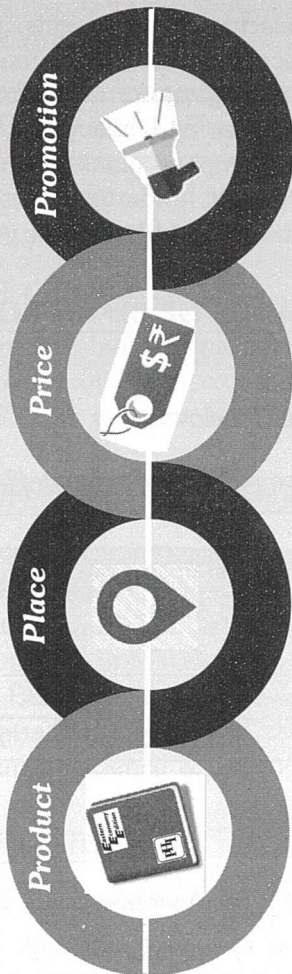


CASE

6

# BHARAT EARTH MOVERS LIMITED

MARKETING



## INTRODUCTION

Bharat Earth Movers Limited (BEML) is a Government of India undertaking under the Ministry of Defence. It was established in the year 1964, and is one of the largest manufacturers of earth moving, construction and mining equipment in Asia. It is one of the premier engineering companies in India and plays a significant role in providing vital inputs to the core sectors of the economy. Apart from manufacturing a wide range of tailor-made equipment for the Indian defence sector, it also caters to the need of the Indian Railways. All the manufacturing plants are accredited with ISO 9001 certification.

## CORPORATE STRUCTURE

The corporate structure consists of a whole-time Chairman and Managing Director, who is assisted by ten Directors of whom five are whole-time (Marketing, Finance, Production, R&D and HRD).

## COMPANY PROFILE

The corporate headquarters is located in Bengaluru. The company has manufacturing units located at

Mysore, Kolar Gold Fields (KGF), Bengaluru and Palakkad. It is having an R&D centre at KGF. The company has a marketing network covering all parts of the country. Its subsidiary, Vigyan Industries, is located at Tarikere (Karnataka).

## PRODUCTS

BEML manufactures a wide range of products to meet the needs of mining, power, irrigation, fertiliser, cement, steel, defence and rail sectors.

The earth moving equipment includes bulldozers, dump trucks, hydraulic excavators, wheel loaders, rope shovels, walking draglines, motor graders and scrapers. BEML has recently introduced road headers and slide discharge loaders for underground mining applications.

Railway products include integral rail coaches, electric multiple units, rail buses, track laying equipment and overhead equipment inspection cars. BEML manufactures heavy-duty trucks and trailers in addition to hydraulic aggregates for the defence sector. The company also manufactures high-power diesel engines and heavy-duty hydraulic aggregates to meet specific customer requirements. The company plans to diversify into varied activities, including underground mining equipment, underground storage for petro-products, leasing and financial services and joint ventures abroad.

## SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE OF BEML PRODUCTS DURING 2015–16

The performance of BEML products is shown in Table 1 below:

**TABLE 1 Segment-wise or Product-wise Performance of BEML Products (2015–16)**

(₹, crores)

S.No.	Segments	Income from operations	%age
1.	Mining and Construction business	1,615.32	54.14
2.	Defence business	329.60	11.05
3.	Rail and Metro business	1,038.80	34.81
	<b>Total</b>	<b>2,983.72</b>	<b>100.00</b>

## MANUFACTURING UNITS

### Bengaluru Complex

This was started in 1964 and mainly concentrates on railway equipment. This is the first rail-coach factory in the Indian continent. This unit has consolidated as the major supplier of integral rail coaches, meeting about 25% of the country's demand. It has a production capacity of over 800 coaches per annum. This unit also manufactures

heavy-duty trucks (Tatra) and trailers. It has also defence aggregates to meet the needs of the defence sector.

### **KGF Complex**

This is located at about 100 km from Bengaluru. Here, BEML has established an extensive manufacturing base. It has a skilled workforce of over 6000. This unit manufactures state-of-the-art bulldozers, hydraulic excavators, wheel loaders, rope shovers and walking draglines for the mining and construction industry. Sophisticated CNC machines and latest technology welding equipment have been installed here. A multi-million-rupee heavy equipment shop has been set up for major fabrication work. The exclusive hydraulic and power line division, which was first established to cater to the needs of the defence, is now catering to the whole earth moving equipment as well.

### **Mysore Complex**

With the biggest dump truck factory located here, the unit rolls out dump trucks of varying capacity. Engine capacity has been established here to manufacture diesel engines of 100 to 1000 hp. These are not only used for captive consumption but also for applications like diesel generators and compressors. The company is in the process of expanding this division by installing flexible manufacturing systems.

### **Palakkad Complex**

This complex is built mainly to manufacture defence products. It has been set up with planned outlay of ₹ 260 crores, and phase I of the project was put on stream on 16th May 2010. This unit has been constructed with a record time of less than 6 months.

## **RESEARCH & DEVELOPMENT (R&D)**

A ₹ 300 millions R&D centre is located at KGF. This is partly funded by the United Nations Development Programme (UNDP). This centre houses sophisticated laboratories, powerful CAD facilities, test equipment and full-fledged prototype manufacturing shop. As many as 30 products have been developed in-house and have been successfully launched. BEML has developed several products successfully by joining hands with several user organisations, including Defence Research and Development Organisation (DRDO), Department of Science & Technology (DST) and the Indian Railways.

## **COLLABORATORS**

BEML has collaborators with world leaders like:

- KOMATSU: Japan
- INDRESCO MARION: USA

- KOMATSU DRESSER: USA
- OMNIPOL: Czech Republic
- VOESTALPINE: Austria

## **MARKETING**

BEML has a nation-wide network of marketing with 11 regional offices and 20 district offices. These offices provide customers with immediate access to BEML's range of products and services. Marketing activities include field operations and intensive training of customer personnel in operation and maintenance of equipment. These offices offer applications engineering services encompassing pre- and post-sales. Preparation of pre-feasibility reports, equipment selection studies, total fleet optimisation solutions, and customisation of equipment form part of the application engineering activities. The network enables BEML to provide timely supply of spare parts, training, rehabilitation of equipment, maintenance assistance and servicing equipment. Spare part depots are set up at marketing offices and at major project sites to provide spare parts at short notice to the customers. A satellite-based communication network is installed connecting all computers at the depots to the central spare parts operations (KGF) to enable faster response to customer needs. Four service centres have been set up at various parts of the country to take up large repair tasks that cannot be repaired on the field.

## **EXPORT PERFORMANCE**

BEML bagged the export award for outstanding export performance for 1994–95. Apart from the domestic market penetration, BEML's machines reach over 62 countries worldwide covering Asia, Africa, Europe, Latin America and the Middle East. With the plans to increase the global presence, BEML has set up overseas offices and entered strategic alliances.

BEML bagged numerous export awards for its outstanding export performance record. The company has won 'Star Performer' award in the Export category for the year 2012–13 from EEPC India. It was ranked 4th best wealth creator among 21 best wealth creators of India, and the 1st among PSUs by Dalal Street Magazine in 2007.

BEML was also conferred the prestigious Niryat Shree Gold Trophy from Federation of Indian Export Organisations for its outstanding export performance in Export House/ Non-SSI category for the financial year 2000–01. BEML has also bagged the construction world-NICMAR Awards 2007–1st rank for being 'The Largest and Most Profitable Construction Equipment Company'.

## **Competition**

With liberalisation and opening up of the economy, BEML is facing heavy competition both from the domestic and international companies. Most of the global majors in the earth moving and construction equipment industry are coming to India. BEML on its

part is taking positive steps for ensuring quality of products, containing cost and product upgradation with in-house R&D efforts. It is also laying stress on attaining utmost customer satisfaction in the market.

## COMPETITORS

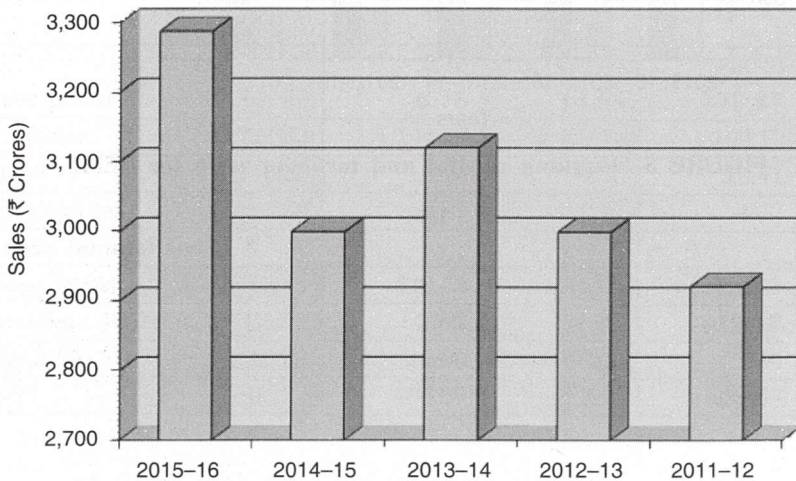
BEML is competing with different companies for different products, the details of which are shown in Table 2 along with the company's market share:

**TABLE 2 Competitors and Market Share for BEML Products**

Product	Market share (in percentage)	Competing companies
Bulldozers	90	Hindustan Motors
Dumpers	70	Caterpillar
Excavators	15	L&T, HM, TELCO
Wheel loaders	15	HM, Escorts, L&T

## FINANCIAL PERFORMANCE

The turnover of the company is increasing. Figures 1 and 2 give the sales turnover and net profit for the years 2012–2016. The financial performance of the company (Figure 3) is shown in Table 3. The profit after tax which was negative in year 2012–13, is reportedly increasing after that. Year 2015–16 saw huge increase in PAT from ₹ 6.76 crores to ₹ 52.65 crores. A cause for concern is the ratio of working capital to sales turnover. The increase in working capital requirements may be due to increase in inventory caused by delay in realisation of anticipated orders, increase in norms for space to meet customers' requirements and increase in sundry debtors, mainly government companies.



**FIGURE 1 Sales turnover for BEML.**

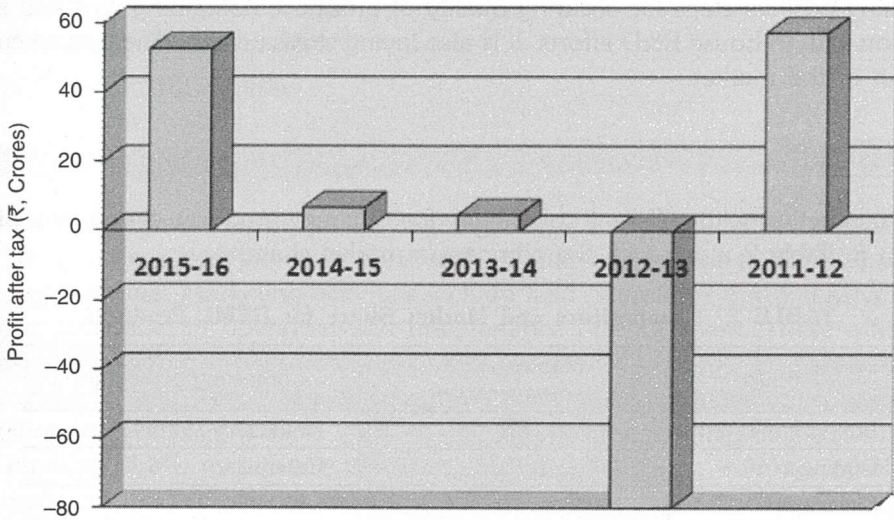


FIGURE 2 Net Profit (PAT) for BEML.

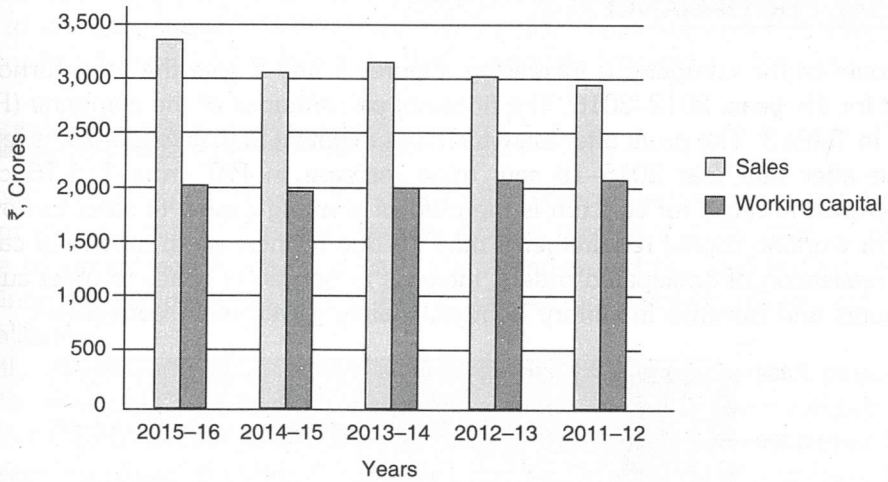


FIGURE 3 Working capital and turnover ratio for BEML.

TABLE 3 Financial Statistics of BEML (2012-2016)

## Profit and Loss account

(₹, Crores)

	March 2016	March 2015	March 2014	March 2013	March 2012
<b>Income</b>					
Sales turnover	3,287.44	2,999.17	3,120.17	2,998.87	2,920.58
Excise duty	303.72	189.98	208.66	189.96	194.09
Net sales	2,983.72	2,809.19	2,911.51	2,808.91	2,726.49
Other income	39.02	59.65	79.28	113.71	73.91
Stock adjustments	-243.71	-209.26	-97.06	69.92	428.81
<b>Total income</b>	<b>2,779.03</b>	<b>2,659.58</b>	<b>2,893.73</b>	<b>2,992.54</b>	<b>3,229.21</b>
<b>Expenditure</b>					
Raw materials	1,489.99	1,385.51	1,631.57	1,733.26	1,862.70
Power and fuel cost	32.52	33.05	35.76	33.54	34.43
Employee cost	767.89	769.11	716.76	739.40	721.73
Miscellaneous expenses	321.22	342.61	317.20	419.16	413.29
<b>Total expenses</b>	<b>2,611.62</b>	<b>2,530.28</b>	<b>2,701.29</b>	<b>2,925.36</b>	<b>3,032.15</b>
	12 months	12 months	12 months	12 months	12 months
<b>Operating profit</b>	<b>128.39</b>	<b>69.65</b>	<b>113.16</b>	<b>-46.53</b>	<b>123.15</b>
PBDIT	167.41	129.30	192.44	67.18	197.06
Interest	49.03	70.51	110.46	140.99	88.43
PBDT	118.38	58.79	81.98	-73.81	108.63
Depreciation	53.21	52.14	53.56	50.25	43.92
Profit before tax	65.17	6.65	28.42	-124.06	64.71
Extra-ordinary items	-0.89	0.27	-19.34	1.73	1.73
PBT (post extra-ord. items)	64.28	6.92	9.08	-122.33	66.44
Tax	11.62	0.16	4.40	-42.46	9.21
<b>Reported net profit</b>	<b>52.65</b>	<b>6.76</b>	<b>4.68</b>	<b>-79.87</b>	<b>57.25</b>
Total value addition	1,121.63	1,144.77	1,069.72	1,192.10	1,169.45
Equity dividend	16.66	4.16	4.16	10.41	20.82
Corporate dividend tax	3.39	0.85	0.71	1.77	3.38
<b>Per share data (annualised)</b>					
Shares in issue (lakhs)	416.45	416.45	416.45	416.45	416.45
<b>Earning per share (₹)</b>	<b>12.64</b>	<b>1.62</b>	<b>1.12</b>	<b>-19.18</b>	<b>13.75</b>
Equity dividend (%)	40.00	10.00	10.00	25.00	50.00
Book value (₹)	506.52	498.69	499.43	499.47	521.58

## **FUTURE PROSPECTS**

There is an anticipated growth in the infrastructure sectors such as massive power projects, construction of highways, development of airports, etc., which in turn gives a positive indication of the growth scenario in the construction equipment sector. This could be a potential opportunity for BEML.

## **ISSUES FOR DISCUSSION**

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1. What are the obstacles faced and opportunities available for BEML in the liberalised market?
2. What should BEML do to increase the efficiency?
3. What marketing strategies should BEML adopt in the liberalised market? Justify.
4. Attempt a business landscape analysis for BEML in the next five years.
5. Perform SWOT analysis to understand the business capabilities of BEML.