Chairman’s Address

September 19, 2018 | New Delhi
Ladies and Gentlemen,

नमस्कार!

On behalf of the Board of Directors, I take this opportunity to extend a very cordial welcome to all of you in the 54th Annual General Meeting of your company. The Annual Report for the year ending 31st March 2018 is with you and with your permission, I shall take it as read.

I am happy to share that your company delivered a resilient performance during 2017-18. Amidst continued challenging business environment, initiatives taken in the recent past have resulted in significant progress in enhancing profitability and productivity, reinforcing our leadership in power sector, and strengthening non-power business areas. These achievements, along with the strategies in place, are strengthening our pre-eminent position among national assets and assuring our continued contribution in building a ‘New India’.

Company performance 2017-18

Now, let us look at some of the achievements in the year 2017-18 reflecting your company’s strong fundamentals:

Financial performance

- The company registered a turnover of ₹27,850 Crore during 2017-18 against
800 MW LP turbine at New Turbine Shop in BHEL Haridwar
रु27,740 Crore in the previous year. With this, your company has achieved a growth of 11% during last two years [2016-2018].

- Profit Before Tax during 2017-18 was रु1,585 Crore compared to रु628 Crore in the year before, registering an increase of 152%. Net Profit (PAT) stood at रु807 Crore compared to रु496 Crore in 2016-17.

- Your company is proposing to pay a total dividend of 91% for the year 2017-18 on the enhanced paid up share capital, post bonus issue in 2017. Subject to the approval of shareholders, it would be the highest dividend paid during last four years.

**Project execution**

- During 2017-18, 4,149 MW of power generating capacity was commissioned/synchronised. In addition, 170 MW of solar PV plants were also commissioned. With this, the worldwide installed base of power generating equipment supplied by BHEL has exceeded 183 GW.

- Your company successfully executed 3x110 MW Kishanganga hydroelectric project, located in remote and difficult terrain in Jammu & Kashmir state. Our Hon’ble Prime Minister, Shri Narendra Modi ji, inaugurated and dedicated this prestigious project to the nation on May 19, 2018. The project will generate 1,350 Million Units (MU) of clean electricity annually. With this, BHEL has contributed more than 40% of the installed power generating capacity in J&K, with more than 40 commissioned sets having generation capacity of 1,652 MW.
3x110 MW Kishanganga HEP, J&K commissioned by BHEL
Order booking

- Your company reinforced its leadership position by securing all orders for main packages of thermal power projects during the year 2017-18 in a shrunken and highly competitive Indian power sector market. Total orders won during the year are ₹40,932 Crore - 74% higher than the last year. This includes highest ever orders won in transportation, defence, solar and water business resulting from our unflinching focus on increasing non-coal business. With this, total orders over ₹1,18,000 Cr - highest during the last five years-are in hand.

- Some of the major orders won were 3x800 MW Patratu- largest power project order on EPC basis ever placed in the country through international competitive bidding, 2x660 MW Udangudi, 1x660 MW Panki, 1x660 MW Bhusawal, Steam Generator package for 2x700 MWe Nuclear power plant at Gorakhpur, 30 nos. of 3-phase IGBT based WAG-9H electric locomotives, 146 sets of 25 kV AC IGBT based 3-phase electrics for mainline EMU trains from Indian Railways and 6 nos. of sewage treatment plants (STP) at Raipur among others.

- Leveraging capabilities in the emission control equipment business, BHEL has secured Flue Gas Desulphurization (FGD) orders for 17 thermal units till March 31, 2018.

- Diversification efforts of your company gained traction with the receipt of the highest ever orders in solar power in megawatt terms and a breakthrough order in the municipal segment for construction of sewage treatment plants. These will help in strengthening capabilities of BHEL in emerging areas.
400 kV Single-break Circuit Breaker developed by BHEL R&D, Hyderabad for Gas Insulated Substation (GIS)
Innovation led growth

• BHEL has designed and developed state-of-the-art IGBT based 3-phase drive propulsion equipment for India’s first ever air-conditioned AC EMU train for Mumbai suburban application. The propulsion equipment includes 3-phase traction motor, traction transformer, IGBT traction converter, IGBT auxiliary converters, IGBT based air-conditioning converter and train control & management system (TCMS) - the heart of the train system. The propulsion control system incorporates regenerative electrical braking, yielding substantial energy savings. This AC EMU has been successfully running and providing safe and comfortable journey to the commuters of Mumbai since 25th December 2017. It has covered more than 1,00,000 km.

• With strong focus on innovation and R&D, your company invested more than 2.5% of its turnover, to the tune of ₹753 Crore on R&D during the year. Your company also filed the highest-ever 530 patents and copyrights in a year, enhancing its intellectual capital to 4,357 patents and copyrights filed, for productive use in the company’s business.

Our efforts are progressing well but there’s still a lot of hard work ahead. Keeping the future requirements at the front, the company is focussing on outcome based Engineering & Technology initiatives.
Super Rapid Gun Mount (SRGM) installed in INS-Kolkata class warship; (inset) under manufacture at BHEL Haridwar
The future...

India is the fastest growing major economy in the world. Supported by demographic dividend, technology developments, and economic reforms, it is envisaged to become a US$5 trillion economy by 2025 and US$10 trillion by 2030 from present US$2.6 trillion. This will translate into humongous demand and opportunities in energy and infrastructure sector.

April 28, 2018 is a historic day in the development journey of India. This day onwards, every single village of India has access to electricity. Taking the momentum forward, government is targeting to achieve 100% household electrification by end of this year. This improvement in accessibility and availability of electricity which is expected to spur its demand and consumption is one of the most significant changes underway in India’s power sector, where your company is one of the leaders.

In addition to the above, railways, ports, urban infrastructure, environmental solutions, and core industries like cement, coal, steel and petrochemicals are slated for massive investment in coming years to fuel India’s growth aspirations.

This makes it a very exciting time. It is bringing many more opportunities for your company, particularly in the areas of clean energy, energy storage, e-mobility, emission control equipment, urban transport and infrastructure development, among others.
3x250 MW Bongaigaon Thermal Power Plant at Kokrajhar in Assam
Creating BHEL of Tomorrow

This is a significant moment for your company to move to the next level of performance by converting the emerging opportunities into potential success stories. Therefore, your company has embarked on a transformational journey of ‘Creating BHEL of Tomorrow’, with the threefold objective of enhancing responsiveness to emerging opportunities, building new levers of robustness and laying the foundation for a sustainably rising BHEL.

Our seminal strategy framework, which is the pillar of this transformational journey, consists of three strategy themes spread over concurrent time horizons: Survive, Revive, and Thrive (SRT)- a concept envisioned by your company. The three themes are targeted simultaneously and the strategies under these address the immediate and future challenges of the company.

- **Survive**: Protect core, reorient people strategy, harness digital technologies to add more value to the core
- **Revive**: Expeditious execution of orders; simplification & consolidation for lean & agile organisation
- **Thrive**: Build new capabilities and business for long term sustenance

**Initiative Elements**

- **Globalization**: Enhance global business & sourcing
- **Diversification**: Increase business from Renewables, Transportation, Defence, Aerospace, Water, Spares & Services, & other infrastructure areas
- **Innovation**: Focus on outcome based Engineering & Technology initiatives
- **Assertiveness**: Sustain leadership in the core and enhance customer focus; don’t settle for anything else
- **Development**: Learn-share-develop for tomorrow
- **Digitalization**: Harness digital technologies for existing & new business
- **Execution**: Expeditiously execute with excellence in quality
- **Consolidation**: Eliminate layers of duplication; Strategic consolidation of Corp. functions & Business groups
- **Simplification**: Simplify processes & each other’s jobs
India's first air-conditioned AC-EMU equipped with BHEL supplied propulsion equipment operating in Mumbai
Survive: After a declining performance trend for three years up to 2015-16, the first goal of your company during the last two years has been to regain profitability and growth. We gave utmost priority to expeditious Execution of orders, coupled with strict cost control, efficient utilisation of resources through Consolidation, and enhancing speed of response through Simplification. Strong focus on conversion of non-executable orders into executable ones; consolidation and restructuring of corporate functions and business groups; manpower audit; simplification of policies and procedures, and greater application of IT in business processes were some of the initiatives which your company successfully executed. This was our ‘Survival’ strategy, which enabled us not only to reverse the declining performance trends, but also pursue the momentum of improved performance.

Revive: While it is satisfying to see the company back on growth path, our strategies to build new sources of strength are the imperative for sustained ‘Revival’ of the company. This includes building Assertiveness to protect leadership in our core business and the grit of never settling for anything less, holistic Development of our most important asset - our people, in alignment with future business requirements, and maximum harnessing of Digitalization to create new growth opportunities and improve operational excellence. Portfolio expansion in core business; policy and structural changes for giving impetus to employee development and motivation; development of IoT based solutions for utilities; and digitalization of all employee-utility services are being executed. This is the key to growth in the medium term and to surpass our own benchmarks.
5 MW SPV power plant installed with in-house developed Passive Solar Tracker system for efficient power generation
Thrive: To take the company to the next level, where we aspire to ‘Thrive’ and move towards the vision of becoming a global engineering enterprise, we continue to focus on Globalization, and Diversification to increase business from non-coal areas, and further strengthen our Innovation capabilities. Accordingly, we have created and restructured business verticals for emerging opportunities. Development of technologies such as advanced ultra-supercritical technology for power generation, propulsion system for electric vehicles and conversion of coal to methanol have been taken up in mission mode. Alongside developing technologies in-house, we are collaborating with global technology leaders and have entered into technology collaboration agreement with ISRO for Li-ion cells and Kawasaki Heavy Industries for stainless steel metro coaches.

These nine elements: Execution, Consolidation, Simplification as part of Survival strategy; Assertiveness, Development, Digitalization as part of Revival strategy; and Globalization, Diversification, Innovation as part of our Thrive strategy – are together named as Nine Elements for Executing Vision (NEEV). These form the bedrock of the strategic plan ‘The Road to 2022’ of your company, providing direction to the transformation journey of ‘Creating BHEL of Tomorrow’.

As demonstrated during the last two years, your company will continue to work diligently on each of these elements with similar zeal and zest in future.
Bio-digestor toilets on the banks of river Ganga near Haridwar & Rishikesh, installed by BHEL
Governance & Sustainable Development

Your company conducts its business with the highest legal, ethical and professional standards for stakeholders’ prosperity and growth on a sustainable basis. The company strives to achieve all its goals through sound business decisions, prudent financial management and high standards of ethics throughout the organization.

Several corporate social responsibility initiatives in the form of socio-economic and community development programmes undertaken by your company are aligned with national priorities so as to have an amplified impact on communities around. We continue to serve society through our contribution in education, health, skill development, and improvement in the living conditions and hygiene in villages & communities spread across the country.

Your company has been actively involved in skill development initiatives of the Government of India. During 2017-18, BHEL provided skill development opportunities to more than 24,000 individuals under various schemes like Graduate apprenticeship, Diploma apprenticeship, Vocational apprenticeship, Trade apprenticeship, etc. BHEL was recognized as Champion of Change under the category of ‘Best Central Public Sector Enterprises’ by the Ministry of Skill Development & Entrepreneurship for engaging maximum number of apprentices under the Apprentices Act, 1961.

Our sustained efforts towards conservation of energy, deployment of energy efficient measures and installation of renewable energy based systems in our operations are our contribution towards protecting the environment. From our various solar-power related initiatives alone, we achieved carbon footprint avoidance to the extent of 15,454 MT CO$_2$-e during 2017-18.
BHEL presents a cheque of ₹185.21 Crore towards interim dividend for the year 2017-18 to Sh. Anant G. Geete, Hon’ble Union Minister of HI & PE and Sh. Babul Supriyo, Hon’ble Minister of State for HI & PE.
Under ‘Swachh Bharat’ and ‘Clean Ganga’ initiatives, among other things, BHEL is continuing support for construction of 25 clusters of Bio-Digester toilets with 276 units in Haridwar and Rishikesh. Your company extended financial support to NGO ‘Rastotthana Parishat’ for free medical support to 90 Thalassemia patients in Bengaluru, financial support for distribution of helping aids to ‘Divyang Jan’ and partnered with MAHAGENCO for providing financial support for 9 drinking water plants with water ATMs in Maharashtra villages.

Continuing the tradition of winning laurels, the organization and its employees won several prestigious awards during the year 2017-18. Notable among these are Prime Minister’s Shram Awards to 42 employees; Vishwakarma Rashtriya Puraskars to 63 employees; Golden Peacock Innovation Management Award; ICC PSE Excellence Award for excellence in Human Resource Management, Contribution of Women in PSEs, R&D and Technology development; EEPC INDIA Northern Region Award for Engineering Export Excellence; FICCI – AIOE National Award for outstanding achievement in Industrial Relations; and ‘Model Employer’ by Ministry of Labour & Employment, Government of India.

**Partners on the Journey**

Aspirations in our journey cannot be achieved without acknowledging dedicated and committed efforts of each & every member of BHEL family. I would like to express sincere thanks and gratitude to our esteemed customers and other business partners for their continued confidence in us, our employees for their passion and perseverance, members of the Board for their guidance, and you, our shareholders for support and trust in the company. I would like to thank Ministries of Government of India,
Leadership at BHEL: Board of Directors

Sitting from right to left
- Shri Rajesh Kishore: Independent Director
- Ms. Surama Padhy: Independent Director
- Shri Atul Sobti: Chairman & Managing Director
- Dr. Subhash Chandra Pandey: Joint Secretary, DHI: Part-time Official Director
- Shri Pravin L. Agrawal: Director (Industrial Systems & Products)
- Shri Keshav N. Desiraju: Director (Power)
- Shri S. Balakrishnan: Director (Industrial Systems & Products)
- Shri Akhil Joshi: Director (Industrial Systems & Products)
- Shri Subodh Gupta: Director (Finance)
- Shri Ranjit Rae: Independent Director

Standing from right to left
- Shri Keshav N. Desiraju: Independent Director
- Shri S. Balakrishnan: Director (Industrial Systems & Products)
- Shri Akhil Joshi: Director (Power)
- Shri Subodh Gupta: Director (Finance)
- Shri Ranjit Rae: Independent Director
- Shri B. Biswas: Director (Engineering, R&D)
- Shri R. Swaminathan: Independent Director
- Shri Desh Deepak Goel: Independent Director
- Shri D. Bandyopadhyay: Director (Human Resources)
particularly the Department of Heavy Industry for their valuable guidance and support in all our endeavours.

BHEL's immense contribution in nation building endeavors makes your company the finest example of successful 'Make in India'. We are committed and ready to take this mission forward in building a 'New India' which is prosperous, confident and happy.

Thank You.

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New Delhi
September 19, 2018

Yours sincerely,

(Atul Sobti)