



## **Analysts Meet**

**25.09.2014**



# Company Profile



## Company Overview

### Navratna PSU

- Established in 1954 under Ministry of Defence
- Engaged in Strategic Electronics primarily to Defence
- R&D / Technology driven Company operating in competitive area
- 74<sup>th</sup> among top 100 Companies Worldwide in Defence Revenue (*Defence News, USA*)

### Manufacturing Plants

- **9 Factories** : Bangalore, Ghaziabad, Pune, Machilipatnam, Chennai, Panchkula, Kotdwara, Hyderabad, Navi Mumbai

### Human Resources

- 9952 employees; 4281 Engineers (2153 in R&D)

### Subsidiary & JVs

- BEL Optronics Devices Ltd – Night Vision Image Intensifier tubes
- GE BE Pvt Ltd – Medical Electronics Parts, X-Ray Tubes
- BEL Thales Systems Ltd – Civil ATM & Defence Radars



## Business Segments



- Radar & Weapon Systems
- Communication
- Electronic Warfare
- Network Centric Systems
- Anti Submarine Warfare
- Electro-Optics
- Tank Electronics
- Homeland Security
- Civilian Products

**Multi product, Multi technology company – Diverse product range**



## Research & Development

- **85%** Sales Revenue from Indigenous R&D
- **Around 8** new products introduced every year
- **BEL** has unique **3 tier R&D** structure
- **2153** engineers deployed in R&D
- **R&D investment** : **around 8%** of turnover
- **Level-5** Certification for Software development
- **Largest Production Partner** of DRDO
- **Patents** - **6 registered, 36 filed**
- **Consistently winning RM awards** for **Design, Innovation and Indigenization**





## Expansion & Modernization



- **Investment around 250 – 300 Crs**
- **World class Manufacturing & Test facilities**
  - **Super Components Facility**
  - **Test set up for Missile System**
  - **Antenna Test Range Facility**
  - **High Roof hangar for Radar & Antenna Integration**
  - **Modern Production setup for Airborne applications**
  - **Environmental Test facilities**

**New Missile Integration Range facility proposed to be set up in AP**

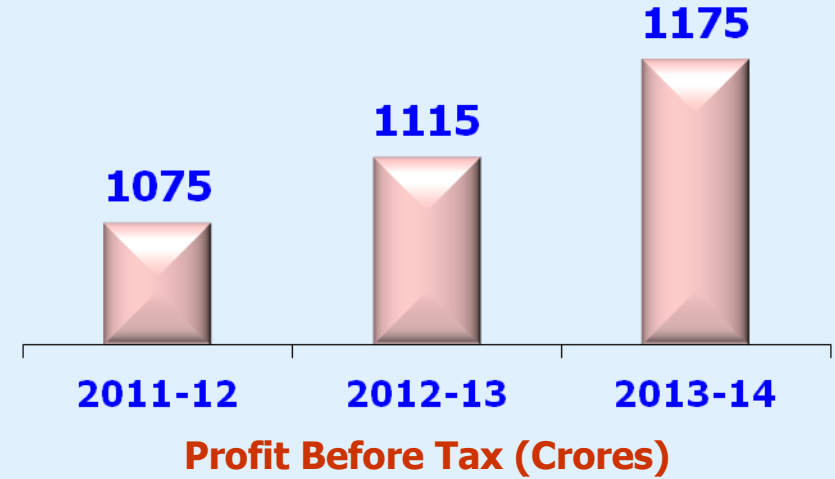
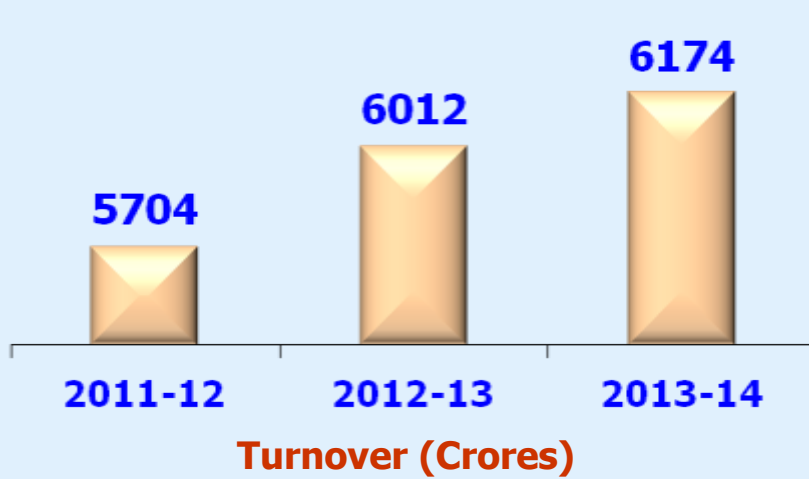


## **Major achievements in recent past**

- **Completion of Turnkey Coastal Surveillance System at 35 mainland and 9 island sites for Indian Coast Guard**
- **Coastal Surveillance Systems for Mauritius & Seychelles**
- **New Generation Sonar for Myanmar**
- **Successful test firing of Akash Weapon System**
- **Established state-of-the-art manufacturing facility for Microwave Supercomponents**
- **Completion of User trials of Weapon Locating Radar**
- **Export of Radar Finger Printing System, Data Link, etc to Boeing**
- **Completion of SATs of Combat Management System on front-line warships**
- **Induction of Low Level Portable Radar & 3D Tactical Control Radar**
- **Introduction of new design EVM – delivered 1.25 Lakhs**



## Performance



**Around 80% of turnover from Defence**





## Exports



- **Dedicated Business Unit & Marketing Group for Exports**
- **7 Units certified for International Aerospace Standards (AS9100)**
- **Major products exported:** Composite Communication System, Versatile Communication System, Electronic Support Measure System, Electro-Optic Fire Control System, Radar Finger Printing System, Identification of Friend or Foe, Hull mounted Sonar, Radar Warning Receiver, EVM, Casings, Stators, etc
- **Major countries:** USA, UK, Russia, Italy, Brazil, Germany, France, Israel, Indonesia, Honduras, Malaysia, Maldives, Mauritius, Myanmar, Namibia, Seychelles, South Africa





## Scenario: 2014-15



## Order Book

- **The order book of the company is around 23000 Crores (as on 01.04.14)**
- **Order book comprises of :**
  - **Large projects with staggered deliveries spread across 4+ years**
  - **First time inducted projects requiring clearance from customer**
  - **Projects with civil infrastructure as part of deliverables**
  - **Deliveries linked to readiness of platforms (ship, aircraft, trucks)**
  - **Security grading related concerns**



## Major projects planned during 2014-15

- Akash Missile System (Airforce & Army)
- Missile Warning System
- Tactical Control Radar
- Fire Control Radar
- Central Acquisition Radar
- Passive Night Vision Devices
- Ship borne Electronic Warfare Systems
- New Generation Sonars
- Combat Management System
- Non Defence Projects

Company has planned to cross turnover milestone of 7000 Crs during 2014-15



# Business Environment, SWOT, Strategies



## **Current Business Environment**

- **Customers preference - Products to System Solutions**
- **Increasing Competition - Single to Multi Vendor situation**
- **Aggressive business development by Private industry**
- **Foreign OEMs - JVs with Indian Private Industries**
- **Indian private industries - aspiring to become lead bidders**
- **Fast changing technology**
- **Difficulty in sourcing some critical technologies**



## SWOT analysis

### Strengths

- Expertise in executing large system Integration Projects
- Long Term association & commitment to Customers
- Joint Development with Technology Partners
- Streamlined Systems & Procedures + ERP (SAP application)

### Weaknesses

- Gap in some of the new technology areas
- Long gestation time for projects

### Opportunities

- Growth in Defence needs
- Enhanced thrust on indigenous manufacturing (Development & execution)
- Potential Offset Opportunities

### Threats

- Increased Competition from Indian private Companies & Foreign OEM's
- Rapid change in technology



## **Strategy – R&D**

- **Strengthening Technology Planning**
- **Long term Technology plan based on TPCR**
- **Sustained focus on R&D and In-house development of core technologies / products**
  - **Integrated State-of-the-art Corporate Product Development Innovation Center**
- **Strengthening collaboration with National and International Design Houses (Collaborative R&D)**
- **Thrust on IPR (Intellectual Property Rights) & Patents**
- **Enhanced thrust on BEL-Academia partnership**





## Strategy - Marketing

### Strengthening Marketing Planning through

- **Establishing of robust Marketing intelligence & Marketing research cell in the organization**
- **Annual & Roll on Marketing plans**
- **Enhanced thrust on Customer education about new products / systems**
- **Enhanced thrust on Offset business**



## Strategy - Exports

- **Enhanced thrust on Exports – Radars, Sonars, CSS, NVDs, EVMs, RWRs**
- **Strategic alliances with global technology partners for joint development / co-production**
- **Upgrade/dedicated manufacturing facilities to become supply chain partner of Global players (Boeing, Pilatus, GE, Seimens, Philips)**
- **Address offset business in 'Global Buy' programs**
- **DPSU/OFB Export Promotion Workshop – recently conducted by BEL**
- **Participation in International exhibitions**
- **Marketing thro' authorized Reps in overseas territories (South east Asia, Middle East, North Africa and Latin American etc.)**
- **Certification for International Aerospace Standards – AS 9100**



## Strategy - Operations

- **PMI certified Project Manager for monitoring of projects**
- **Training and Certification by American Society for Quality**
  - **“Certified Reliability Engineer” for Engineers in R&D**
  - **“Certified Quality Engineer” for Engineers in Quality**
- **Effective procurement system – Multi Vendor scenario**
- **Effective utilization of SAP**
- **Strengthening of Product Support activities**
  - **Customer co-ordination cell**
  - **Setting up of Regional Support centers**
- **Augmentation of new infrastructure / facilities**



## Future areas for growth

The Company is focusing on the following segments contributing to **80%** of the turnover during next 5 years

- **Missile Systems**
- **Modern Radars**
- **Network Centric Systems**
- **Electro – Optics**
- **Electronic Warfare**
- **Anti Submarine Warfare**

**Company is expected to grow with CAGR of 10% in next 5 years**

**Thank You**





## **Analysts Meet**

**25.09.2014**



## Balance Sheet

Value in Rs Lakhs

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
<b>EQUITY &amp; LIABILITIES</b>					
Share Capital	8000	8000	8000	8000	8000
Reserves & Surplus	424526	490571	554221	622369	693724
Government Grants	2042	1686	1474	1917	1261
Non Current Liabilities	NA *	26130	30742	35275	36314
Current Liabilities	497324	789776	891398	777053	713429
<b>TOTAL</b>	<b>931892</b>	<b>1316163</b>	<b>1485835</b>	<b>1444614</b>	<b>1452728</b>
<b>ASSETS</b>					
Fixed Assets (including Capital work in progress)	52139	54140	62372	73688	84781
Non Current Investments	1198	1198	1198	1198	1198
Deferred Tax Assets (Net)	15674	18065	22816	27157	29949
Long Term Loans & Advances & Other Non Current Assets	NA *	22184	29236	21014	15657
Current Assets	862881	1220576	1370213	1321557	1321143
<b>TOTAL</b>	<b>931892</b>	<b>1316163</b>	<b>1485835</b>	<b>1444614</b>	<b>1452728</b>

\* Included in Current Assets & Current Liabilities as per the requirements of Companies Act then existing.



## Statement of Profit & Loss

*Value in Rs Lakhs*

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Value of Production (C&AG)	524788	552079	579358	629019	612690
Turnover (Gross)	521977	552969	570363	601219	617423
Excise Duty	(3934)	(5795)	(5362)	(2173)	(5195)
Turnover (Net)	518043	547174	565001	599046	612228
Operating Revenue	19900	11335	11763	11336	15324
Other Income	17741	27598	58549	60998	42847
<b>Total Revenue</b>	<b>555684</b>	<b>586107</b>	<b>635313</b>	<b>671380</b>	<b>670399</b>
Material Consumption	302454	312931	366903	408493	358356
Changes in inventories of Finished Goods, WIP & Scrap	(2811)	890	(8995)	(27800)	4733
Employee Benefits Expense	100958	104186	108123	111079	103042
Finance Cost	53	73	60	78	340
Depreciation / Amortisation	11594	12204	12080	13071	14210
Other Expenses	35778	41716	49271	54363	72309
<b>Total Expenditure</b>	<b>448026</b>	<b>472000</b>	<b>527442</b>	<b>559284</b>	<b>552990</b>
<b>Profit before exceptional &amp; extraordinary items &amp; Tax</b>	<b>107658</b>	<b>114107</b>	<b>107871</b>	<b>112096</b>	<b>117409</b>
Exceptional / Extraordinary Items	(3135)	-	-	-	-
<b>Profit for the year</b>	<b>104523</b>	<b>114107</b>	<b>107871</b>	<b>112096</b>	<b>117409</b>
Prior Period Items (Net)	(21)	2008	(386)	(637)	65
<b>Profit for the year Before Tax</b>	<b>104502</b>	<b>116115</b>	<b>107485</b>	<b>111459</b>	<b>117474</b>
Provision for Tax	32415	29968	24495	22476	24312
<b>Profit for the year After Tax</b>	<b>72087</b>	<b>86147</b>	<b>82990</b>	<b>88983</b>	<b>93162</b>

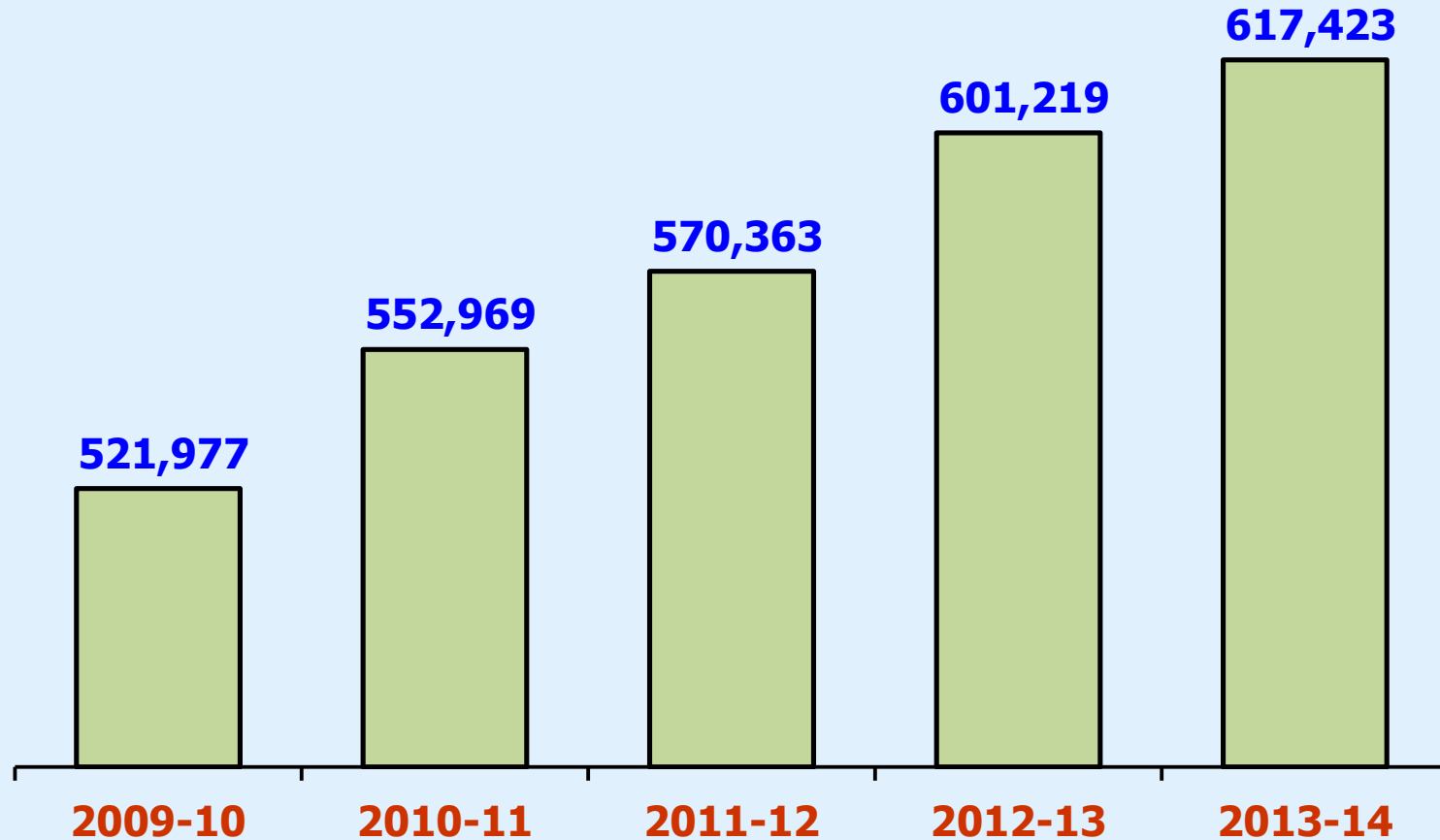
**VoP (C&AG) = Gross Turnover - Changes in Inventories of finished goods, WIP & Scrap**





## Turnover (Gross)

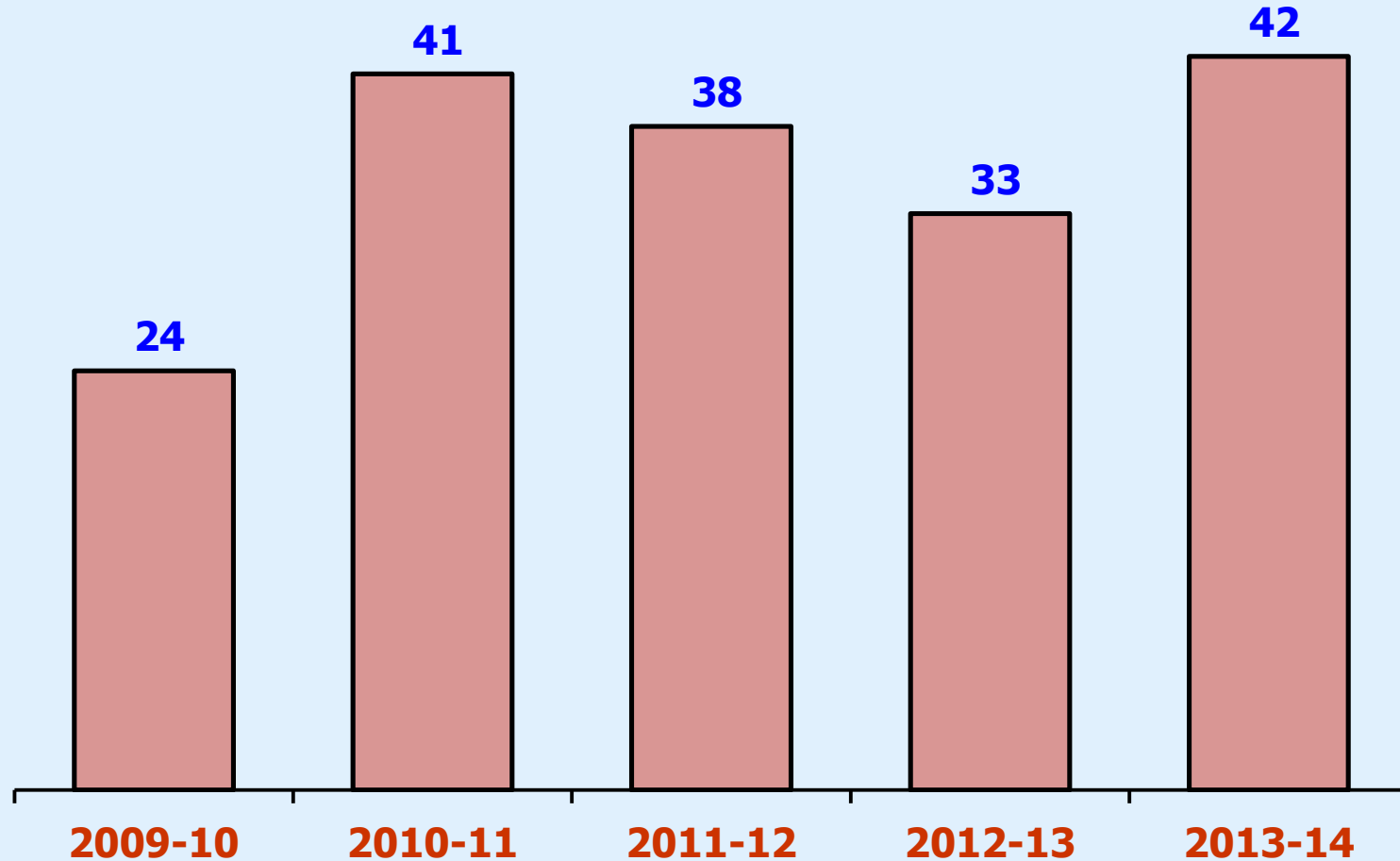
*Value in Rs Lakhs*





## Export Turnover

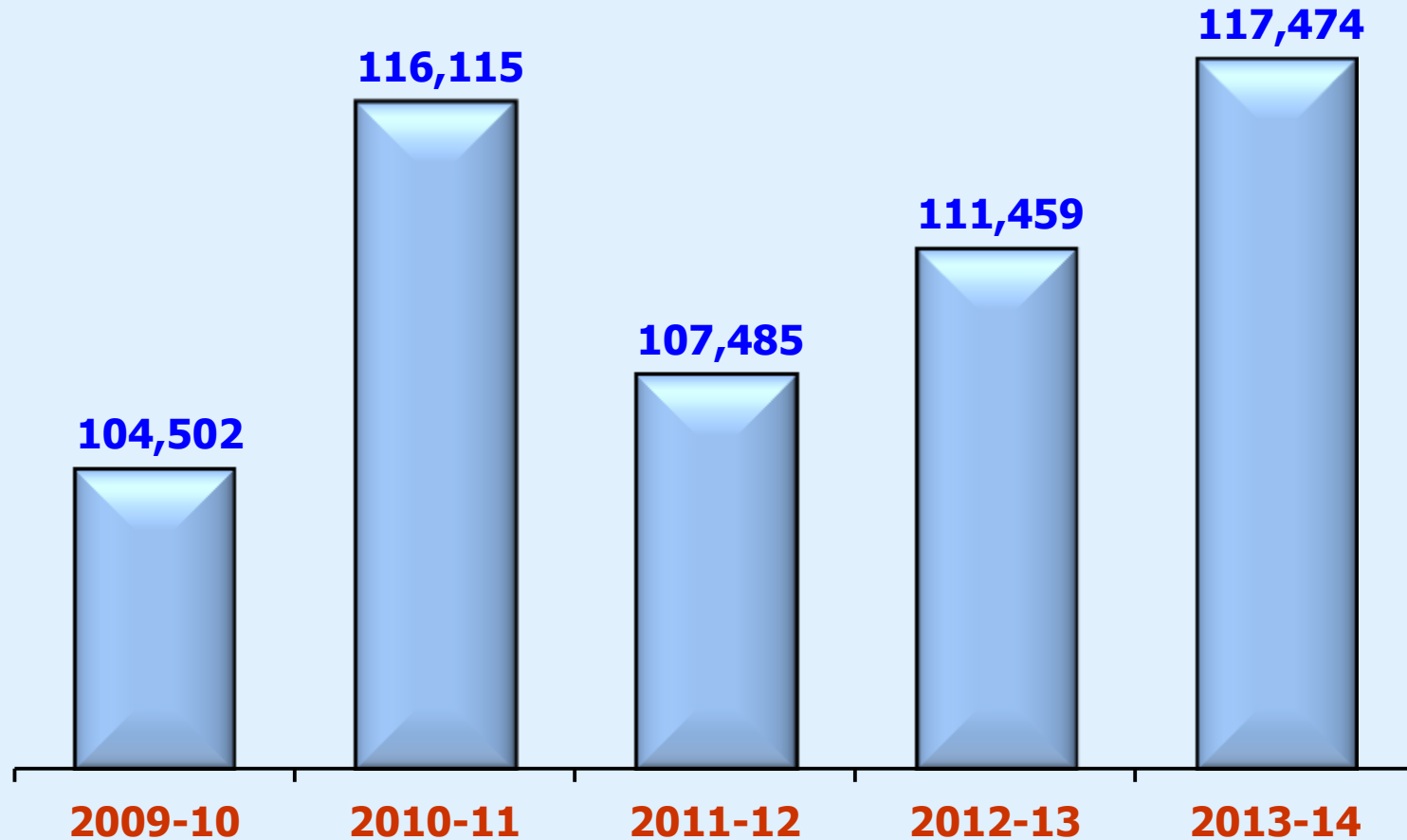
*Value in US \$ M*





## Profit Before Tax

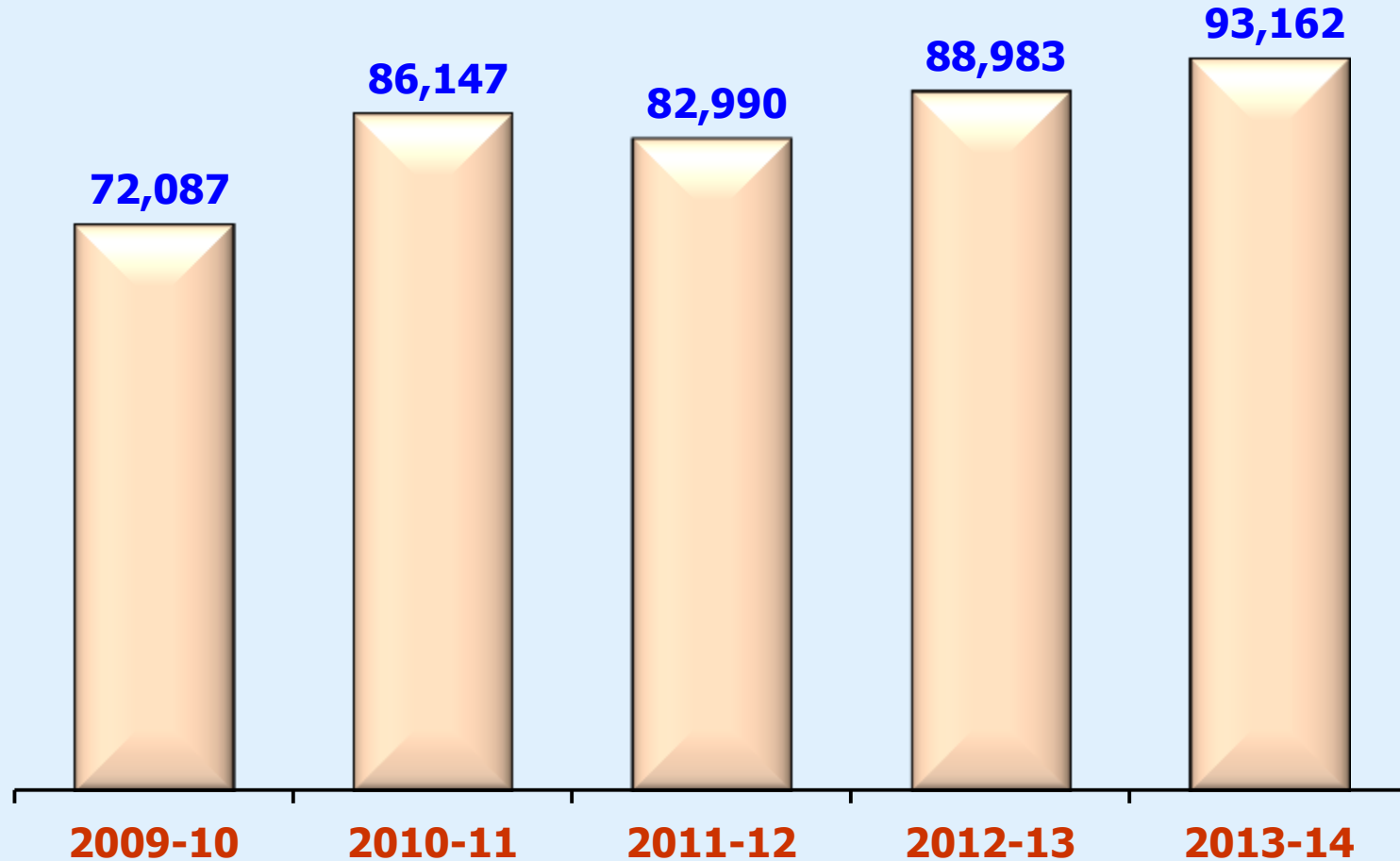
*Value in Rs Lakhs*





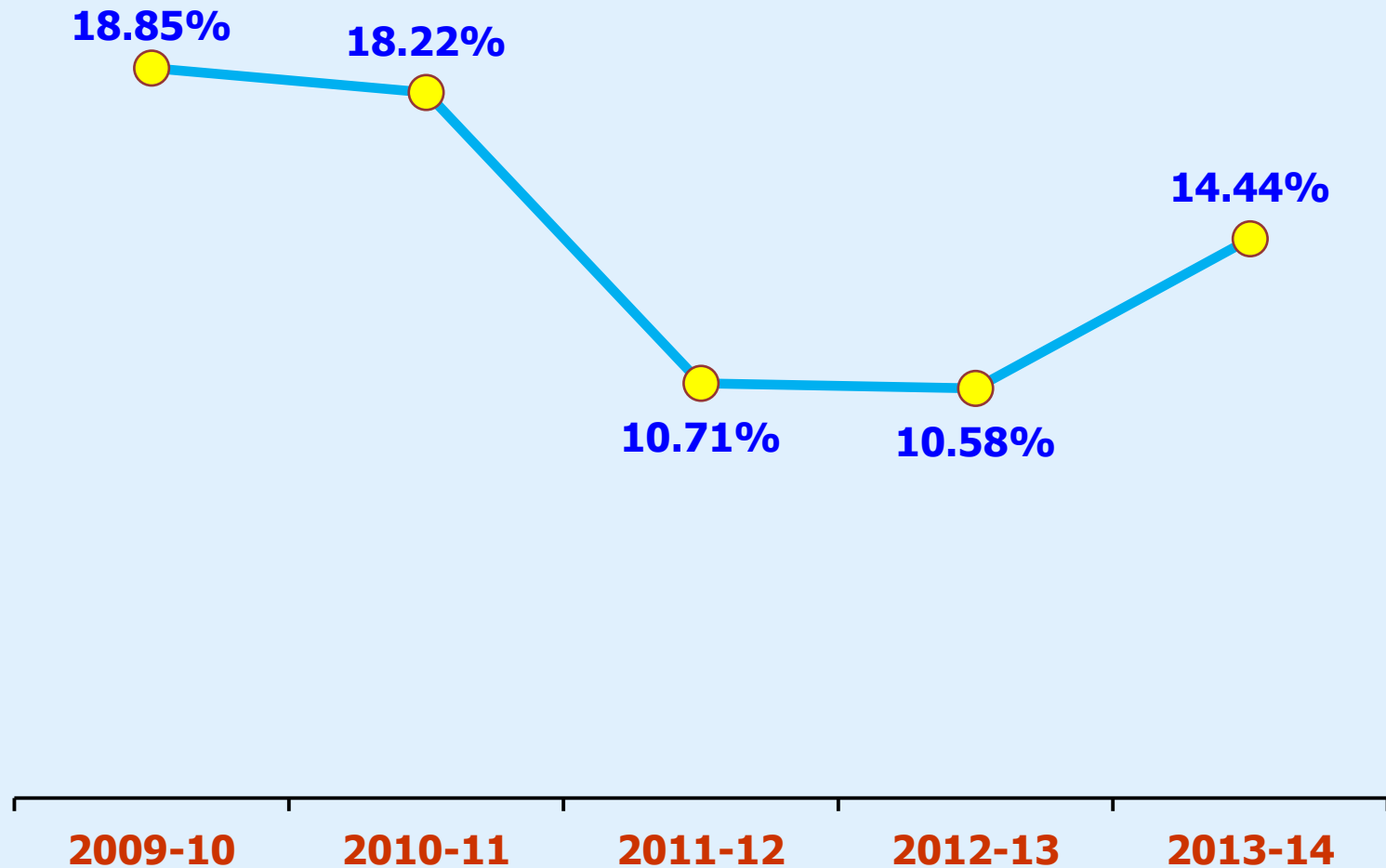
## Profit After Tax

*Value in Rs Lakhs*



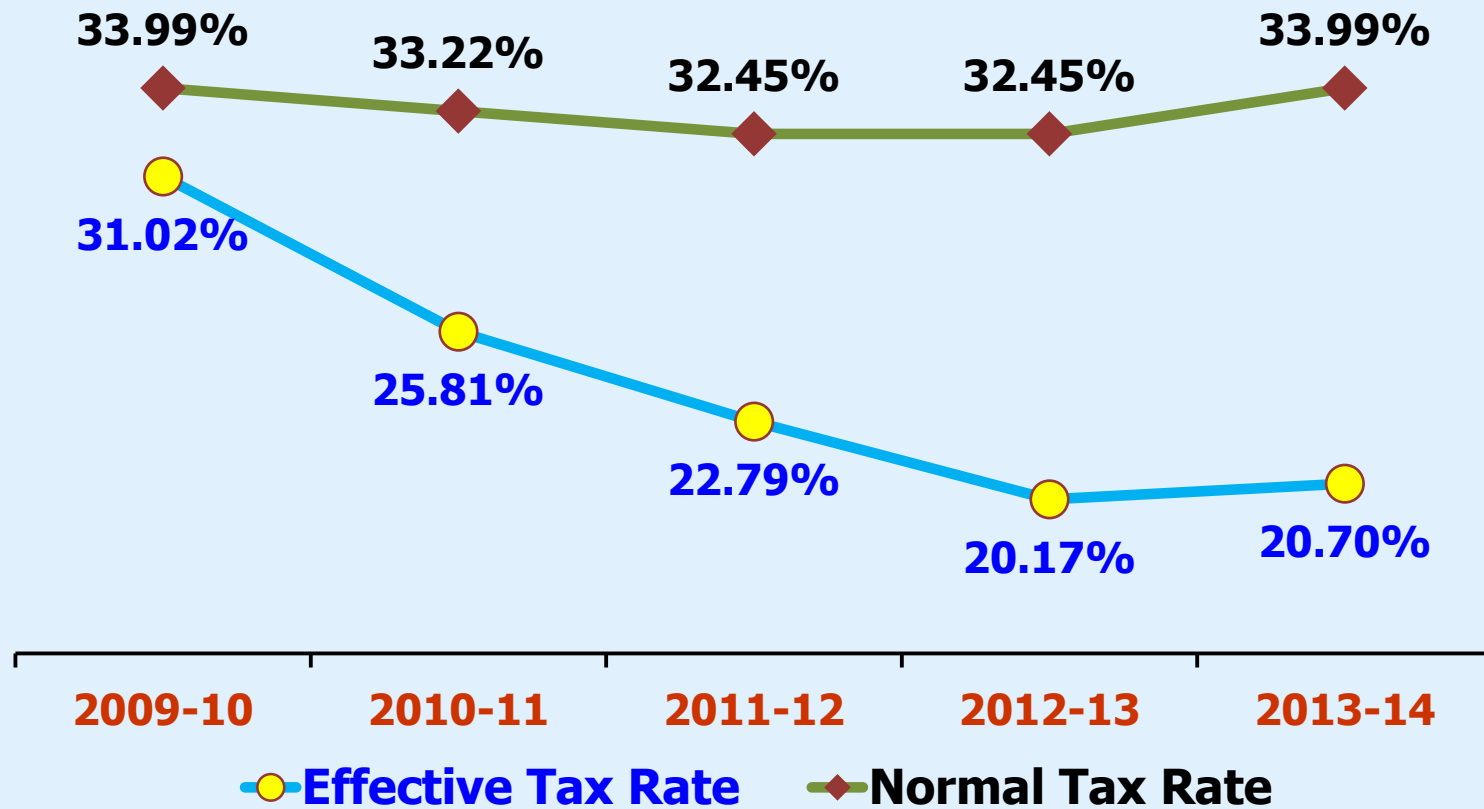


## EBITDA to Turnover





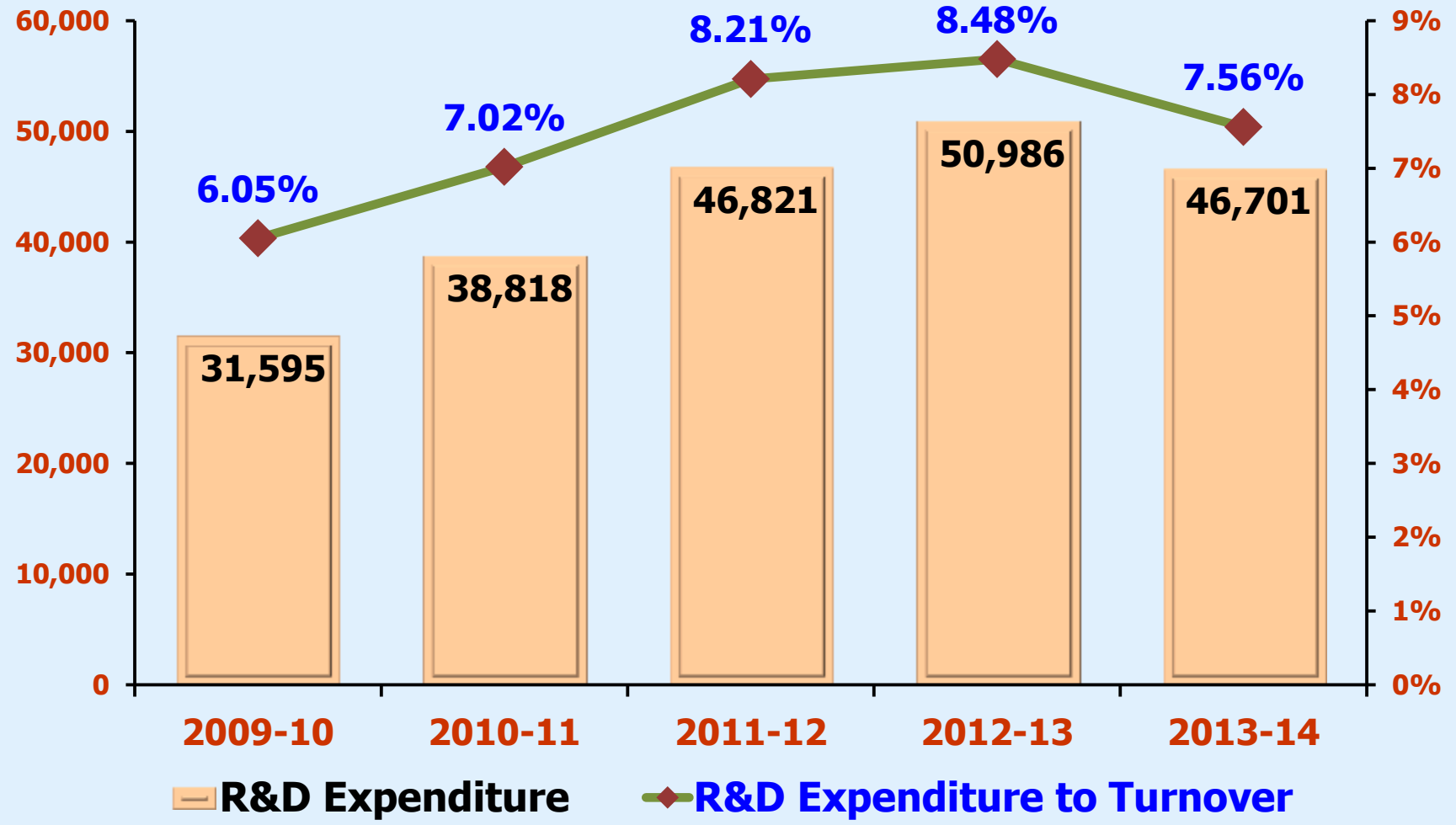
# Effective Income Tax Rate Vs Normal Income Tax Rate





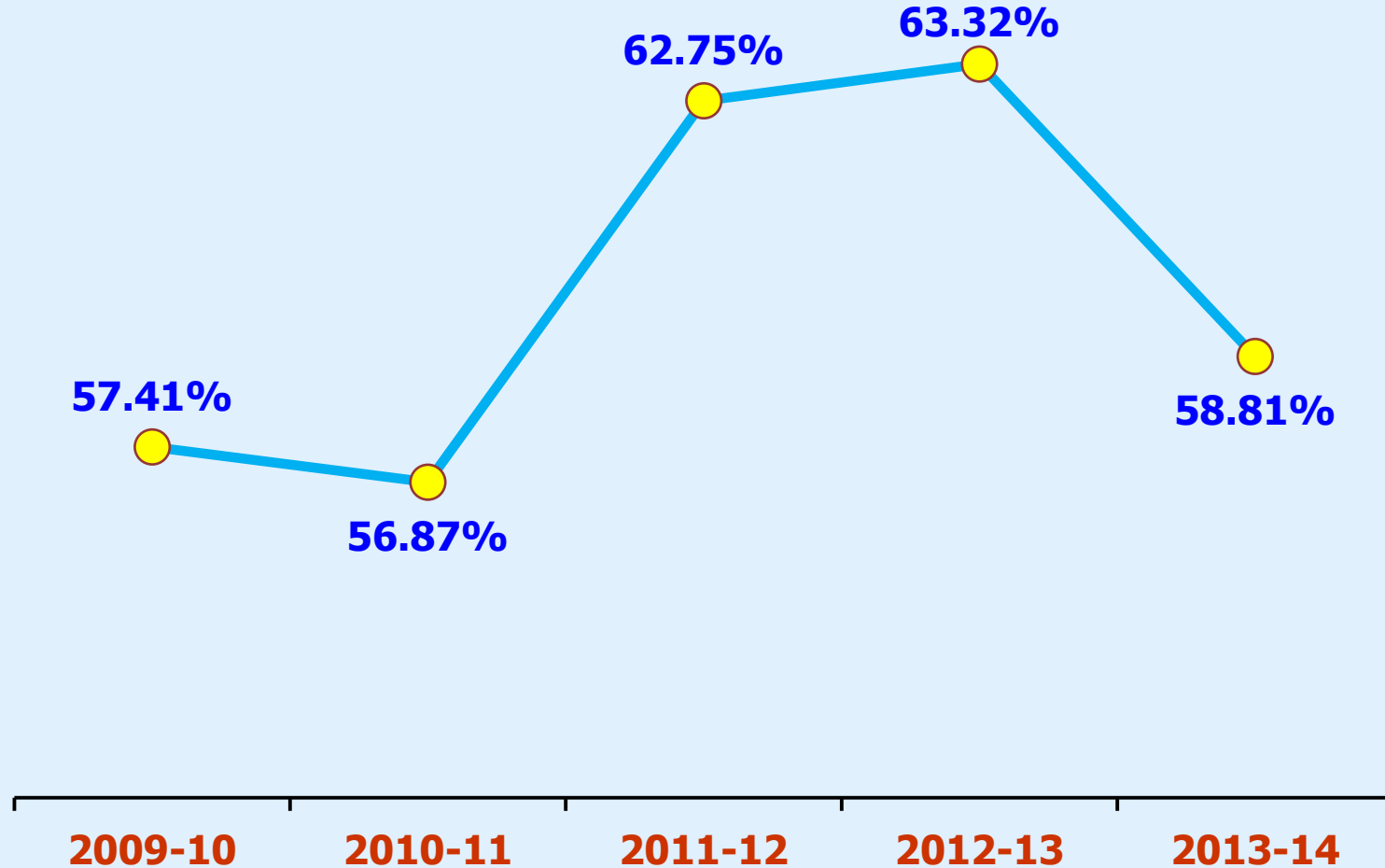
# R&D Expenditure

Value in Rs Lakhs





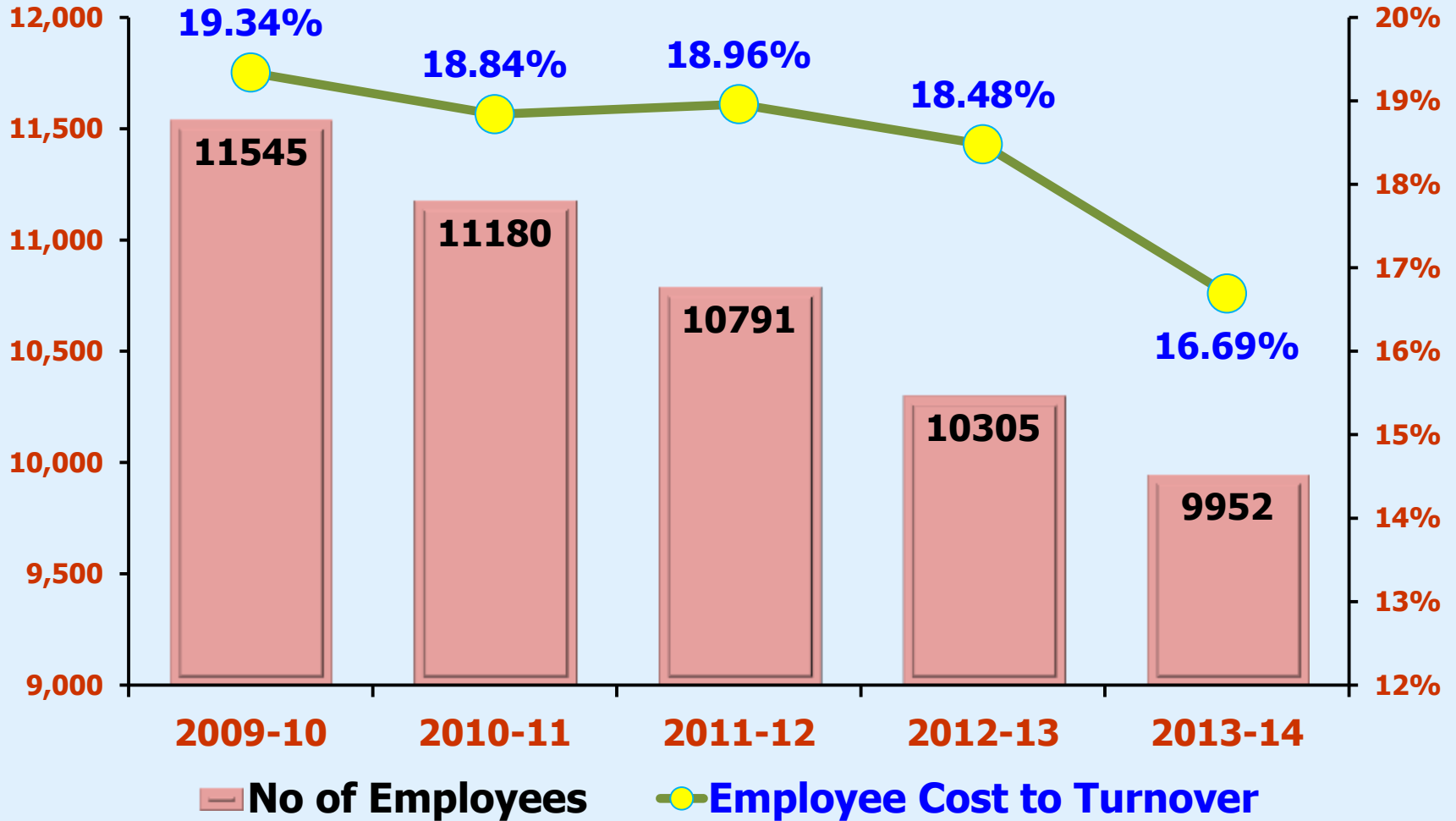
## Material Content to Turnover





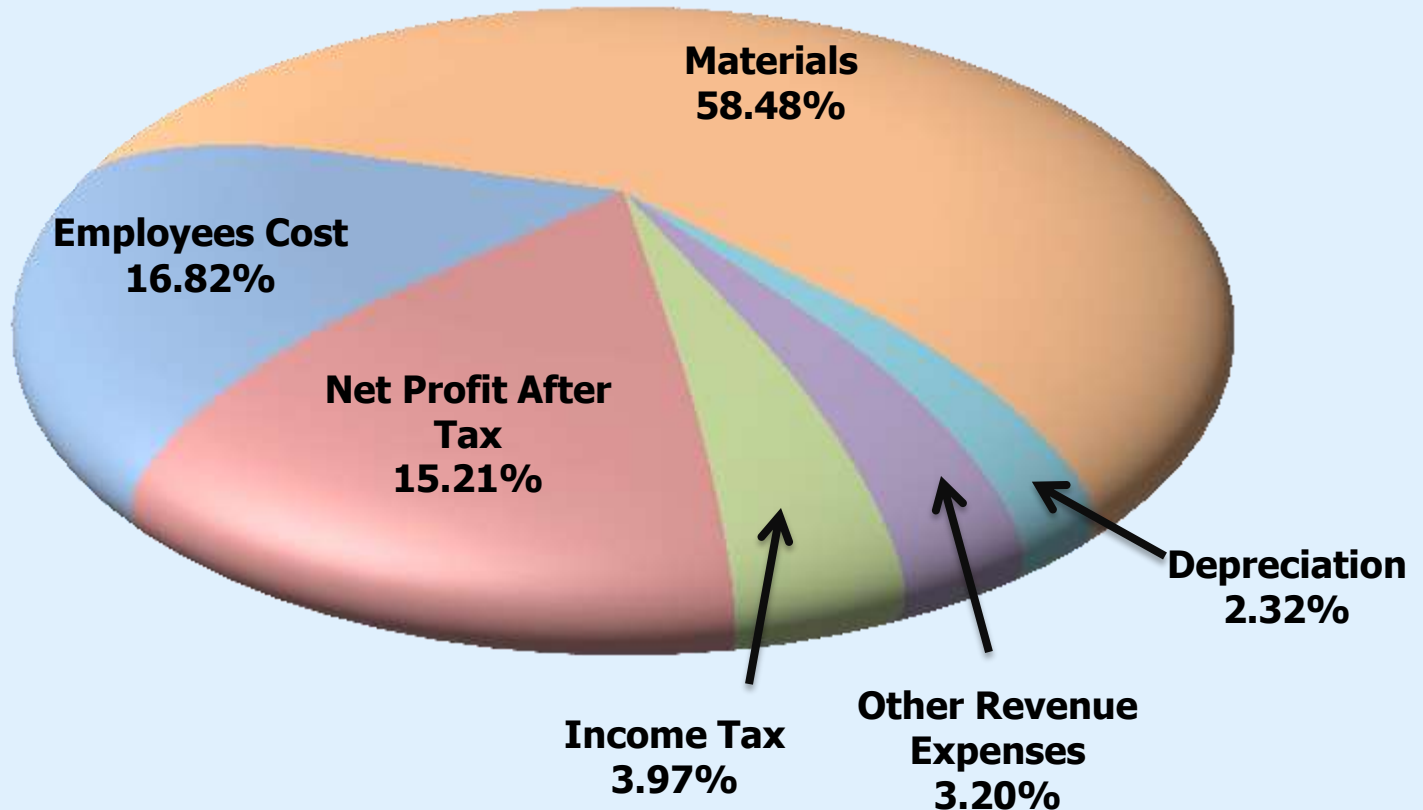


## Employee Cost to Turnover





# Value of Production (VoP) How a Rupee Earned is Distributed FY 13-14





# Working Capital

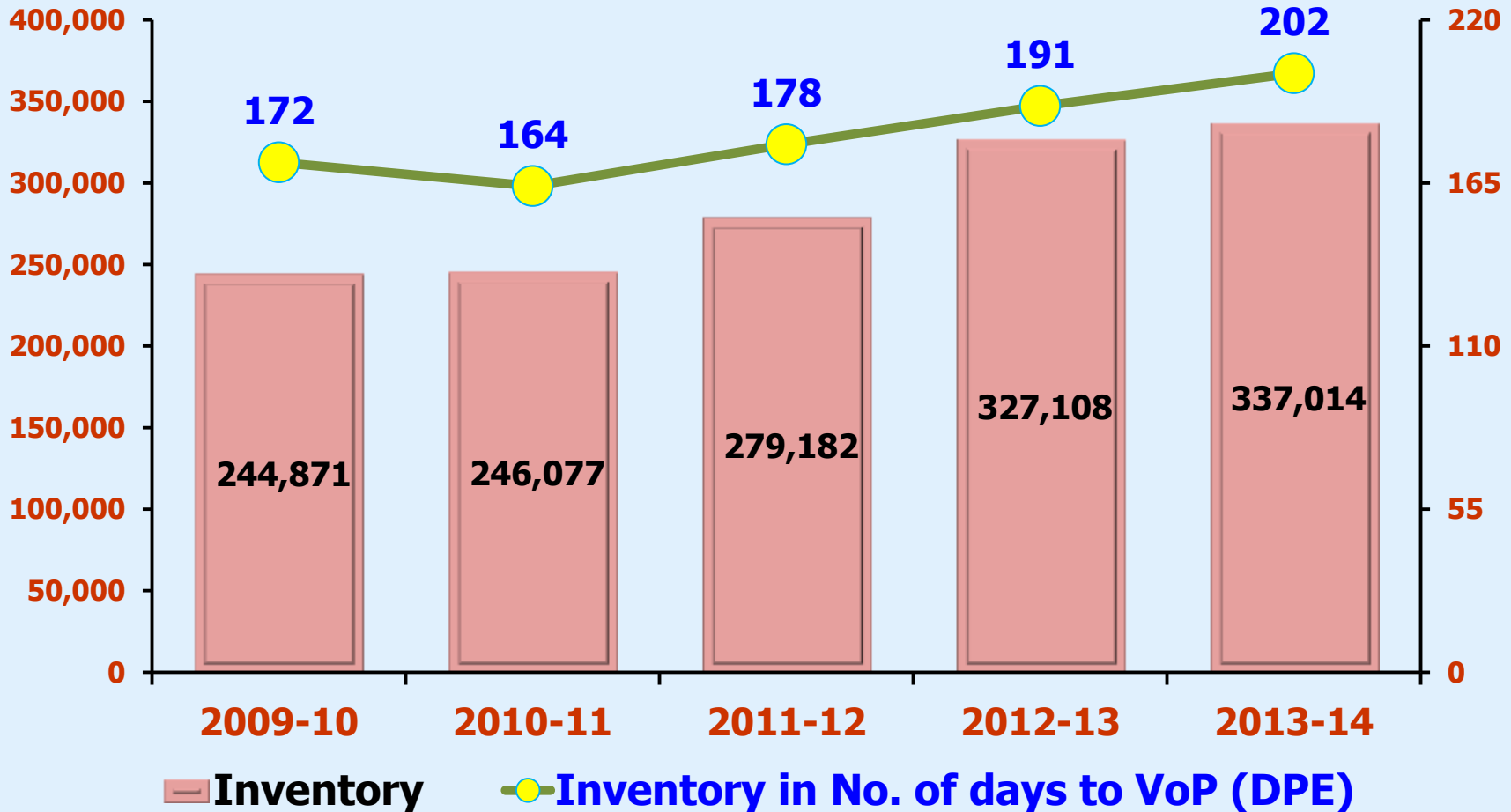
*Value in Rs Lakhs*





## Inventory in No. of days to VoP (DPE)

Value in Rs Lakhs

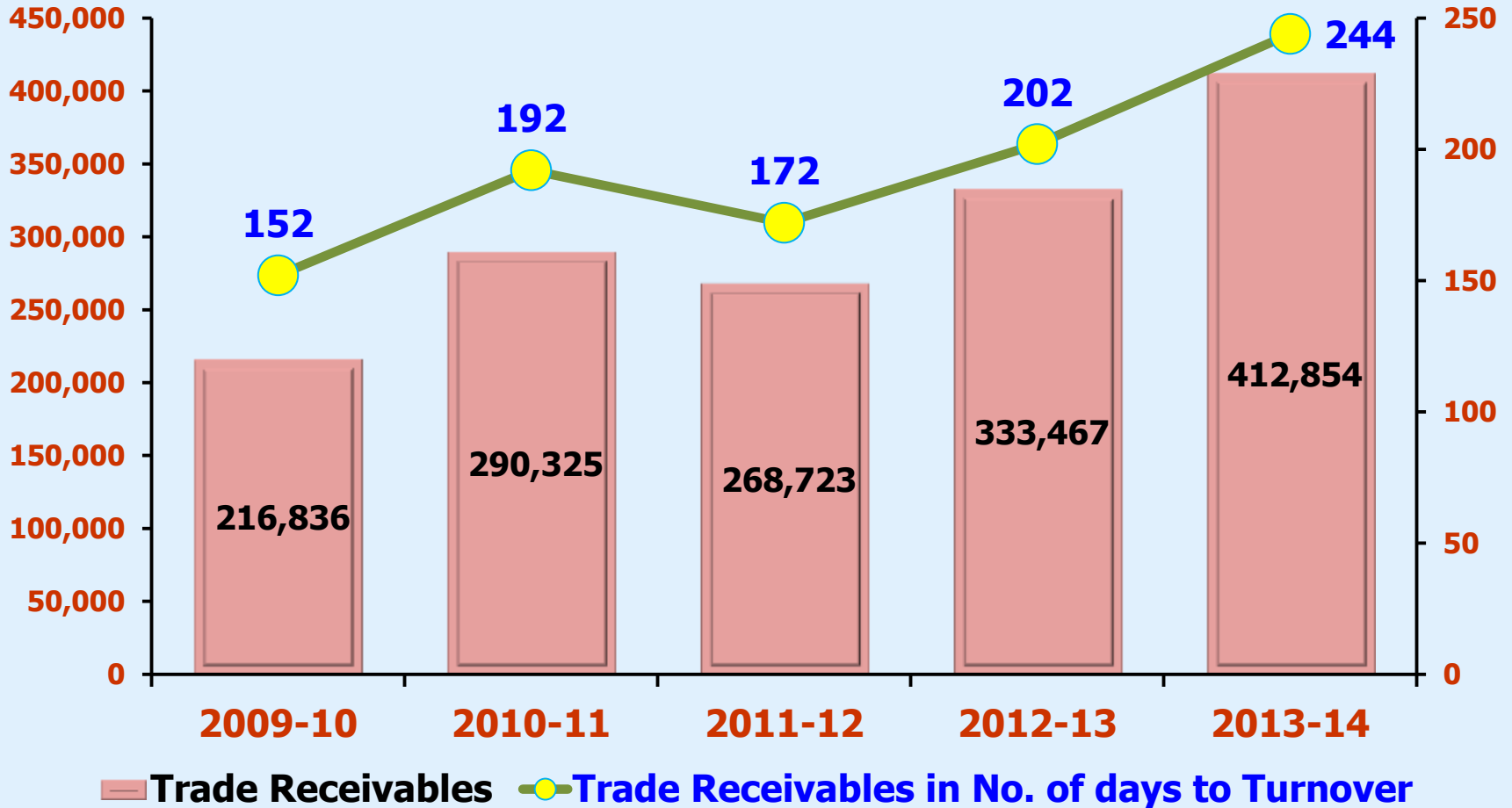


**VoP (DPE) = Net turnover – Changes in Inventories of FG, WIP & Scrap**



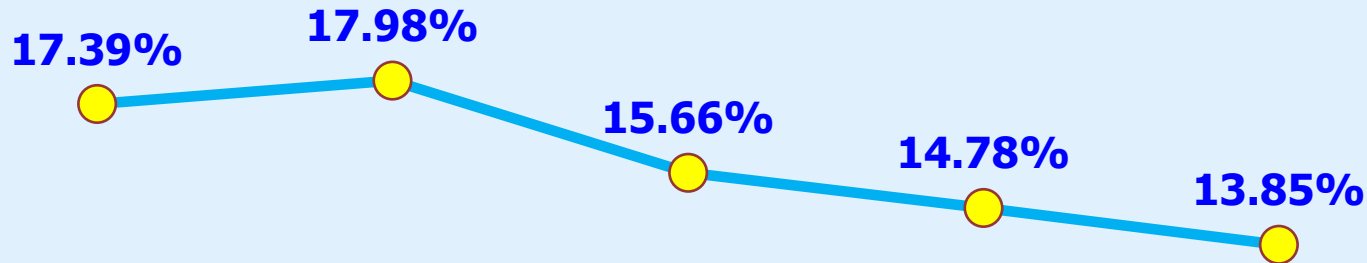
# Trade Receivables in No. of days to Turnover

Value in Rs Lakhs





## Return on Capital Employed



2009-10

2010-11

2011-12

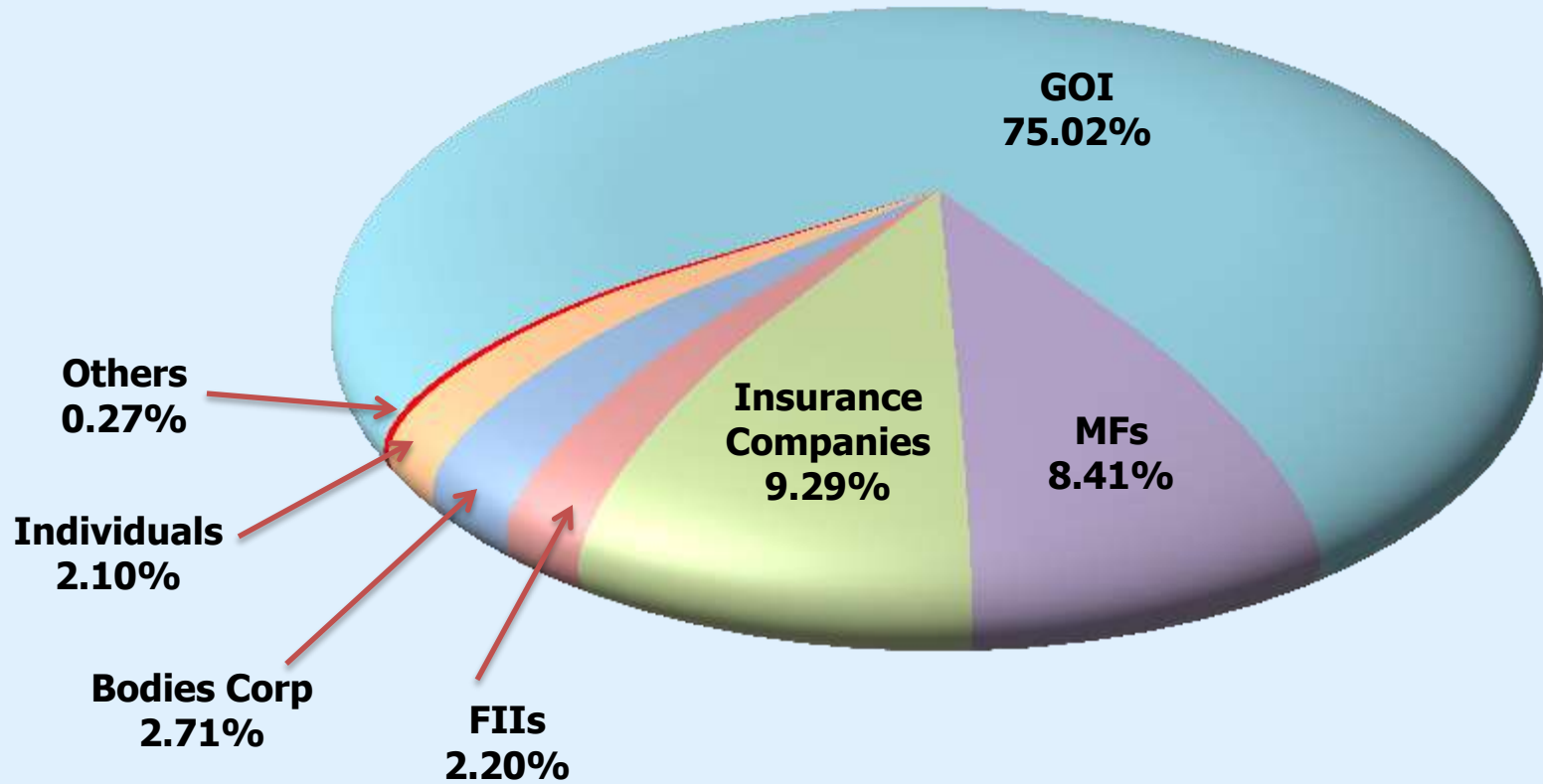
2012-13

2013-14

**Capital Employed = Net Fixed Assets + Working Capital**



## Shareholding Pattern as on 30<sup>th</sup> June 2014





## **CPSE – Exchange Traded Fund**

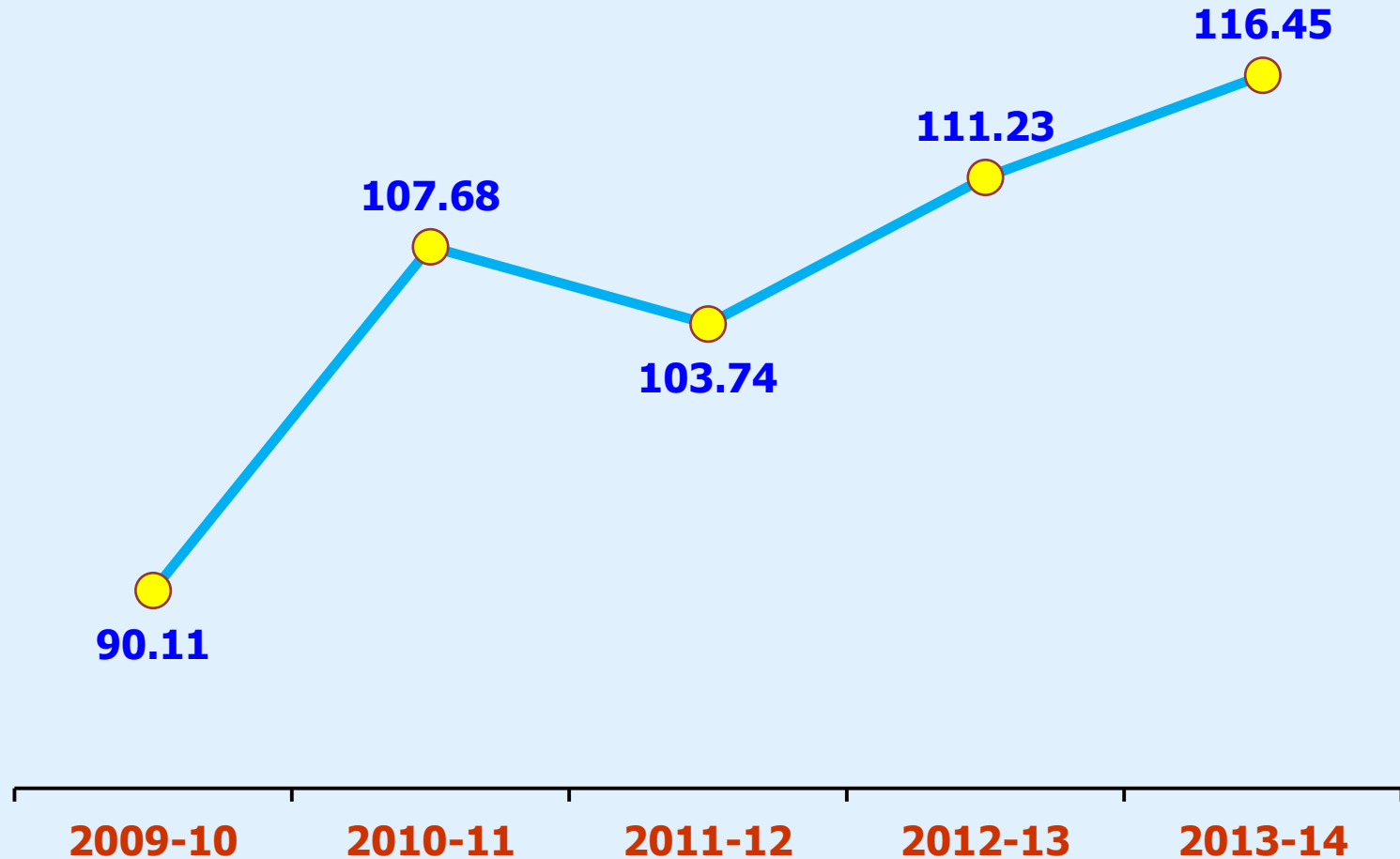
- **Approval given by CCEA in May 2013;**
- **Goldman Sachs was asked to shortlist Companies;**
- **Companies were selected based on:**
  - **Profit making history;**
  - **Consistently Dividend Paying history;**
  - **Free market capitalisation of over Rs. 1000 crores;**
  - **Trend of P/E Ratio, Dividend Yield and Beta;**
  - **Positive investor feedback;**
- **18 Companies were shortlisted of which the top 10 were selected based on Market Capitalisation;**
- **Performance of the Company has to be maintained to be retained in the CPSE ETF**





## Earning Per Share

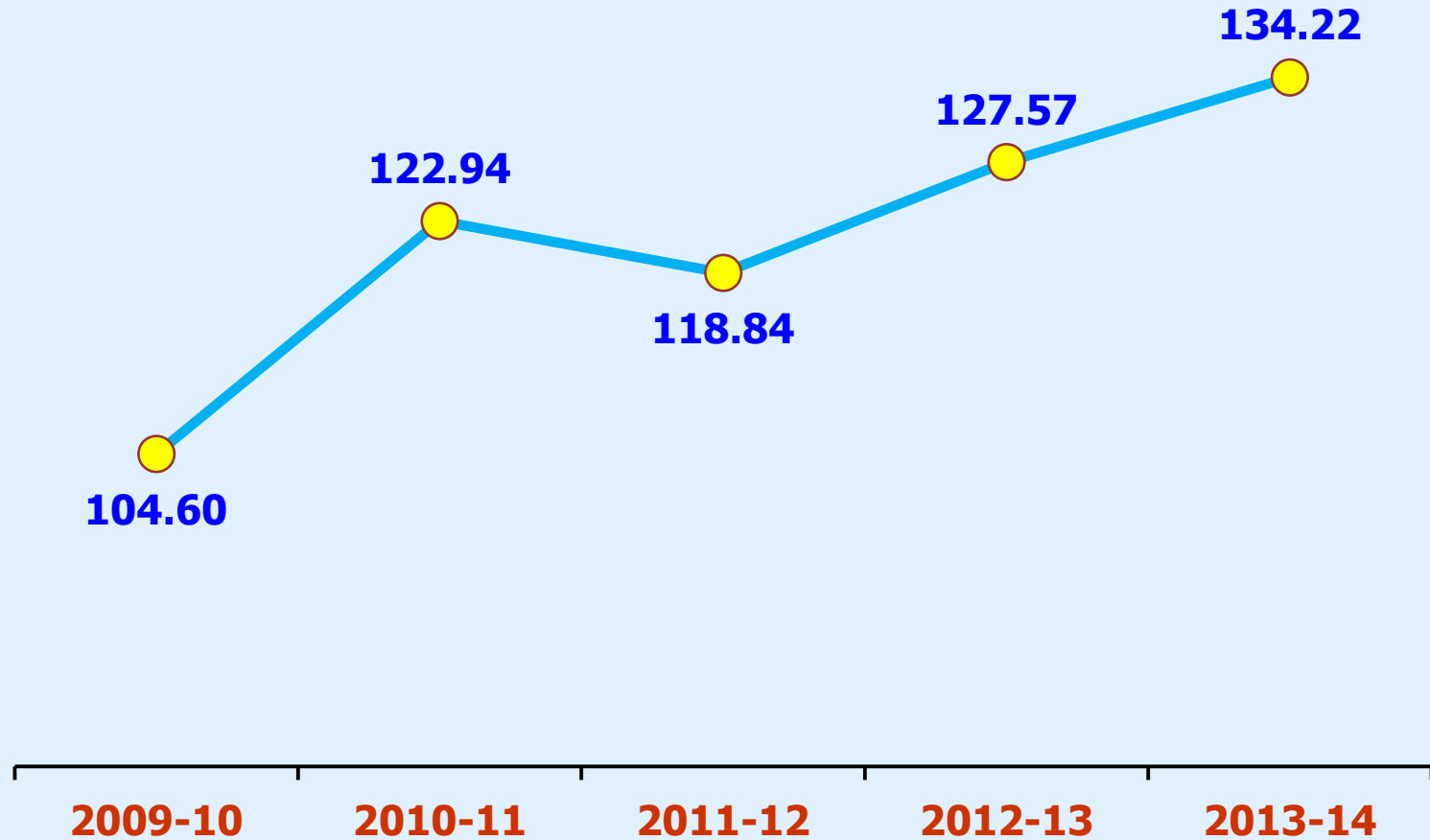
*Value in Rs*





## Cash Earning Per Share

*Value in Rs*

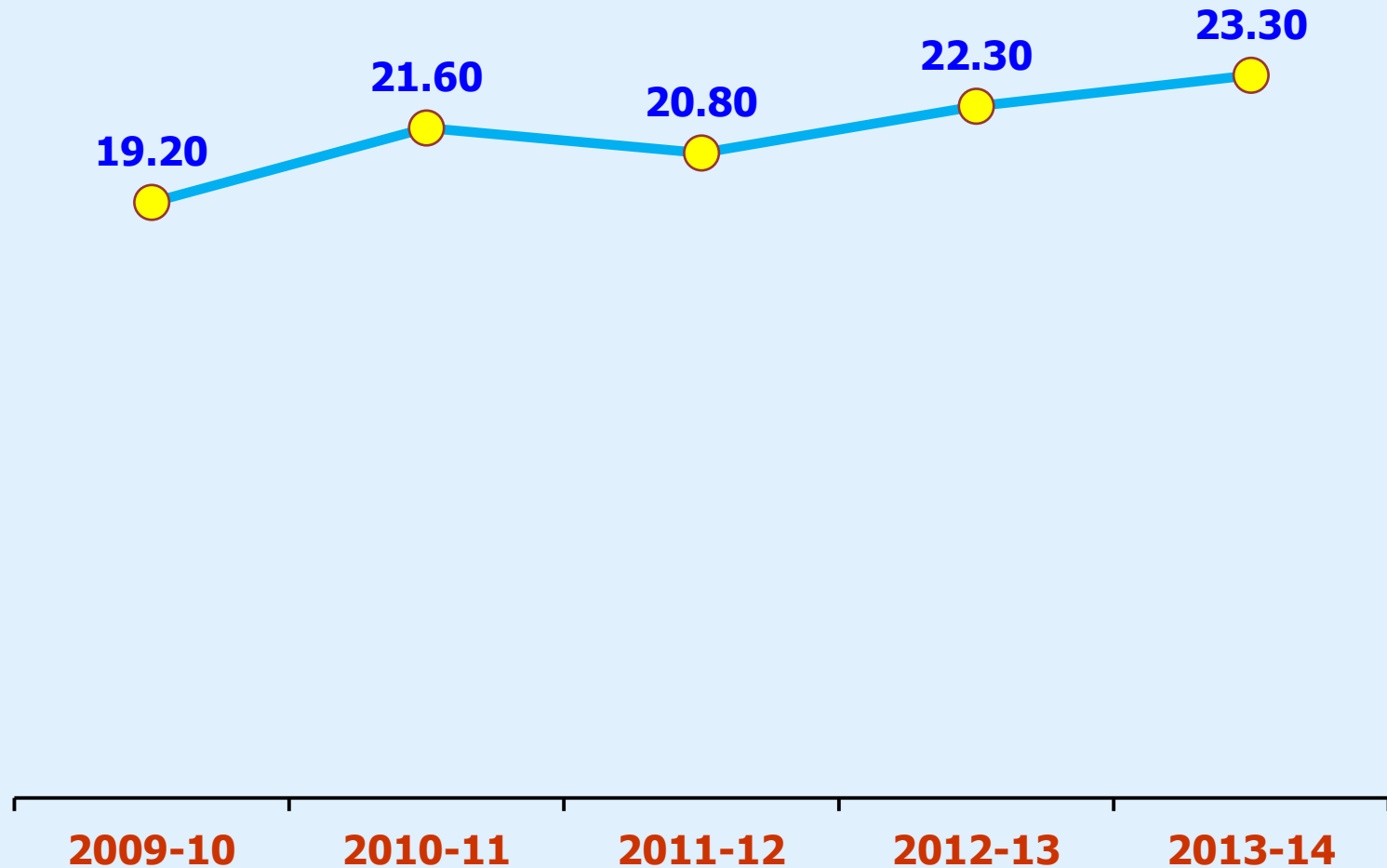


**Cash Earning Per Share = (PAT + Depreciation) / No. of Shares**



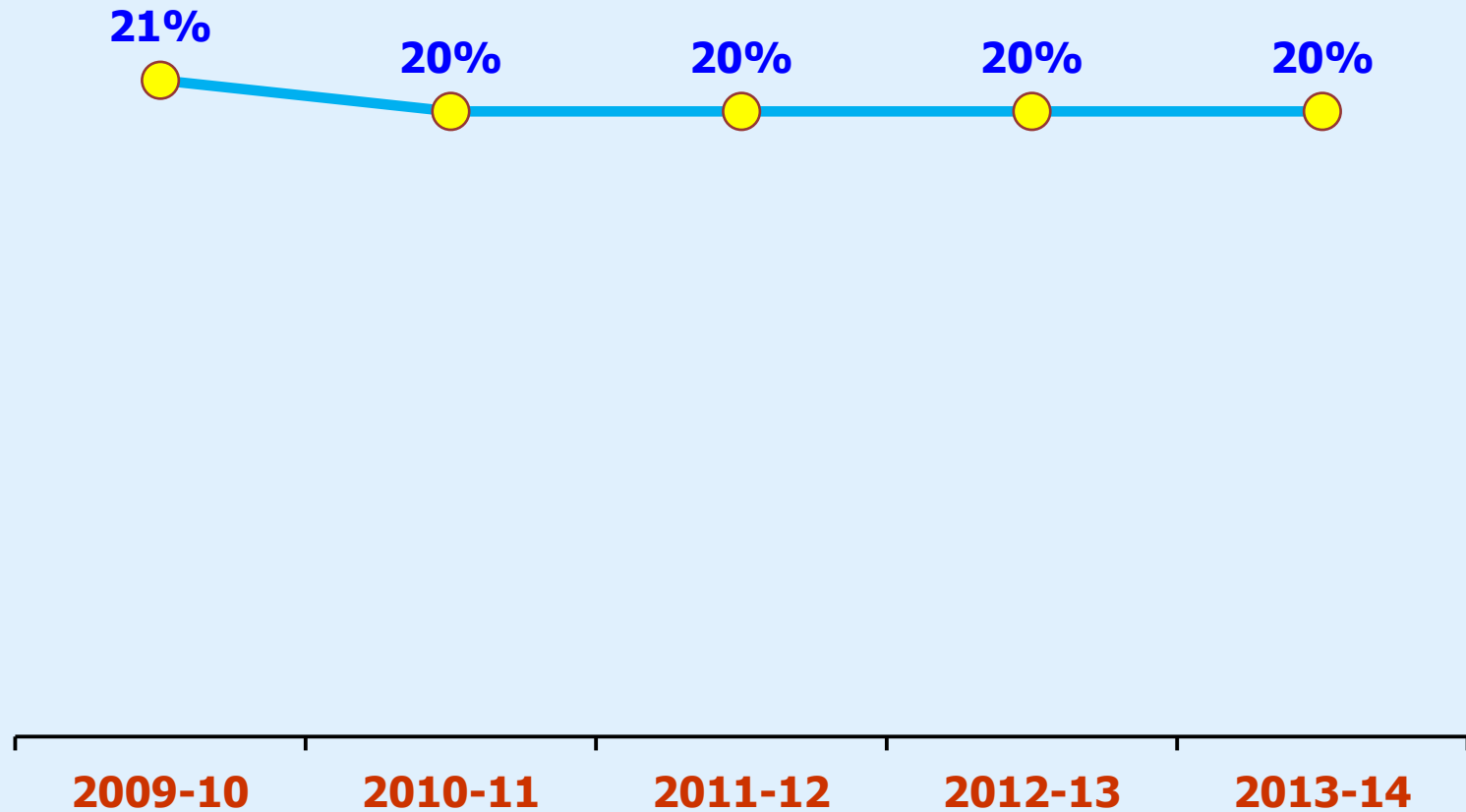
## Dividend Per Share

*Value in Rs*





## Dividend Payout Ratio

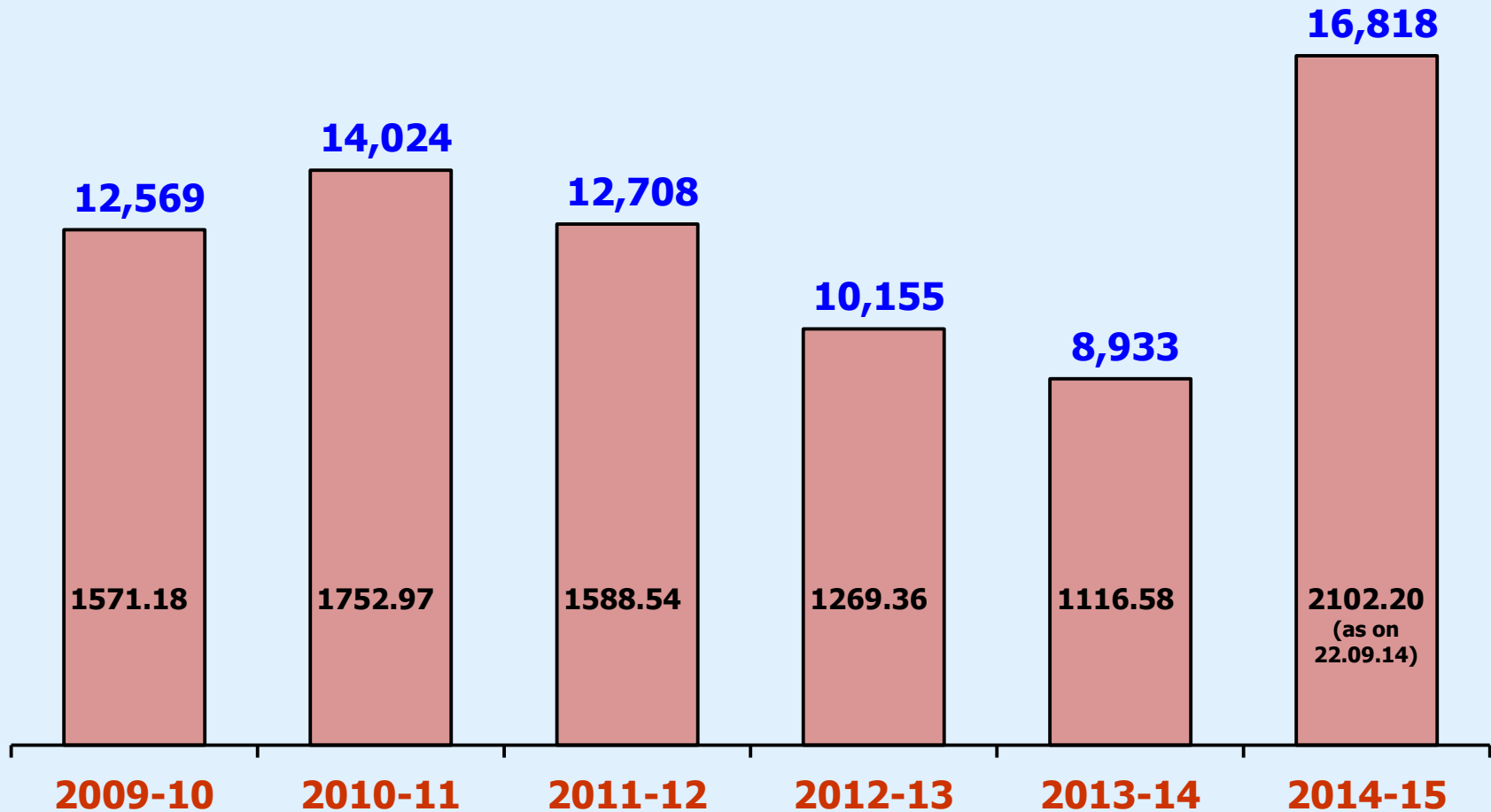


**Note:** Excludes Dividend Tax



## Market Cap

*Value in Rs Crores*

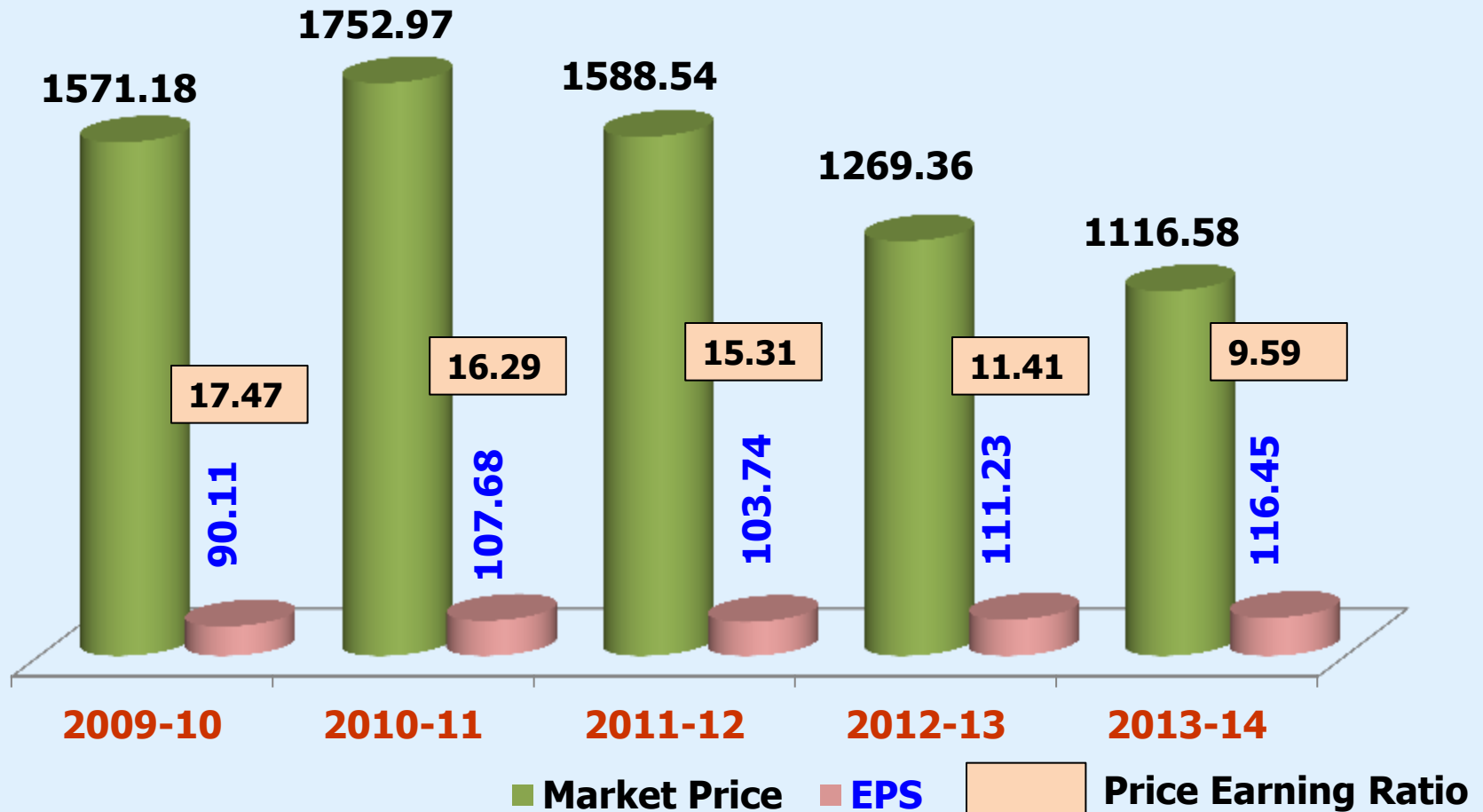


*Figures in this colour indicate Market Price is the average of the closing prices on NSE for each year*



## Market Price V/s. EPS

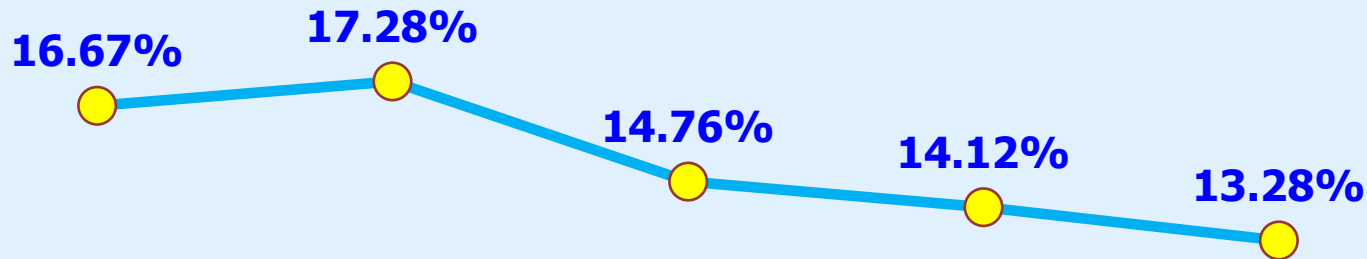
*Value in Rs*



*Market Price is the average of the closing prices on NSE for each year*



## Return on Equity



2009-10

2010-11

2011-12

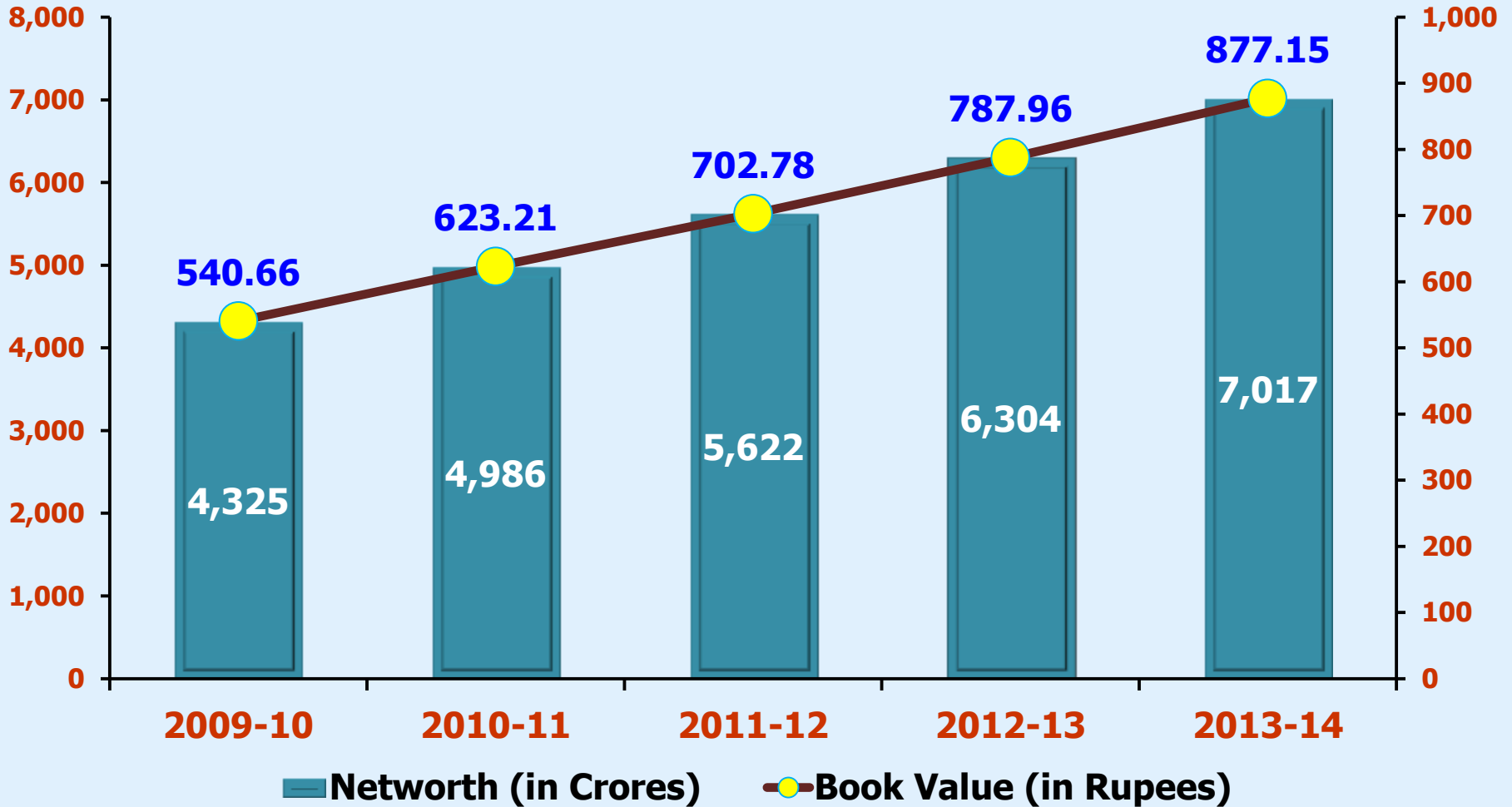
2012-13

2013-14

**Return on Equity = Profit After Tax / Net Worth**



## Book Value per Share

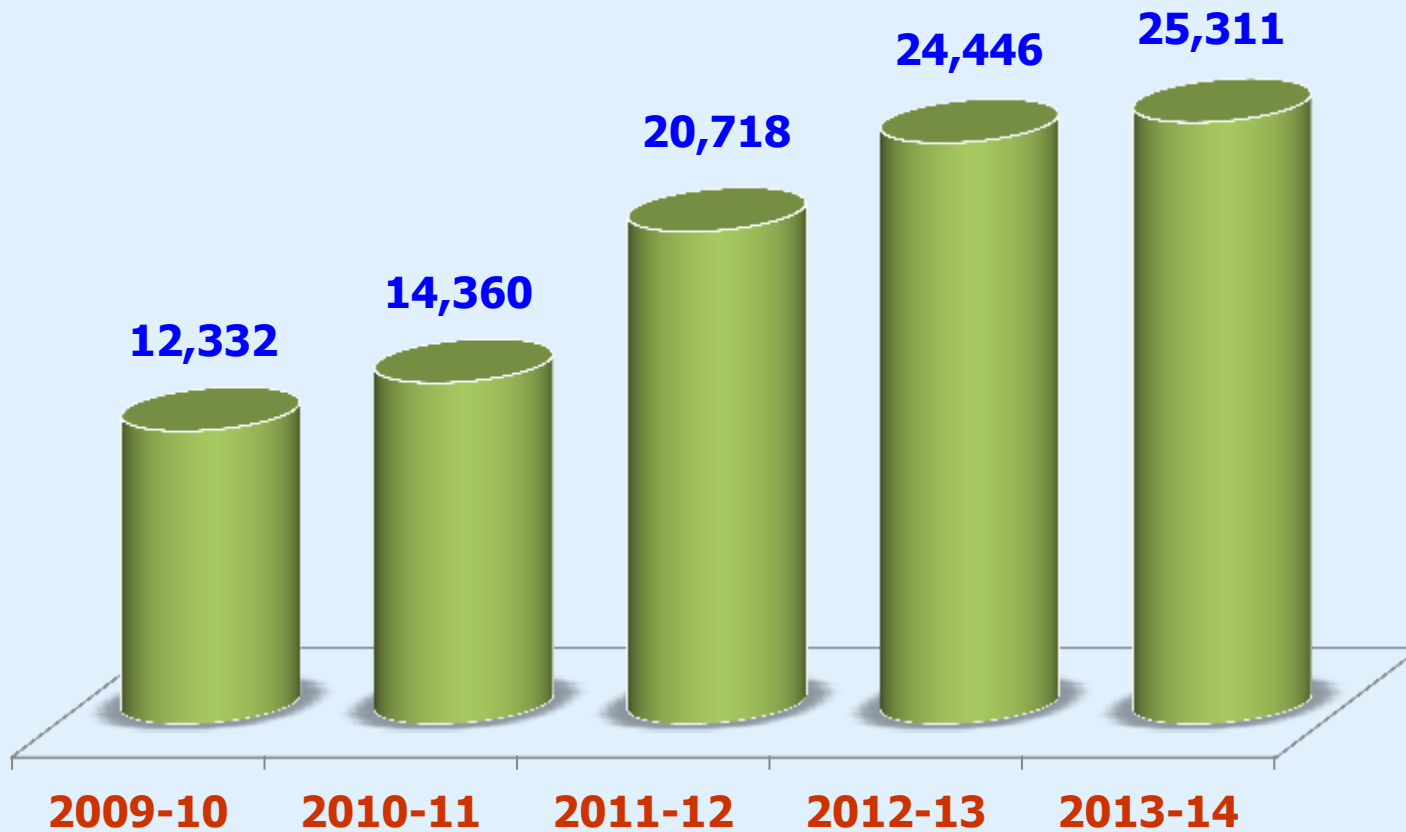






# Capital Expenditure

*Value in Rs Lakhs*



**Thank You**

