Retail Individual Bidders: “Escrow Account – BEML FPO - R”

In case of Non-resident Non-Institutional and Retail Individual Bidders: “Escrow Account – BEML FPO - NR”

- (d) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
- (e) In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- (f) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.
- (g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.
- (h) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with one of the Escrow

Collection Banks and the surplus amount shall be transferred into the Refund Account maintained with the Refund Bank.

- (i) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Refund Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stock invest/money orders/ postal orders will not be accepted.

Bids in the Employee Reservation Portion

- 1) Bids in the Employee Reservation Portion may be made by Eligible Employees only.
- 2) In case of Bids by Eligible Employees, Bids must be made only in the prescribed Bid Cum Application Form (pink in colour).
- 3) The sole/first Bidder should be the Eligible Employee.
- 4) The Eligible Employee should mention his or her employee number at the relevant place in the Bid Cum Application Form.
- 5) Bids by Eligible Employees in the Employee Reservation Portion have to be received at or above the Issue Price for being considered for allocation in the Employee Reservation Portion.
- 6) Bids by Eligible Employees can also be in the "Net Issue to the Public", and such bids will not be considered as multiple Bids.
- 7) The Bid should be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter
- 8) The maximum Bid by the Eligible Employee under the Employee Reservation Portion shall not exceed [●] Equity Shares.
- 9) Allotment in the Employee Reservation Portion would be on a proportionate basis

PAYMENT BY STOCK INVEST

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn.

SUBMISSION OF BID-CUM-APPLICATION FORM

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favor of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Eligible Employees bidding in the Employee Reservation Portion can also Bid in the “Net Issue to the Public” Portion and such Bids shall not be treated and as multiple Bids.

We reserve the right to reject, in our absolute discretion to accept or reject, all or any multiple Bids in any or all categories.

PERMANENT ACCOUNT NUMBER (PAN)

Where Bid(s) is/are for Rs. 50,000/- or more, the Bidder or in the case of an Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the sole/first Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention “Not Applicable” and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention “Applied for” in the Bid-cum-Application Form. Further, where the Bidder(s) has mentioned “Applied for” or “Not Applicable”, the sole/first Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving license (d) Identity card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

UNIQUE IDENTIFICATION NUMBER - MAPIN

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/quote UIN under the MAPIN Regulations/ Circulars vide its circular MAPIN/Cir- 13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UIN's in a phased manner. The press release states that the cut-off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 1,00,000 to Rs. 5,00,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 5,00,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations. Therefore, MAPIN is not required to be quoted with the Bids.

OUR RIGHT TO REJECT BIDS

In case of QIB Bidders, our Company, in consultation with the BRLM may reject a bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of submission of the

Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of, Non-Institutional Bidders, Retail Individual Bidders, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUND FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- 1) Amount paid doesn't tally with the amount payable for the highest number of Equity Shares bid for;
- 2) Age of First Bidder not given;
- 3) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons;
- 4) PAN photocopy /PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
- 5) UIN Number not given for Body Corporates;
- 6) Bids for lower number of Equity Shares than specified for that category of investors;
- 7) Bids at a price less than lower end of the Price Band;
- 8) Bids at a price more than the higher end of the Price Band;
- 9) Bids at cut-off price by Non-Institutional and QIB Bidders;
- 10) Bids for number of Equity Shares which are not in multiples of [●];
- 11) Category not ticked;
- 12) Multiple bids as defined in this Red Herring Prospectus;
- 13) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- 14) Bids accompanied by Stock invest/ money order/postal order/cash;
- 15) Signature of sole and / or joint bidders missing;
- 16) Bid-cum-Application Form does not have the stamp of the BRLM or Syndicate Members;
- 17) Bid-cum-Application Form does not have Bidder's depository account details;
- 18) In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number;
- 19) Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid-cum-Application Form;
- 20) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations.;
- 21) Bids by OCBs;

- 22) Bid by U.S. residents or U.S. persons other than “Qualified Institutional Buyers” as defined in Rule 144A of the U.S. Securities Act of 1933;
- 23) In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- 24) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations; and
- 25) If GIR number is mentioned instead of PAN Number

EQUITY SHARES IN DEMATERIALIZED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

- a) a tripartite agreement dated December 2, 1998 with NSDL, us and Registrar to the Issue;
- b) a tripartite agreement dated July 17, 2000 with CDSL, us and Registrar to the Issue

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant’s Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c) Equity shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.
- f) If incomplete or incorrect details are given under the heading ‘Bidders Depository Account Details’ in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i) The trading of the Equity Shares of our Company would be in dematerialized form only for all investors.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders, etc.

Disposal of Applications and Applications Money and Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders

We shall ensure dispatch of allotment advice and/or refund orders/refund advice (in case refunds made through ECS/ Direct Credit, RTGS, NEFT) as the case may be giving credit to the Beneficiary Account of the bidders with their respective Depository Participant and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. The mode of dispatch of refunds shall be as mentioned in the paragraph titled “Mode of Making Refunds” beginning on page 283 of this Red Herring Prospectus.

Where refunds are made through electronic transfer of funds, a suitable communication will be sent to the bidders within 15 days of closure of the issue, giving details of the Bank where refund will be credited along with amount and expected date of electronic credit of refund.

The bank account details for ECS, Direct Credit, RTGS, National Electronic Funds Transfer (NEFT) credit will be directly taken from the depositories’ database and hence bidders are required to ensure that bank details including the nine digit MICR code (Magnetic Ink Character Recognition) maintained at the depository level are updated and correct.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed are taken within 7 (seven) working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, the Company further undertake that:

- allotment shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;
- dispatch refund orders within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- the Company shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the Guidelines issued by GoI, Ministry of Finance pursuant to their letter no. F/8/S/79 dated July 31, 1983, as amended by their letter no. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI’s Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

BASIS OF ALLOTMENT

A. For Bidders in the Employee Reservation Portion

- Bids received from Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allocation to all successful Bidders in the Employee Reservation Portion will be made at Issue Price.
- If the aggregate demand in the Employee Reservation Portion is less than or equal to 4,90,000 Equity Shares at or above the Issue Price, full Allocation shall be made to such Bidders in the Reservation portion to the extent of the demand.
- If the aggregate demand in the Employee Reservation Portion is more than 4,90,000 Equity Shares at or above the Issue Price the Allocation shall be made on a proportionate basis.
- For the definition of term “Eligible Employee” for the purposes of the Employee Reservation Portion please refer to section titled “Definitions and Abbreviation” beginning on page i of this Red Herring Prospectus.

B. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue less allocation to Non-Institutional and QIB Bidders and Eligible Employees shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 15,43,500 Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 15,43,500 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of allotment, refer below.

C. For Non Institutional Bidders

- Bids received from Non Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue less allocation to QIBs, Retail Individual Bidders and Eligible Employees shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 6,61,500 Equity Shares at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 6,61,500 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of allotment refer below.

D. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allocation to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows;
 - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for 5% of the QIB Portion.
 - (ii) In the event that the aggregate demand for Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid Bids received above the Issue Price.
 - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
 - (b) In the second instance allocation to all QIBs shall be determined as follows:
 - (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
 - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
 - (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Under subscription, if any, in any category would be allowed to be met with spill over from any other category at the sole discretion of our Company and the BRLM, in accordance with applicable laws, rules and regulations.

PROCEDURE AND TIME SCHEDULE FOR ALLOTMENT OF EQUITY SHARES AND DEMAT CREDIT OF EQUITY

The Issue will be conducted through a “100% Book Building Process” pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on June 27, 2007 and expire on July 03, 2007. Following the expiration of the Bidding Period, our Company, in consultation with the BRLM, will determine the Issue Price, and, in consultation with the BRLM, the basis of allocation and entitlement to allotment based on the bids received and subject to the confirmation by the BSE. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI and the Registrar of Companies and will be made available to investors. SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors’ demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence. This typically takes three trading days from the date of crediting the investor’s demat account, subject to final approval by the Stock Exchanges.

METHOD OF PROPORTIONATE BASIS OF ALLOTMENT

In the event the Issue is over-subscribed, the basis of allotment shall be finalised by our Company in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that basis of allotment is finalised in a fair and proper manner. Allotment to Bidders shall be as per the basis of allocation as set out in this Prospectus under “Issue Structure”.

- a) Bidders will be categorized according to the number of Equity Shares applied for.
- b) The total number of Equity Shares to be allotted to each category, as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of bidders in the category multiplied by number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio in that category subject to minimum allotment of [●] Equity Shares. The minimum allotment lot shall be the same as the minimum application lot irrespective of any revisions to the Price Band.
- d) In case the proportionate allotment to any Bidders is in fractions, then the same would be rounded off to nearest integer.
- e) In all bids where the proportionate allotment is less than [●] per Bidder, the allotment shall be made as follows:
 - Each successful Bidder shall be allotted a minimum of [●] Equity Shares; and
 - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- f) If the proportionate allotment to a Bidder is a number that is more than [●] but is not a multiple of 1 (which is the marketable lot), the number in excess of the multiple of 1 would be rounded off to the higher multiple of 1 if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of 1. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- g) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising of bidders applying for minimum number of Equity Shares.

LETTERS OF ALLOTMENT OR REFUND ORDERS

We shall give credit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. Bidders having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where Bidder is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other Bidders, we shall despatch refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and will despatch refund orders above Rs. 1,500, if any, by registered post only at the sole or First Bidder’s sole risk within 15 days of the Bid/Issue Closing Date and adequate funds for the purpose shall be made available to the Registrar by us. Bidders to whom refunds are made through Electronic transfer of funds will be

send a letter through “Under Certificate of Posting” within 15 days of closure of Issue, intimating them about the mode of credit of refund, the bank where refunds shall be credited along with the amount and the expected date of electronic credit of refund.

Our Company shall ensure despatch of refund orders / refund advice, if any, by “Under Certificate of Posting” or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole of First Bidder’s sole risk within 15 days of the Bid/Issue Closing Date, and adequate funds for making refunds to unsuccessful Bidders as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we undertake that:

- a. Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- b. Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date;
- c. We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders / credit intimation are not despatched and in case the where a refund is made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 15 day time prescribed above provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

Our Company will provide adequate funds required for the cost of despatch of refund orders/ refund advice/ allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode i.e ECS, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Payment of Refund

Bidders should note that on the basis of name of the Bidders, Depository Participant’s name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM, the Refund Bank, our Company nor the Registrar shall have any responsibility and undertake any liability for the same.

Mode of Making Refunds

The payment of refund, if any, would be done through various modes in the following order of preference

- (a) **ECS** - Payment of refund would be done through ECS for Bidders having an account at one of the 15 centers, where clearing houses for ECS are managed by Reserve Bank of India namely Ahmedabad, Bangalore, Bhuvaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This would be subject to availability of complete Bank Account Details including MICR code from the depository. The payment of refund through ECS is mandatory for Bidders having a bank account at any of the 15 centres named herein above, except where Bidder is otherwise disclosed as eligible to get refunds through Direct Credit or RTGS.

- (b) **Direct Credit** – Investors having their Bank Account with the Escrow Bankers, i.e. [●], shall be eligible to receive funds, if any, through Direct Credit. The refund amount, if any, would be credited directly to their Bank Account with the Escrow Banker.
- (c) **RTGS** – Bidders having a bank account at any of the 15 centres detailed above, and whose bid amount exceeds Rs. 10 lakh, shall be eligible to exercise the option to receive refunds, if any, through RTGS. All Bidders eligible to exercise this option shall mandatorily provide the IFSC code in the Bid cum Application form. In the event of failure to provide the IFSC code in the Bid cum Application form, the refund shall be made through the ECS or Direct Credit, if eligibility is disclosed.
- (d) **NEFT** (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.
- (e) For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Please note that only Bidders having a bank account at any of the 15 centres where clearing houses for ECS are managed by RBI are eligible to receive refunds through the modes detailed in (a), (b) and (c) hereinabove. For all the other Bidders, including Bidders who have not updated their bank particulars alongwith the nine digit MICR Code, the refund orders would be despatched "Under Certificate of Posting" for refund orders of value up to Rs. 1,500 and through Speed Post / Registered Post for refund orders of Rs. 1,500 and above.

For all the other Bidders excepts for whom payment of refund is possible through (a), (b) and (c) the refund orders would be despatched "Under Certificate of Posting" for refund orders less than Rs. 1500 and through Speed Post/Registered Post for refund orders exceeding Rs. 1500.

ISSUE PROGRAMME

BID/ISSUE OPENS ON:	JUNE 27, 2007
BID/ISSUE CLOSES ON:	JULY 03, 2007

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form and uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.

UNDERTAKING BY OUR COMPANY

Our Company undertake as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that funds required for making refunds to unsuccessful Bidders as per the mode(s) disclosed under the heading “Disposal of Applications and Applications Money” on page 279 of this Red Herring Prospectus, shall be made available to the Registrar to the issue by the Issuer.
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Bidder within 15 days of closure of the issue giving the details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of refund.
- That the refund orders to the Non-Resident Indians shall be dispatched within specified time.
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

We will provide adequate funds required for dispatch of refund orders / electronic transfer of funds for refunds or allotment advice to the Registrar to the Issue.

UTILIZATION OF ISSUE PROCEEDS

The Board of Directors of our Company certifies that:

- (a) all monies received out of the Issue shall be credited/ transferred to a separate Bank Account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- (b) details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such unutilized monies have been invested; and
- (c) Details of all unutilized monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.
- (d) The details of all unutilized monies out of the funds received under the reservations shall be disclosed under a separate head in the balance sheet of our Company indicating then form in which such unutilized monies have been invested.

Rectification of Register of Members

Our Company, under Section 111A of the Act will have the right to rectify the register of members to comply with the Act.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in shares and convertible debentures of an Indian company is regulated through the foreign direct investment policy of the GoI (“FDI Policy”) and by the Reserve Bank of India (“RBI”) as per the provisions of the Foreign Exchange Management Act, 1999 (“FEMA”) and rules, regulations and guidelines thereunder, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India),

2000, being Notification No. FEMA 20/2000-RB dated May 3, 2000 (as amended) (“**FEMA Regulations**”), read with the Master Circular issued by the Reserve Bank of India bearing Master Circular No. /02/2006-07 dated July 1, 2006 (“**Master Circular**”). While the FDI Policy lays down the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA, along with rules, regulations and guidelines there under, including through the FEMA Regulations and the Master Circular, regulates the precise manner in which such investment may be made. Under the FDI Policy, unless specifically restricted, foreign direct investment is freely permitted in all sectors of Indian economy and without any prior approvals, but persons resident outside India are required to follow prescribed procedures for making such investment. In the event an approval of the GoI is required, the same may be obtained through the Foreign Investment Promotion Board (“FIPB”). In terms of the aforesaid FEMA Regulations read with the Master Circular, the automatic route of RBI for persons resident outside India is not available for certain industries, one of which is “*Defence and Strategic Industries*”. The business being carried on by our Company falls under the head of “*Defence and Strategic Industries*”, and therefore, investments by persons resident outside India in the Issue would require the prior approval of the FIPB. Therefore, our Company, being person resident in India, requires approval from the FIPB for allotment of Equity Shares to Non- Resident Indians, FII’s registered with SEBI, Foreign Venture Capital Funds registered with SEBI and other permitted persons/entities, if any, resident outside India other than erstwhile Overseas Corporate Bodies, pursuant to the Issue.

Pursuant to our letter dated March 31, 2007, we have applied to the FIPB to permit our Company to issue and allot Equity Shares to Non Resident Indians, FII’s registered with SEBI, Foreign Venture Capital Funds and Foreign Venture Capital Investors registered with SEBI and other permitted persons/entities, if any, resident outside India other than erstwhile Overseas Corporate Bodies, pursuant to the Issue, as per SEBI Guidelines who are allowed to invest as per the SEBI Guidelines as applicable to the Issue, subject to limits as specified in the SEBI Guidelines. Our Company has further undertaken in the application to FIPB that the maximum post-Issue shareholding of persons resident outside India would be limited to 83,28,900 Equity Shares, being 20% of our post-Issue paid-up equity share capital, and basis of allotment in the Issue would be finalised accordingly and allotment of Equity Shares would be made accordingly. The calculation as to post Issue paid up capital is based on the assumption that 49,00,000 Equity Shares are issued under the Issue. The said approval has been received from the FIPB. For details in relation to the same, please refer section titled “Regulations and Policies” beginning on page 87 of the Red Herring Prospectus.

The above information is given for the benefit of the bidders and neither our Company nor the BRLM are liable for any modifications that may happen after the date of this Red Herring Prospectus.

SECTION VIII – MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF OUR COMPANY

Pursuant to the provisions of Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and other main provisions are as detailed below. Each provision herein below is numbered as per the corresponding article number in the Articles of Association and capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company.

CAPITAL AND INCREASE AND REDUCTION IN CAPITAL

Amount of Capital

- The Authorized Capital of the Company is Rs.100,00,00,000/- (Rupees One Hundred Crores) Divided into 10,00,00,000 Equity Shares of Rs.10/- each.

New Capital same as Existing Capital

4. Except so far as otherwise provided by the conditions of issue or by these Articles any capital raised by the creation of new shares, shall be considered as part of the original capital, and shall be, subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

Sub-division and consolidation of shares

10. Subject to the provisions of Section 94 of the Act, the Company in General Meeting may from time to time sub-divides or consolidate its shares, or any of them and the Resolution whereby any share is sub-divided, may determine, that, as between the holders of the shares resulting from such sub-division, one or more of such shares shall have come preference or special advantage as regards dividends, capital or otherwise over or as compared with the others or other. Subject as aforesaid, the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Modification of Rights of holders of special classes of shares.

11. Whenever the capital, by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares all or any of the rights and privileges attached to each class may, subject to the provisions of Section 106 and 107 of the Act, be modified, commuted, affected or abrogated, or dealt with by agreement between the Company and a person purporting to contract on behalf of that class, provided such agreement is ratified in writing by holders of at least three-fourths in nominal value of the issued shares of that class or is confirmed by a special resolution passed at a separate General Meeting of the holders of shares of that class and supported by the votes of the holders of at least three-fourth of the holders of the shares of that class and all the provisions hereinafter contained as to General Meeting shall mutatis mutandis apply to every such Meeting, except that the quorum thereof shall be Members holding or representing by proxy one-fifth of the nominal amount of the issued shares of that class.

SHARES AND CERTIFICATES

Shares to nominees of the President

14. The shares held by the President may be transferred by the President in favour of the nominee of the President or the successor of the shareholder in the appointment held by them in the Government of India.

Power also to Company in General Meeting to issue shares

15. The Company in General Meeting may determine that, any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Section 78 and 79 of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a Member or not) the option to call for or be allotted shares of the Company either (subject to compliance with the provisions of Section 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting; or the Company in General Meeting may make any other provisions whatsoever for the issue, allotment or disposal of any shares.

Liability of Members

18. Every Member or his heirs, executors or administrators, shall pay to the Company the portion of the capital represented by his shares or shares which may, for the time being, remain unpaid thereon, in such amounts, at such time or times, and in such manner, as the Board of Directors shall, from time to time, in accordance with the Company's regulations, require or fix for the payment thereof.

Share certificate

19. Every person whose name is entered as a Member in the Register of Members shall, without payment, be entitled to receive within 3 months after allotment or within two months from the registration of transfer a Certificate under the Common Seal of the Company, in such form as the Directors shall prescribe or approve, specifying the share or shares held by him and the amount paid thereon, subject to such rules and regulations as may be prescribed by Law from time to time. The share certificates may be issued in lots convenient to the Company. Where share certificates are issued in either more or less than market lots, sub-division or consolidation of share certificates into market lots shall be done free of charge. The market lots of shares shall be 100 only, or such other number as may be stipulated by the Stock Exchanges.

Provided that, in respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all.

Every certificate of shares shall specify the number and denoting numbers of the shares in respect of which it is issued and the amount paid-up thereon and shall be signed by two Directors and the Secretary or some other person appointed by the Directors.

INTEREST OUT OF CAPITAL

Interest out of Capital

23. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any work or buildings, or the provisions of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that Share Capital as is for the time being paid up, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act, and may charge the same to capital as part of the cost of construction of the work or building or the provisions of plant.

Partial payment not to preclude forfeiture

29. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any Member to the Company in respect of his shares, either by way of principal or interest nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

LIEN

Company's lien on shares

32. "The Company shall have a first and paramount lien upon all the shares (other than fully paid-up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any shares shall be created except upon the footing and condition that Article 22 hereof will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed the registration of transfer of shares shall operate as a waiver of the Company's lien. If any, on such shares. The Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this clause."
33. For the purpose of enforcing such lien, the Board of Directors may sell the shares subject thereto, in such manner as they shall think fit, and for the purpose may cause to be issued a duplicate certificate in respect of such shares and may authorise any of their Member to execute a transfer thereof on behalf of and in the name of such Member, No sale shall be made until the sum in respect of which the lien exists presently payable, and until notice in writing of the intention to sell shall have been served on such Member or his representatives and default shall have been made by him or them in payment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

FORFEITURE OF SHARES

If money payable on share not paid notice be given to Member

35. If any Member fails to pay any call or installment of a call on or before the day appointed for the payment of the same or any extension thereof the Board of Directors may, at any time thereafter, during such time as the call or installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

Term of notice

36. The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state, that, in the event of the non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or installment is payable will be liable to be forfeited.

In default of payment shares to be forfeited

37. If the requirement of any such notice as aforesaid shall not be complied with, every or any share in respect of which such notice has been given, may at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect.

Notice of forfeiture to a Member

38. When any share have been so forfeited, notice of the forfeiture shall be given to the Member, in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture with the date thereof shall forthwith be made in the Register of Members.

Forfeited share to be property of the Company and may be sold, etc.

39. Any share so forfeited shall be deemed to be property of the Company, and may be sold, re-allotted or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board of Directors shall think fit.

40. Any Member, whose shares have been forfeited, shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon from the time of the forfeiture, until payment at such rate not exceeding nine percent per annum as the Board of Directors may determine and the Directors may enforce the payment thereof, if it think fit.

Effect of forfeiture

41. The forfeiture of a share shall involve extinction at the time of the forfeiture of all interest in and all claims and demands against the Company in respect of the share and all other rights incidental to the shares, except only such of those rights as by these presents are expressly saved.

Validity of sale

42. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the power hereinbefore given the Board of Directors may appoint some person to execute an instrument of transfer of the shares sold, and cause the purchaser's name to be entered in the Register in respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

Cancellation of share certificate in respect of forfeited shares

43. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect.

TRANSFER AND TRANSMISSION OF SHARES

Form of transfer

46. Shares in the Company shall be transferred in the form prescribed by the Companies (Central Government's) General Rules and Form (Second Amendment) Rules, 1966, of such other form as may be prescribed by Government from time to time in this behalf.

Transfer of Shares

48. The right of Members to transfer their shares shall be restricted as follows :

8. Shares may be transferred freely by a Member or other person entitled to transfer.
9. Subject to the provisions of Section 111 of the Companies Act, 1956 and (Regulation) Act, 1956, the Directors may, in their absolute and uncontrolled discretion, refuse to register any proposed transfer of shares.

Provided that registration of a transfer of shares shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except a lien on the shares."

No transfer to minor, etc

49. No share shall in any circumstances be transferred to any minor, insolvent or person of unsound mind.

Transfer books when closed

50. The Board of Directors shall have power of giving seven days' previous notice by advertisement in a newspaper circulating in (Karnataka)* State to close the transfer books, the Register of Members or Register of Debenture holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty five days in each year, as to it may seem expedient.

Directors may refuse to register transfers

51. The Board on refusal by it to register any proposed transfer of shares shall, within two months from the date on which the instruments of transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal to register such transfer.

Registration of persons entitled to shares otherwise than by transfer

55. Subject to the provisions of Article 51 any persons becoming entitled shares in consequence of the death, lunacy, bankruptcy of insolvency of any Member, or the marriage of any female Member or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Board of Directors (which if shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article, or of his title, as the Board of Directors think sufficient either be registered himself as the holder of the shares or elect to have some person nominated by him and approved by the Board of Directors, registered as such holder, provided, nevertheless, that if such person shall elect to have his nominee registered, he shall testify the election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and, until he does so, he shall not be freed from any liability in respect of the shares. The Directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee, as if he were the transferee named in an ordinary transfer presented for registration.

The company not liable for disregard of a notice in prohibiting registration of a transfer

59. The Company shall incur no liability of responsibility whatever in consequence of its registering or giving effect to any transfer of shares made of purporting to be made by any apparent legal owner thereof (as shown or appearing in Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do.

BORROWING POWERS

61. Subject to the provisions of the Section 292 of the Act, the Board of Directors may, from time to time, at its discretion, by a resolution passed at a Meeting of the Board, accept deposits from Members, either in evidence of calls or otherwise, and generally raise or borrow or secure the payment of any sum or sums of money for the Company.
61. (a) Subject to the provisions of Section 292 of the Act, the Board of Directors may, by a resolution passed at a Meeting, delegate to the Managing Director the following powers :-
- (a) The power to borrow money otherwise than on the debentures ;
 - (b) The power to invest the funds of the Company ; and
 - (c) The power to make loans.
62. Subject to approval of the President the payment or repayment of moneys borrowed may be secured in such manner and upon such terms and conditions in all respects as the Board of Directors may think fit, and in particular by a resolution passed at a Meeting of the Board (and not by resolution by circulation) by the issue of debentures or debenture stock of the Company, charged upon all or any part of the property of the

Company, (both present and future), including its uncalled capital for the time being ; and debentures, debenture stock and other securities may be made assignable free from any equities between the Company and the Person to whom the same may be issued.

Terms of issue of debentures

63. Subject to approval of the President, any debenture, or other securities may be issued at a discount premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting), of General Meeting, appointment of Directors and otherwise, Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in General Meeting.

MEETING OF MEMBER

Seven days' notice of meeting to be given

- (i) Seven days' notice at least of every General Meeting. Annual or Extra Ordinary, and by whomsoever called, specifying the day, place and hour of meeting, and the general nature of the business to be transacted thereat, shall be given in the manner hereinafter provided, to such persons as are under these Articles entitled to receive notice from the Company. Provided that in the case of an Annual General Meeting with the consent in writing of all the Members entitled to receive notice of the meeting, and in the case of any other meeting, with the consent of Members, holding not less than 95 percent of such part of the paid-up share capital of the Company as gives them a right to vote at the meeting, a meeting may be convened by a shorter notice. In the case of an Annual General Meeting, if any business other than (i) the consideration of the accounts, balance sheets and reports of the Board of Directors and the Auditors, and (ii) the declaration of dividend is to be transacted and in the case of any other meeting in any event, there shall be annexed to the notice of the Meeting of statement setting out all material facts concerning each such item of business, including in particular the nature and extent of the interest, if any, therein of every Director. Where any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

Right of President to appoint any person as his representative

73. (i) The President, so long as he is a shareholder of the Company, may from time to time, appoint such person as he thinks fit (who need not be a member of the Company) to represent him at all or any meetings of the Company.
- (ii) A person appointed under Sub Clause (i) of this Article shall for the purposes of the Act be deemed to be a Member of the Company and shall be entitled to exercise the same rights and powers (including the rights to vote by proxy unless otherwise provided by order of appointment) as the President could exercise as a Member of the Company.
- (iii) The President may, from time to time, cancel any appointment made under Sub-Clause (i) of this Article and make fresh appointments.
- (iv) The production at the meeting of an order of the President evidenced as provided in the Constitution of India shall be accepted by the Company as sufficient evidence of any such appointment for cancellation as aforesaid.

Chairman's casting vote

76. In the case of an equality of votes the Chairman shall both on a show of hands and at a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a Member.

VOTES OF MEMBERS

Number of votes to which members entitled

- 82.** Every Member not disqualified by the last preceding Articles shall be entitled to be present, and to speak and vote at such meeting and on a show of hands every Member present in person or by proxy shall have one vote and upon a poll every Member present in person or by proxy shall have one vote for every share held by him either along or jointly with any other person or persons. Provided, however, if any preference shareholder be present at any meeting of the Company, he shall have a right to vote only on resolution placed before the meeting which directly affect the rights attached to his preference shares. The preference shareholders may vote on their resolution only in the circumstances provided under Section 87(2) of the Act.

Votes of Joint Members

- 84.** If there be joint registered holders of any shares, any one of such persons may vote at any meeting or may appoint another person (whether a Member or not) as his proxy in respect of such shares, as if he were solely entitled thereto, and the proxy so appointed shall have the right to speak at the meeting ; and if more than one of such joint-holders be present at any meeting, that one of the said persons so present, whose name stands higher on the Register, shall be alone entitled to speak and to vote in respect of such shares, but the other or others of the joint-holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased Member, in whose name shares stand, shall, for the purpose of these Articles, be deemed joint-holders thereof.

Voting in person or by proxy

- 85.** Subject to provisions of these Articles votes may be given either personally or by proxy.

Chairman of any Meeting to be the judge of validity of any vote

- 93.** The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

DIRECTORS

Number of Directors

- 95.** The President shall from time to time determine in writing the number of Directors of the Company. The Directors shall not be required to hold any qualification shares.

President to appoint the Directors

- 97.** (1) The Directors shall be appointed by the President and shall be paid such remuneration as the President may, from time to time, determine.

Provided that the appointment of any Director other than the Chairman and the Government representatives on the Board shall be made in consultation with the Chairman.

- (2) The Directors appointed shall be entitled to hold office for such period as the President may determine.

- (3) The President shall have the power to remove any Director from office at any time in his absolute discretion.

Provided that the Chairman shall be consulted before removing from Office any Director appointed in accordance with the proviso to clause (1).

(4) The President shall have the right to fill any vacancy in the Office of the Directors caused by removal, resignation, death or otherwise by fresh appointment.

General Power of Company vested on Directors

98. Subject to the provisions of the Act and to such directives as the President may issue from time to time under Articles 159 hereof, the business of the Company shall be managed by the Directors who may exercise all such powers and do all such acts and things as the Company is authorised to exercise and do.

Provided that the Directors shall not exercise any power or do any act or thing which is directed or required, whether by any other act or by the Memorandum of Articles of the Company to be done by the Company in General Meeting.

Provided further that in exercising any such power or doing any such act or thing, the Directors shall be subjected to the provisions contained in that behalf in the or any other Act or in the Memorandum or Articles of the Company, or in any regulations made by the Company in General Meeting.

No regulation made by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made).

When office of Directors to be vacated

68. The Office of a Director shall become vacant, if :-

(1)

- (a) he is found to be of unsound mind by a Court of competent jurisdiction ; or
- (b) he applies to be adjudicated an insolvent ; or
- (c) he is adjudged an insolvent ; or
- (d) he is convicted by a Court of any offence involving moral turpitude and is sentenced in respect thereof to imprisonment for not less than six months ; or
- (e) he fails to pay any call made on him in respect of shares of the Company held by him, whether alone or jointly with others, within six months from the date fixed for payment of such call, or
- (f) he or any of his relatives or partners or any firm of which he or any of his relatives is a partner of any private company of which he is a Director or Member, without the sanction of the company in General Meeting, accepts or holds any office of profit under the Company, other than that of Managing Director or Manager of legal or Technical Adviser of Banker or Trustee for the holders of debenture of the Company ; or

* (Provided that it shall be sufficient if the special resolution according the consent of the Company is passed at the General Meeting of the Company held for the first time after the holding of such office or place of profit.)

- (g) he absents himself from three consecutive meetings of the Board of Directors or from all meetings of the Board of Directors for a continued period of three months, whichever is longer, without leave of absence from Board of Directors ; or
- (h) he becomes disqualified by an order of Court under Section 203 of the Act ; or
- (i) he is removed in pursuance of Section 284 of the Act ; or
- (j) he acts in contravention of Section 299 of the Act.

(2) Disqualification referred to in Sub-Clauses (c), (d) and (h) above shall not take effect:-

- (a) for thirty days from the date of adjudication, sentence or order ;
- (b) where any appeal or petition is preferred within the thirty days aforesaid against the adjudication sentence or conviction resulting in the sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed of ; or
- (c) where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication sentence conviction or order and the appeal or petition, if allowed, would result in the removal of the disqualification until such further appeal or petition is disposed of.

Disclosure of interest

102. For the purpose of Articles 101 a general notice given to the Board of Directors by a Director to the effect that he is a Director or a Member of a specified body corporate or is a Members of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made. Any such general notices shall expire at the end of the financial year in which it is given but may be renewed for further periods of one financial year at a time by a fresh notice given in the last month of the financial year in which it would have otherwise expired. No such general notice, and no renewal thereof, shall be of effect unless either it is given at a meeting of the Board of Directors, or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

CHAIRMAN AND MANAGING DIRECTOR

Appointment of Chairman, Managing Director, etc.

107. (1) The President may, from time to time, appoint one or more of the Directors to the Office of the Chairman of the Board of Directors, or Managing Director or Managing Directors, *(whole time Director(s)) of the Company for such time and on such remuneration as he may think fit and may, from time to time, remove or dismiss him or them from service and appoint another or others in his or their place or places. Any such Director appointed to any such office shall, if he ceased to hold the office of the Director from any cause, *ipso facto*, and immediately ceases to be Chairman/Managing Director *(whole-time Director(s)) as the case may be.

(2) The President may, from time to time entrust to and confer upon the Chairman, Managing Director(s), *(whole time Director(s)) General Manager(s), for the time being such of the powers exercisable under these Articles by the Directors as he may think fit and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as he may think expedient, and he may confer such powers either collaterally with or to the exclusion, of and in substitution for all or any of the powers of the Director in that behalf, and may, from to time, revoke, withdraw, alter or vary all or any of such powers.

PROCEEDING OF THE BOARD OF DIRECTORS

Meeting of Directors

108. Subject to Section 285 of the Act, the Directors may meet together for the dispatch of business from time to time, and shall so meet at least once in every three calendar months and they may adjourn and otherwise regulate their meetings as they think fit, provided that the Directors shall hold a meeting at least once in every three calendar months and at least four such meetings shall be held in every year.

Acts of Board or Committees valid notwithstanding informal appointment

- 117.** All acts done by any meeting of the Board or by a Committee of the Board, or by any person acting as a Director shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Directors or persons acting as aforesaid, or that they or any of them were disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed, and was qualified to be a Director and had not vacated office or his appointment had not been terminated. Provided that nothing in this Articles shall be deemed to give validity to acts done by a Director after his appointment is shown to the Company to be invalid or to have terminated.

Powers of Directors

- 119** (a) The Chairman shall reserve for the decision of the President any proposals or decisions of the Directors in any matter which, in the opinion of the Chairman, is of such importance as to be reserved for the approval of the President. No action shall be taken by the company in respect of any proposal or decision of the Directors reserved for the approval of the President as aforesaid until him approval to the same has been obtained.
- (b) Without prejudice to the generality of the above provision, the Directors shall reserve for the decision of the President:
- (a) All appointments to posts in the scale of pay Rs.2,500-3,000 and above per mensem, of persons who have already attained the age of 58 years, whether they be from public or private sector. (This shall not apply to the appointment of foreign technicians).
 - (b) Any matter relating to the sale, lease, exchange, mortgage and/or Disposal otherwise of the whole or substantially the whole of the Undertaking of the company or any part thereof and
 - (c) Any matter relating to :
 - (i) the promotion of company/companies;
 - (ii) entering into partnership and/or arrangement for sharing profits;
 - (iii) formation of subsidiary company/companies;
 - (iv) taking or otherwise acquiring and holding shares in any other company;
 - (v) division of capital into different classes of shares;
 - (vi) winding up of the company.
 - (d) Notwithstanding anything contained elsewhere in these Articles, the President shall have power:-
 - (a) to receive and approve the company's operating plan under procedures accepted from time to time by the Central Government.
 - (b) To receive and approve the company's revenue budget in case there is an element of deficit which is proposed to be met by obtaining funds from the Central Government, under procedures accepted from time to time by the Central Government.
 - (c) To approve the agreements involving foreign collaboration proposed to be entered into by the company; and
 - (d) To call for such returns, accounts and other information with respect to be property and activities of the company as may be required from time to time.)

Certain specific powers of the Board

- 120.** Without prejudice to the general powers conferred by the Article 98 and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, it is hereby declared that the Directors shall have the following powers that is to say, power
- (1) To sanction capital expenditure in cases where detailed Project Reports have been prepared with estimates of different component parts of the Projects and where such Project Reports have been approved by Central Government. In such cases it will not ordinarily be necessary for the Board to obtain Central Government's sanction to the incurrence of Capital Expenditure.

NOTES:

(a) In case of variations in approved estimates which are not more than 10% for any particular component part, the Board of Directors will be competent to proceed with the work without further reference to Government provided there is no substantial variation in the scope of the Project.

(b) This power also covers invitation to and acceptance of tenders relating to all works included in the detailed Project Report. To authorise the undertaking of works of a capital nature in advance of the preparation and approval of a detailed Project Report with estimates or otherwise as individual works, subject to the condition that all cases involving a capital expenditure exceeding (Rs.400 lakh) shall be referred to the President for his approval before authorisation.

(2) To pay and charges to the capital account of the company any interest lawfully payable thereout under the provision of Section 208 of the Act.

(3) Subject to the provisions of Section 292 and 297 of the Act to purchase or (take on lease) or otherwise acquire for the company any property, rights or privileges, which the company is authorised to acquire at or for such price or consideration and generally on such terms and conditions as they may think fit; and in any such purchase or other acquisition to accept such titles as the Directors may believe or may be advised to be reasonably satisfactory.

(4) At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the company, either wholly or partially in cash or in shares, bonds, debentures, mortgages, or other securities of the company, and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon; and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the company and its uncalled capital or not so charged.

(5) To secure the fulfillment of any contracts or engagements entered into by the company by mortgage or charge of all or any of the property of the company and its uncalled capital for the time being or in such manner as they may think fit.

(6) To accept from any member, so far as may be permissible by law a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.

(7) To appoint any person to accept and hold in trust for the company any property belonging to the company, or in which it is interested, or for any other purposes; and to execute and do all such deeds and things as may be required in relation to any such trust, and to provide for the remuneration of such trustee or trustees.

(8) To institute, conduct, defend, compound, or abandon any legal proceedings by or against the company or its officers, or otherwise concerning the affairs of the company and also to compound and allow time for payment or satisfaction of any debts due and of any claims or demands by or against the company, and to refer any differences to arbitration, and observe and perform any awards made thereon.

(9) To act on behalf of the company in all matters relating to bankrupts and insolvents.

(10) To open any account or accounts with such bank or banks as the Board of Directors may select or appoint, to operate on such accounts to make, sign, draw accept, endorse or otherwise execute cheques, promissory notes, drafts, hundies, orders bills of exchange, bills of lading and other negotiable instruments. To make and give receipts releases and other discharges for moneys payable to the company and for claims and demands of the company.

(11) Subject to the provisions of Sections 292, 370 and 372 of the Act, to invest and deal with any moneys of the company not immediately required for the purposes thereof upon such security (not being shares of this company), or without security and in such manner as they may think fit, and from time to time to vary

or realise such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the company's own name.

(12) To execute in the name and on behalf of the company in favour of any Directors or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the company such mortgages of the company's property (present and future) as they think fit, and any such mortgages may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.

(13) To determine from time to time who shall be entitled to sign, on the company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose.

(14) To distribute by way of bonus or ex-gratia payment in the form of cash awards amongst the staff of the company a share or shares in the profits of the company and to give to any officers or other person employed by the company a commission on the profits of any particular business or transaction and to charge such bonus or expenses as a part of the working expenses of the company.)

(15) To provide for the welfare of employees or ex-employees of the company and the wives, widows and families or the dependents of such persons, by building or contributing to the building of houses, dwellings or chawls, or by grants of money, pensions, gratuities, allowances, bonus or other payments; or by creating and from time to time subscribing or contributing to provident and other associations, institutions, funds or trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board of Directors shall think fit; and to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institutions or objects which shall have any moral or other claims to support or aid by the company, either by reason of locality of operation, or of public and general utility or otherwise.

(16) Before recommending any dividend to set aside, out of the profits of the company such sums as they may think proper for depreciation or to depreciation fund, or to an insurance Fund, or as a Reserve Fund or Sinking Fund or any special fund to meet contingencies or to repay debentures or for special dividends or for equalising dividends or for repairing, improving, extending and maintaining any of the property of the company, and for such other purposes (including the purposes referred to in the preceding clauses), as the Board of Directors may, in their absolute discretion, think conducive to the interest of the company, and subject to the provisions of Section 205 of the Act to invest the several sums so set aside or so much thereof as required to be invested upon such investments (other than shares of the company) as they may think fit, and from time to time deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit of the company in such manner and for such purposes as the Board of Directors in their absolute discretion think conducive to the interest of the company notwithstanding that the matters to which the Board of Directors apply or upon which they expend the same, or any part thereof may be matters to or upon which the capital moneys of the company might rightly be applied or expended; and to divide the Reserve Fund into such special funds as the Board of Directors may think fit, and to employ the assets constituting all or any of the above funds, including the depreciation fund, in the business of the company or in the purchase or repayment of debenture stock, and that without being bound to keep the same separate from the other assets, and without being bound to pay interest on the same, with power however to the Board of Directors at their discretion to pay or allow to the credit of such funds interest at such rate as the Board of Directors may think proper, not exceeding nine per cent per annum.

(17) To appoint, and at their discretion, remove or suspend such managers, secretaries, assistants, supervisors, clerks, agents and servants for permanent temporary or special services as well as trainees, apprentices etc., as they may from time to time think fit, and to determine their powers and duties, and fix their salaries, emoluments, remuneration or stipends and to require security in such instances and to such amount as they may think fit. And also without prejudice as aforesaid, from time to time to provide for the management and transaction of the affairs of the company in any specified locality in India or elsewhere in

such manner as they think fit; and the provisions contained in three next following sub-clauses shall be without prejudice to the general powers conferred by this sub-clause.

(18) From time to time and at any time to establish any Local Board for managing any of the affairs of the company in any special locality in India or elsewhere and to appoint any persons to be Members of such Local Boards, and to fix their remuneration. Subject to the provisions of Section 292 of the Act, and regard being had to Proviso (1) of Sub-Section 1 thereof from time to time, and at any time to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Board of Directors, other than the power to make calls or to make loans or borrow moneys; and to authorise the members for the time being of any such Local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies; and any such appointment or delegation may be made on such terms, and subject to such conditions as the Board of Directors may think fit, and the Board of Directors may at any time remove any person so appointed, and may annul or vary any such delegation. The Local Board and/or the person so appointed shall make a written report each month of its/his work and progress during the preceding calendar month and the report shall be placed before the Board of Directors at its next meeting.

(19) At any time and from time to time by Power of Attorney under the seal of the company, to appoint any person or persons to be the Attorney or Attorneys of the company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board of Directors under these presents and excluding the power to make calls and excluding also except in the limits authorised by the Board the power to make loans and borrow moneys) and for such periods and subject to such conditions as the Board of Directors may from time to time think fit; and any such appointment may (if the Board of Directors think fit) be made in favour of the members of any Local Board, established as aforesaid or in favour of any company, or the shareholders, Directors, nominees, or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board of Directors and any such power of Attorney may contain such powers for the protection or convenience of persons dealing with such Attorneys as the Board of Directors may think fit, and may contain powers enabling any such delegates or Attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them.

(20) Subject to the provisions of Sections 294 and 297 of the Act, for or in relation to any of the matter aforesaid or otherwise for the purposes of the company to enter into such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the company as they may consider expedient.

(21) Subject to the provisions of Section 292 of the Act to delegate to any person all or any of the powers, authorities and discretions vested to them, subject, however, to the ultimate control being retained by them.

(22) To make bye-laws and vary and repeal them from time to time for the regulation of the business of the company, its officers and servants.

(23) To create posts and make appointments thereto except those in respect of which powers of creation and appointment have been reserved for the President.

DIVIDEND

124. The Profits of the company, subject to any special rights relating thereto created or authorised to be created by these presents and subject to the provisions of the Articles, shall be divisible among the Members in proportion to the amount of capital paid up on the shares held by them respectively.

The company in General Meeting may declare a dividend

125. The company in General Meeting may declare dividends, to be paid to members according to their respective rights but no dividend shall exceed the amount recommended by the Board or Directors.

Dividends only to be paid out of profit

- 126.** No dividend shall be declared or paid by the company for any financial year except out of profits of the company for that year arrived at after providing for the depreciation in accordance with the provisions of Sub-Section (2) of Section 205 or out of profits of the company for any previous financial year or years arrived at after providing for the depreciation in accordance with those provisions and remaining undistributed or out of both or out of moneys provided by the Government for the payment of dividend in pursuance of a guarantee given by the Government, and no dividend shall carry interest as against the company. The declaration of the Board of Directors as to the amount of profits of the company shall be conclusive.

Interim Dividend

- 127.** The Board of Directors, may, from time to time, pay to the Members such interim dividend as in their judgment the position of the company justifies.

Capital paid up in advance at interest not to earn dividend

- 128.** Where capital is paid in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits.

Dividends in Proportion to amount paid up

- 129.** The company shall pay dividends in proportion to the amount paid up or credited as paid up on each share, where a larger amount is paid up or credited as paid up on some shares than on others.

Unclaimed Dividends

- 134.** Dividends unclaimed for one year after having been declared may be invested or otherwise used by the Board of Directors for the benefit of the company until claimed.

Dividends and call together

- 136.** (a) A General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the company standing to the credit of the reserve fund, or any capital redemption reserve account, or in the hands of the company and available for dividends (or representing premiums received on the issue of shares and standing to the credit of the shares premium account) be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same is distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full either at par or at such premium as the resolution may provide, any unissued shares or debentures of the company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares or debentures and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum

(b) A General Meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the company or any investments representing the same, or any other undistributed profits of the company not subject to charge for income tax, be distributed among the Members on the footing that they receive the sum as capital.

(c) For the purpose of giving effect to any resolution under the preceding paragraphs of this Article the Board of Directors may settle any difficulty which may arise in regard to the distribution as it thinks expedient, and in particular may issue fractional certificates, and may determine that such cash payments shall be made to any Member upon the footing of the value so fixed or that fractions of less value than Rs.10/- may be disregarded in order to adjust the rights of all parties, and may vest any assets in trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may be seem expedient to the

Board of Directors. Where requisite, a proper contract shall be delivered to the Register for registration in accordance with Section 75 of the Act, and the Board of Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, and such appointment shall be effective.

DOCUMENTS AND NOTICES

147. (1) A document or notice may be served or given by the company or any Member either personally or by sending it by post to him to his registered address or (if he has no registered address in India) to the address, if any, in India supplied by him to the company for serving documents or notices on him.

(2) Where a document or notice is sent by post, service of the document or notice shall be deemed to be effected by properly addressing, preparing and posting a letter containing the document or notice and such service shall be deemed to have been effected in the case of a Notice of a Meeting, at the expiration of forty-eight hours after the letter containing the document or notice is posted and in any other case, at the time at which the letter would be delivered in the ordinary course of post.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or contracts entered into more than two years before the date of filing of this Red Herring Prospectus) which are or may be deemed material have been entered or are to be entered into by our Company. These contracts, copies of which will be attached to the copy of the Red Herring Prospectus will be delivered to the Registrar of Companies, Karnataka for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company located at BEML Soudha, No. 23/1, 4th Main Road, Sampangiramanagar, Bangalore – 560 027, from 10.00 a.m. to 4.00 p.m. on working days from the date of filing of this Red Herring Prospectus until the date of closure of this Issue.

Material Contracts

1. Letter of Engagement dated July 5, 2005 from ICICI Securities Limited (now renamed as ICICI Securities Primary Dealership Limited) offering its services to act as BRLM and Company's acceptance thereto.
2. Memorandum of Understanding dated April 3, 2007 between us and the BRLM.
3. Memorandum of Understanding dated April 4, 2007 between us and Karvy Computershare Private Limited as Registrars to this Issue.
4. Escrow Agreement dated [•] between us, the BRLM, Syndicate Member and the Registrar to this Issue.
5. Syndicate Agreement dated [•] between us, BRLM and the Syndicate Member.
6. Underwriting Agreement dated [•] between us, BRLM and the Syndicate

Material Documents

1. The Memorandum and Articles of Association of our Company, as amended from time to time.
2. Certificate of Incorporation of our Company dated May 11, 1964.
3. Approval from the Ministry of Defence, Government of India granting the issue of upto 49,00,000 Equity Shares vide a letter number 1(1)/ 2004/ Vol. II-D (BEML) dated February 21, 2007.
4. Extraordinary General Meeting resolution dated July 13, 2005 and the resolution of the Board dated June 2, 2005 authorizing this Issue.
5. Copies of the Annual Reports of our Company for the years ended March 31 2002, 2003, 2004, 2005 and 2006 and audit report for the nine month period ended December 31, 2006.
6. Copy of the tax benefit report dated May 28, 2007 from M/s. Rao Associates, Chartered Accountants.
7. Copy of Certificate of funds deployment dated May 28, 2007 from M/s. Rao Associates, Chartered Accountants.
8. Report of the Statutory Auditors dated March 29, 2007 from M/s. Rao Associates, Chartered Accountants.
9. Letters appointing and fixing remuneration issued by the Ministry of Defence, Government of India/Board Resolution for our whole-time Directors.

10. Consents of Auditors, Bankers to our Company, BRLM, Syndicate Member, Legal Advisors to this Issue, Directors, Company Secretary, Registrar to this Issue, Bankers to this Issue, Compliance Officer as referred to, in their respective capacities.
11. Letter of Offer in relation to the previous rights issue of our Company which opened on January 16, 1995 and closed on February 14, 1995.
12. Letters of correspondence with the Calcutta Stock Exchange Association Limited (“CSE”) for delisting including letters dated February 25, 2004; June 4, 2004; November 7, 2005; March 21, 2006; June 13, 2006; January 9, 2007 and April 4, 2007 from our Company to CSE and letters dated May 7, 2004; September 15, 2005; March 8, 2006; April 17, 2006 and December 21, 2006 from CSE to our Company.
13. Listing application filed with the BSE, NSE and BgSE.
14. In-principle listing approvals from BSE, NSE and BgSE.
15. Tripartite agreement between the NSDL, our Company and Karvy Computershare Private Limited dated December 2, 1998.
16. Tripartite agreement between the CDSL, our Company and Karvy Computershare Private Limited dated July 17, 2000.
17. Due Diligence Certificate dated April 9, 2007 to SEBI from ICICI Securities Limited.
18. SEBI observation letter no. CFD/DIL/ISSUES/94408/2007 dated May 24, 2007.
19. Letter No. FC.II.:110(2007)/94(2007) dated May 31, 2007 issued by FIPB Unit, Department of Company Affairs, Ministry of Finance, Government of India dated May 31, 2007.

DECLARATION

All the relevant provisions of the Companies Act 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all statements in this Red Herring Prospectus are true and fair.

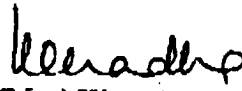
SIGNED BY ALL DIRECTORS :




Mr. V.R.S. Natarajan
Chairman & Managing Director



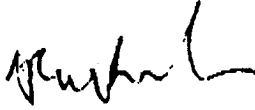
Mr. Mohd. Haleem Khan
Part-time Director




Dr. (Mrs.) Kiran Chadha
Part-time Director




Mr. A Prasad
Part-time Director



Prof. Prakash G Apte
Part-time Director



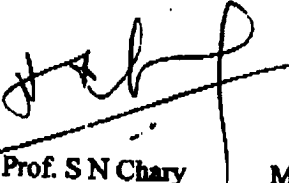
Mr. Birendra Kumar
Part-time Director
(By P A holder)



Mr. K V K Seshavatham
Part-time Director
(By P A holder)



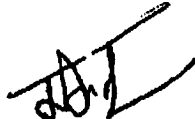
Dr. Arabinda Tripathy
Part-time Director




Prof. S N Chary
Part-time Director



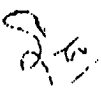
Mr. N R Mohanty
Part-time Director



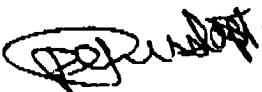
Mr. Jayanta Bagchi
Part-time Director



Mr. R C Suthar
Director
(Mining &
Construction)



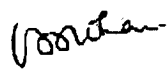
Mr. N K Sreenivasan
Director
(Metro & Rail
Business)



Mr. R K Rustagi
Director
(H R)



Mr. B L Bajaj
Director
(Finance)



Mr. V Mohan
Director
(Defence Business)

Date : May 31, 2007
Place : Bangalore