

Turnover
₹ 43337 Crore

Profit After Tax
₹ 6011 Crore

Orders Inflow
₹ 60507 Crore

Power



Transmission



Industry



Transportation



NCES



Oil & Gas



***Steering Change...
Sustaining Growth...***



**Chairman's Address
47th Annual General Meeting**



Chairman's Address 47th Annual General Meeting of BHEL 20th September, 2011

Ladies and Gentlemen,

On behalf of the Board of Directors & employees of BHEL, I have great pleasure in welcoming you to the 47th Annual General Meeting of your company. I would like to sincerely thank you all for being with us on this important occasion. The report of the Directors and Audited Accounts for the year ending 31st March 2011, with the reports of Auditors and comments of Comptroller and Auditor General have already been circulated to the shareholders, and with your permission, I shall take them as read.

2010-11 was yet another very successful year for your company when we were able to deliver spectacular results in spite of growing concerns on the business confidence against the backdrop of volatile global economic and business environment. We saw private as well as public sector utilities and other customers reposing confidence in the company's capabilities. Your company has managed to sustain its leadership position and is ready to embark on a new phase of dynamic growth. In fact, your company has shown exceptional performance over the last six years.

	2005-06	2010-11
Gross Turnover (₹ Crore)	14,525	43,337
Profit After Tax (₹ Crore)	1,679	6,011
Return on Capital Employed	41%	62%
Net Worth (₹ Crore)	7,301	20,154
R&D Expenditure (₹ Crore)	152	982

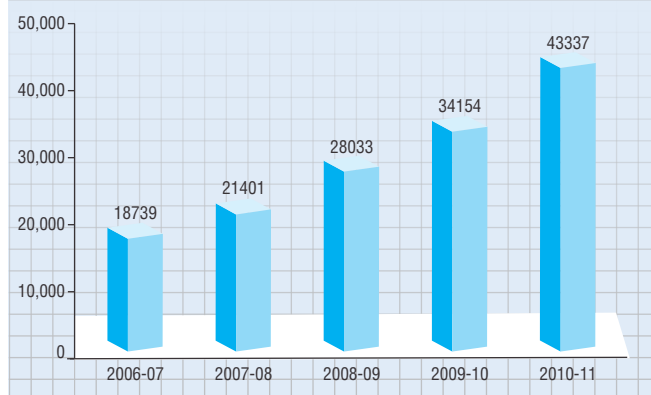
I would like to first present to you the key highlights of your company's performance during the year gone by:

Financial Performance & Business Accomplishments

Your company continues its impressive record of financial performance.

- Gross Turnover for the year grew by 27% to ₹ 43,337 Crore. Pre-tax profits rose by 37% to ₹ 9006 Crore.

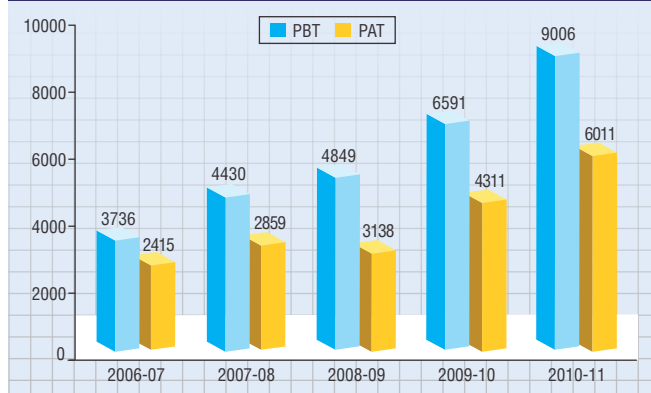
TURNOVER (₹ in crore)



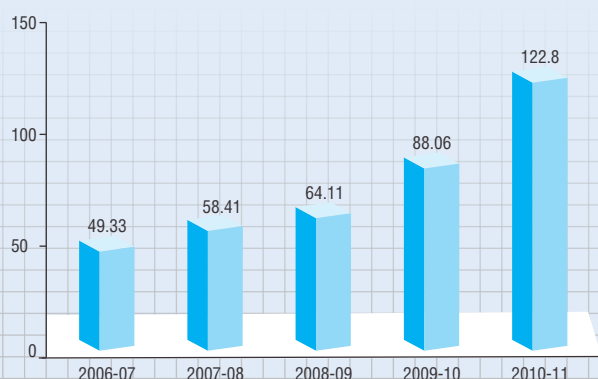
- Record orders worth ₹ 60,507 Crore, have been booked, despite various challenges confronting the power sector in recent times. At the end of the year, total orders in hand for execution in 2011-12 and beyond, stand at about ₹ 1,64,145 Crore. Major orders include:

- 7 nos. Boilers and 9 nos. Turbine-Generators with supercritical parameters from public as well as private sector utilities.
- First 700 MW Nuclear TG (2 sets) for KAPP 3, 4 from NPCIL in consortium with Alstom

PROFIT BEFORE TAX / PROFIT AFTER TAX (₹ in crore)



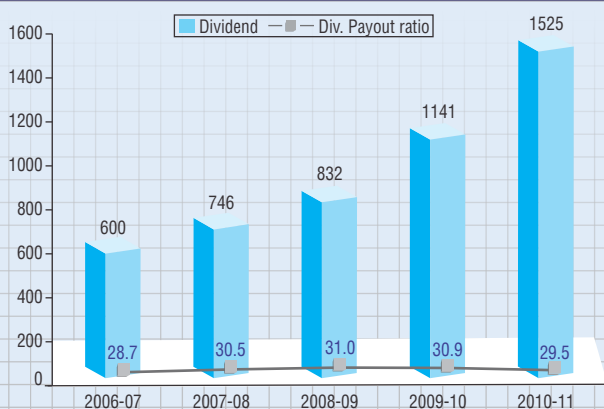
EARNING PER SHARE (₹ in crore)



In 2007-08 bonus shares were issued in the ratio of 1:1, figures (charts) of 2006-07 are restated based on enhanced share capital for better comparison.

- Repeat order for 10 sets of 270 MW each from the Indiabulls Group indicating confidence of the customer in your company.
- Export orders from 24 countries across five continents.
- The company is continuing to invest heavily in building capacities and capabilities, not only to cope with rising demand, but also in view of our drive to strengthen our engineering character. Therefore, Capital investment of ₹ 1,655 Crore and R&D expenditure of ₹ 982 Crore were incurred during the year.

DIVIDEND RATIO



- Economic Value Addition (EVA) reached ₹ 3,793 Crore, a 42% y-o-y increase.
- EPS on the post-bonus equity capital increased to ₹ 122.80 against previous year's ₹ 88.06.
- A final dividend of 179% has been recommended by the Board, in addition to the interim dividend of 132.5% for the year, making a total of 311.50% for the year - the highest-ever.
- The company has also readied itself to comply with the IFRS.



2x250 MW Korba East TPS with PLF of 96.4%

Equipment Performance

The overall PLF of coal based sets supplied by your company continues to be the highest at 75.7%. Of these, 61 sets registered PLF of over 90% and 73 sets achieved PLF between 80% and 90%. As a testimonial to superior quality of equipments supplied by your company, BHEL supplied coal based sets registered an Operating Availability of 86.1%, 2.3% higher than national average.

Commissioning

Your company synchronized/ commissioned highest ever 9,442 MW of sets during the year. This includes 52 sets totalling 7,667 MW commissioned within the country and



2x600 MW North Chennai TPS by BHEL on EPS basis, equipped with country's first large capacity new series Turbo-Generators

abroad. Interestingly, 57% of the total electricity generating capacity added by the country's utilities was with BHEL units.

BHEL responded to customer's call and completed the rehabilitation work of the flood ravaged Koteswar HEP of THDC in a record time of just five months and the plant capacity addition of 2x100 MW could be achieved.

Performance of subsidiary company

The process of revival of BHPV Visakhapatnam has started showing results. During 2010-11, the company achieved net profit of ₹ 8.78 Crore with a turnover of ₹ 137 Crore,

registering a y-o-y growth of 31.7%. Your company is providing all resources to BHPV for technology support, capacity enhancement, human resource augmentation and development, working capital, order booking and policy and procedures alignment. I am confident that it will soon regain its past glory.

Sustainability: Entrenched in Our Heritage & Culture

For your company, sustainable development is not new. For almost fifty years of our existence, we have been leveraging technology and innovation for providing products, systems and services to our customers to enable them to use resources with better efficiency and productivity.

The relationship between your company, its products, its employees, its customers and the society is - to use the unavoidable metaphor - like a river, the deeper it gets the less noise it makes. It has been just a natural extension of the way we saw ourselves and our responsibility. It has



India's first indigenously built 9FA (250 MW ISO)
Gas Turbine set manufactured by BHEL

always been a way of our doing business. It's an entrenched part of our history, how we have been consistently making profits since 1971-72 through the principles of sustainability at every stage of our history.

Globally, the power sector currently accounts for 41% of energy-related CO₂ emissions. Needless to emphasize that decarbonizing the power sector will be at the heart of efforts to make deep cuts in global CO₂ emissions. Your company has always been a torchbearer in these endeavours for the industry in India. With 500 MW in 1978, 660 MW and 800 MW in 2008, and 700 MW in 2010, we have been progressively introducing environment friendly and fuel efficient technologies for our customers. We also brought CFBC for burning multiple fuels, HRSG for absorbing waste heat and IGCC for coal gasification technologies to India.

In fact, on the sustainability dimension, your company has a much higher responsibility in delivering products that enable all its customers service the society in a way which is socially and ecologically acceptable while remaining profitable. We empower our customers to become sustainable by offering equipments which have better performance attributes like lower auxiliary power

consumption, better plant heat rate & PLF and finally lower life cycle cost. As per one comparative reporting based on the benchmarking of operational efficiency parameters, BHEL supplied sets show superior performance in comparison to that from other global suppliers.

As always, our customers join us, challenge us, engage with us, and help us do it better. Considering that availability of adequate land for future power projects would come at a premium, we have started to work on optimized plant layouts to reduce the power plant foot print. Similarly to address the scarcity of water we are engineering power plants that would use lesser water by incorporating air-cooled condensers, etc. Therefore, your company has not just implemented sustainability measures in its own plants but is also working to change the world for the better.

Order Inflows: Reinforcing Market Leadership

Despite difficult market conditions, your company was able to secure orders worth ₹ 44,341 Crore in power sector. We introduced new rating of 700 MW supercritical thermal sets with the first set of order from KPCL. We also won first-ever order from a JV with a State Utility for 800 MW supercritical thermal sets from Raichur Power Corp. Ltd.

In spite of subdued growth in Indian industry, your company was able to secure orders worth ₹ 11,405 Crore for a wide range of products and systems for application in Captive Power, Transportation, Transmission, Oil & Gas, Renewable Energy and other industry segments.

During the year, a major success was the breakthrough order from PGCIL for ± 800 kV 6,000 MW HVDC Multi-Terminal Transmission Link in consortium with ABB, Sweden. This transmission link from the North-East Region of the country to Agra comprises three converter terminals and a power transmission system with a built in capacity of up to 8,000 MW which is the largest HVDC transmission system ever built. In financial terms, this is the largest order finalized in T&D sector anywhere in the world.

Other significant orders in Industry business segment were



Contract signing between DBPL & BHEL for
2x600 MW DBPL TPS

3x150 MW BTG package from India Power Corp. Ltd. Haldia, State-of-the-art propulsion equipments for 6000 HP Electric Locomotives and 1400 HP AC EMUs from Indian Railways, Integrated Platform Management System for an Air Defence Ship, and 124 HT motors for IOC's Paradeep refinery including 110 flame proof motors.

The outlook in our export markets remains cautious and investments in infrastructure sector are still devoid of a positive environment. In the oil and gas sector, most companies have announced cutbacks in capital spending, as well as project deferments and cancellation. Recent developments in the Arab world have also adversely affected business prospects in our traditional markets. In spite of such challenges, BHEL was able to sustain its exports momentum with a physical export order inflow of ₹ 3,738 Crore from 24 countries spread over five continents. The year marked significant forays in new markets and new product areas.



Contract signing for 400 MW Marib Phase II Gas Turbine Power Project, Yemen

Your company successfully won prestigious single largest export order for 4x168 MW Gas Turbine based Marib-II Power Project from Yemen. For the first time, BHEL secured orders for supply of solar cells to Hong Kong and Turkey.

The Innovation Premium

Your company aspires to continue and further strengthen its innovation-led growth strategy to maintain the growth trajectory for decades to come.

In alignment with the above philosophy, your company invested ₹ 982 Crore on R&D efforts during the year-18.5% higher than the previous year. 18% turnover of your company comes from in-house developed products and systems. Your company registered 31% growth in IPR capital during the year taking the total to 1438 patents/copyrights. You would be pleased to know that BHEL has been ranked the Ninth Most Innovative Company in the world by the renowned US business magazine Forbes. Significantly, BHEL is the only Indian engineering company on the list, and is ranked much higher than similar multinational companies in the power equipment field.

As part of its endeavour to offer the most contemporary products & technologies to customers, BHEL has

indigenously developed and manufactured 1200 kV/180 MVA transformer, 1200 kV Capacitor Voltage Transformer, 530 kN Disc insulators, and 765 kV/500 MVA transformer. Further, to enhance efficiency as well as revenues for hydro utilities, BHEL has developed a hydro power plant equipment maintenance management system to provide vital support in ensuring continuous power generation while minimising overhead costs due to downtime, repairs and replacements.



1200 kV, 180 MVA, Single phase Transformer

Other significant developments during the year include development of compact and cost-effective digital Online Monitoring and Control System (OLMCS) for power transformers, high efficiency Passivated Interface (PI) hetero junction solar cells on full size (125 mm pseudo-square), mono crystalline silicon wafers with an efficiency as high as 16.9%, and a dynamic classifier system for improving classification efficiency of the pulveriser thereby reducing the NOx emission from the boiler.

In line with its developmental work in futuristic areas, BHEL is establishing a Centre for Nano Technology (CNT) at its Corporate R&D division at Hyderabad. The facility will explore the application of nano materials in products and systems relevant to BHEL. Material development for applications like power plant components, nano structured wear-resistant coatings, electrical insulating materials, solar cells, carbon nano tube applications, nano fluidics, fuel cells and sensors, will be studied at this facility. The Centre is being established to carry out cutting edge R&D and make your company future ready in the areas of ultra supercritical power and renewable energy.



Centre for Nano Technology Foundation Stone being laid by Director (E,R&D), BHEL



Hon'ble President of India presenting the 'SCOPE Meritorious Award for R&D, Technology Devp. & Innovation' for 2009-10 to CMD, BHEL, in the presence of Hon'ble Union Minister for HI&PE

Awards: A Source of Encouragement

During 2010-11, BHEL's excellence in terms of public sector management, manufacturing excellence, industry practices, sustainable development, corporate governance and innovation has been aptly recognised through various national and international awards, which is continuing.



Director (HR) and Director (E, R&D), BHEL, receiving 'Gold Award' from Hon'ble Union Finance Minister, Sh. Pranab Mukherjee, in Business Bhaskar 'Growth Leader' category



CMD, BHEL and Director (Finance) receiving the ICWAI Award from Sh. Veerappa Moily, Hon'ble Union Minister for Corporate Affairs



CMD, BHEL receiving the SCOPE Award for Excellence and Outstanding Contribution to Public Sector Management from the Hon'ble Prime Minister of India, Dr. Manmohan Singh

Some of the key awards are SCOPE Award for Excellence and Outstanding Contribution to Public Sector Management (2008-09) in large PSE Category, 'SCOPE Meritorious Award for R&D, Technology Development and Innovation' for the year 2009-10 by the Hon'ble President of India, IEI Industry Excellence Award, NDTV Profit Business Leadership Award, 7 ICWAI National Awards for Excellence in Cost Management, 6 Prime Minister's Shram Awards, National Safety Award, EEPC's Top Export Award, Business Bhaskar India Pride Growth Leader of the Year Award, Enerxia Awards for Manufacturing Excellence, India Power Award, Golden Peacock Award for OH&S, Safety Innovation Award, Distinguish Fellow Award to CMD, BHEL and CII-Thompson Reuters Innovation Award etc.

For the fifth consecutive year, BHEL's performance was recognized by the prestigious publication Forbes Asia, which featured BHEL in its sixth annual Fabulous 50 list of the best of Asia-Pacific's publicly-traded companies with revenues or market capitalization of at least US\$ 5 Billion, having highest long-term profitability and sales & earnings growth. Notably, BHEL is the only Indian PSU to figure on the elite list, since the list was conceived.

For a New Phase of Dynamic Growth

BHEL is committed to drive a new phase of growth, at a time of increasing focus of Government of India on developing the infrastructure sector.

In this environment, your company has over a period of time established a number of differentiating competitive strengths, including a powerful manufacturing base, world-class equipment performance, technology edge, diversified business portfolio, country-wide efficient after-sales-service network, a robust balance sheet capable of supporting its growth ambitions and strong human capital base.

Backed by these attributes, your company continues to pursue its '6-Point Strategy' to sustain its leadership in its current business areas and capture opportunities in emerging growth areas.

Sustaining Growth...

1. Capacity Enhancement

Augmentation of manufacturing capacity from 15,000 MW to 20,000 MW is on track for completion by March 2012. I am pleased to inform you that BHPV Vizag which we acquired in 2008 as part of our inorganic growth strategy has turned profitable in 2010-11. Further, your company has taken 51% stake in Kasargod unit of KEL Kerala for rapid capacity enhancement for rotating electrical machines. We will continue to build capacities both organically as well as inorganically.

2. Accelerated Project Execution

Your company has continually been improving its execution capabilities. Key drivers of our strategy are vendor base expansion, Advanced Manufacturing Actions, greater application of Information Technology, Rate Contracts, enhanced outsourcing, deployment of additional tools and plants, Away Center Fabrication, e-Procurement, and greater empowerment of project managers. Further, to address skill deficit in power sector your company has taken various initiatives like adoption of ITIs and leveraging in-house training infrastructure for skill enhancement in the sector. We have set an ambitious target of commissioning over 20,000 MW comprising utilities, industrial and overseas projects during 2011-12.

3. Product Cost Competitiveness & Quality

There is a constant endeavour to reduce costs. Points of focus include global sourcing, quicker indigenization, and various integrated operations improvement initiatives like Design-to-Cost (DTC), Purchase and Supply Chain Management (PSM) and Lean Manufacturing. These initiatives are towards improvement of our cost competitiveness while maintaining quality for which your company is well known.



CMD, BHEL & CEO, GE-India, exchanging agreement documents for Water Treatment Equipment and Systems

4. Diversification

Your company is well positioned to continue its diversification strategy to enhance shareholders' value as we expand our offerings in new growth areas viz. Solar, Nuclear, Transportation, Transmission & Distribution, and Water. In this direction, your company entered into mutually beneficial strategic partnerships with GE India Industrial Pvt. Ltd. (GEIPL) to address the requirement of water treatment plants for power plants, industry and municipal corporations; with Abengoa, Spain to develop Concentrated Solar Power (CSP) projects in India and with Nuovo Pignone (part of GE Oil & Gas), Italy for technology sourcing for the manufacture of higher size centrifugal compressors.

We remain positive that our diversification strategy would generate broad-based revenue streams for your company in the long run.

5. Engineering & Technology

As a result of conscious commitment to anticipate future needs of our society and to convert these needs into innovative technologies, your company continues to invest heavily in R&D. Our focus areas where we believe our skills and resources can have the greatest impact are



Brushless Exciter developed at BHEL's R&D Centre installed at Devighat HEP, Nepal

development and indigenization of clean coal technologies, UHV transmission equipments, Fuel cell, Hydrogen Energy, Flue Gas De-Sulphurization, Carbon Capture, Nano-technology, etc.

Your company has taken the lead in developing Advanced Ultra Supercritical (Adv-USC) technology in association with Indira Gandhi Centre for Atomic Research (IGCAR) and NTPC, as part of the National Mission for Development of Clean Coal (Carbon) Technologies. Further, we have established BHEL R&D Gateway at IIT Madras Research Park, Chennai for promoting research in Ultra Supercritical power cycles and high temperature materials.

6. People Development

We strongly believe that the contribution of all of our talent is an essential component to our growth aspirations. During last five years, your company has recruited 17,189 employees to strengthen its human resource base. Integrating these new employees into our BHEL is a challenge. Accordingly, we are reorienting focus of our Human Resource to develop not only each person's competencies, but also their performance and potential in alignment with our ongoing business challenges.

During the year 31,166 employees were exposed to various types of training with the average of 15.02 training man days per employee. In addition to employees, 6,819 Act Apprentices, 1,389 customers and 8,878 vocational trainees were trained in your company.

Corporate Citizenship

Your company has adopted its CSR Policy from 2010-11 with the Mission Statement - "Be a Committed Corporate Citizen, alive towards its Corporate Social Responsibility". Fostering the tradition of repaying the society at large by actively participating in the welfare of local communities through numerous CSR initiatives, BHEL undertakes socio-economic and community development programmes to promote education, improvement of living conditions and hygiene in villages and communities located in the vicinity of its manufacturing plants and project sites spread across the country. In addition, BHEL

provides financial assistance to various NGOs/Trusts/ Social Welfare Societies that are engaged in social activities throughout the country.

Constant endeavours of your company were appreciated and recognized at the 'CSR Thought Leadership conclave' organized by Wockhardt Foundation and 'India Shining Star CSR Award' for outstanding work in CSR sphere in the Capital Goods sector.

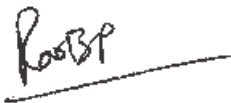
Corporate Governance

Your company is committed to following best corporate governance practices in all its pursuits while aligning as nearly as possible economic, social and environmental objectives. We manage all affairs of your company in an ethical and transparent manner and communicate truthfully with all our stakeholders. Your company operates with the ultimate objective of creating wealth and to enhance shareholder value in the long term.

Acknowledgement

Your company continues to remain engaged & driven by an inspiring vision of a World Class Engineering Enterprise committed to enhancing Stakeholder value. I would like to thank my fellow Directors on the Board and the members of the Management Committee for their wisdom and support. Various ministries of Govt particularly the Department of Heavy Industry have been providing valuable guidance and support in our efforts. Our customers, shareholders, and business partners are a great source of strength for the company which looks to the future with confidence. The company has been fortunate to have had visionary leaders and dedicated employees as the drivers of success.

I look forward to continued support from all stakeholders in BHEL's challenging yet exciting journey into the future.



New Delhi
September 20, 2011 Chairman & Managing Director



Powering Progress... Brightening Lives
Touching Every Indian Home



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