Bharat Heavy Electricals Limited

Maharatna Company

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Press Release

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BHEL maintains Leadership position in shrunk market; Order booking goes up 10; Total Dividend of 58 declared; Synchronisation/Commissioning of more than 10,000 MW achieved for the third year in a row

New Delhi, September 22: In spite of fiscal 2014-15 being an extremely challenging year, **BHEL** secured orders worth Rs.30,814 Crore, an increase of 10% over the previous year, in intensely competitive domestic and overseas markets. Despite severe market shrinkage and stiff competition in the power sector, **BHEL** maintained its leadership position with a market share of 72% for the second consecutive year. By expanding its offerings, the company secured 89% of its total orders in the power sector on EPC (Engineering, Procurement & Construction) basis. At the end of the year total orders in hand for execution in 2015-16 and beyond, stand at Rs.1,01,018 Crore. This was stated by Mr. B. Prasada Rao, Chairman & Managing Director, **BHEL** at the 51st Annual General Meeting of the company, here today. Addressing shareholders, Mr. Rao said that for the third time in a row, **BHEL** synchronized/ commissioned power projects of more than 10,000 MW in a single year. Power projects totalling 11,941 MW were commissioned/ synchronized during the year, inclusive of 10,230 MW utility sets, 1,392 MW captive sets/ industrial sets in the country and 319 MW in overseas markets. 2014-15 marked a turnaround in the Indian Hydropower sector with an addition of 736 MW to Central utilities, the highest in a decade. Notably, this entire 736 MW of Hydroelectric projects were commissioned by **BHEL**. In a constrained business environment, the company demonstrated tremendous resilience and achieved a Turnover of Rs 30,947 Crore and a Net profit of Rs 1,419 Crore during 2014-15. Consequently, a total dividend of Rs.284 Crore, has been declared for 2014-15, which is 58% of the paid-up capital (including an interim dividend of 27%), maintaining its track record of paying dividends uninterruptedly since 1976-77, he added. Mr. Rao informed shareholders that 2014-15 saw the highest power capacity addition in the country; however, the generation sector is still to come out from the stressful conditions which have adversely affected the power sector development for past 3-4 years. Major constraints like non-availability of long-term coal linkages to identified projects, inability to ramp up indigenous coal and gas production, rising prices of imported fuel, poor financial health of state discoms, land acquisition and issues related to environment clearances, etc. had been hampering the Sector. In the last one year, certain proactive steps by Govt. of India such as allocation of coal blocks through e-auction, rationalization of fuel prices and expeditious clearance of projects has provided much needed relief, however, the retarding force which was created by the market shrinkage of the last 3-4 years continued to impact **BHEL**â€™s operations

for the second consecutive year. **BHEL** has faced these challenges, and from managing growth to managing slowdown, the company has demonstrated its strong inherent competitiveness as reflected from its sustained market leadership, continued focus on innovation and excellent project execution. The Prime Ministerâ€™s clarion call of â€˜Make in Indiaâ€™ has generated a lot of excitement across the world and has enormous potential and promise to catapult Indian Industry into a new phase of growth. IMFâ€™s world economic outlook puts Indiaâ€™s growth rate at 7.5% for 2015-16 & 2016-17, the highest amongst all countries. The emerging growth scenario has therefore created a need for maximizing â€˜Value additionâ€™ in â€˜Manufacturingâ€™ based on â€˜Technology depthâ€™. **BHEL**â€™s vision of a â€˜Global engineering enterprise providing solutions for a better tomorrowâ€™ is in full convergence with the Governmentâ€™s multiple initiatives, he added. The CMD said that demonstrating its commitment to the â€˜Make in Indiaâ€™ mission, **BHEL** commissioned the Indiaâ€™s first indigenously manufactured, highest rating 800 MW Supercritical boiler at APPDCL Krishnapatnam-2 & the countryâ€™s first 660 MW indigenously manufactured supercritical set at NTPC Barh-5. These are very important milestones for the country seeking to achieve self-reliance in the field of state-of-the-art supercritical technology. In addition, leveraging its vast experience of over five decades of working with coals having varying characteristics and taking into account the current uncertainty of coal supply, **BHEL** has developed in-house a 'Fuel Flexible Boiler', which is capable of firing coal with range from 100% Indian to 100% imported. **BHEL** will supply the first Fuel Flexible Boiler for 800 MW supercritical thermal power project of TSGENCO at Kothagudem. Elaborating on **BHEL**â€™s progress in its non-power business segments, Mr. Rao said that in transmission, the companyâ€™s focus on developing more efficient UHV transmission systems is bolstered by its development of 765 kV range of transformers and shunt reactors. With the successful design, manufacture and supply of 765 kV shunt reactor to PGCIL Wardha, **BHEL** has positioned itself to address the requirements of utilities for 765 kV voltage class. **BHEL** is also the first indigenous manufacturer to design, manufacture and commission Indiaâ€™s first 1200 kV Transformer at the UHV Test station, Bina. The company has also successfully developed and commissioned Indiaâ€™s first â€˜Phase Shifting Transformerâ€™ at TSGENCOâ€™s Kothagudem TPS. In the transportation sector, **BHEL** supplied insulated-gate bipolar transistor (IGBT) propulsion equipment today accounts for over 40% of IGBT-based locomotives in operation by the Indian Railways. **BHEL** is poised to make electric locomotives up to 6000 HP rating with IGBT-based propulsion systems and microprocessor-based VVVF (Variable voltage variable frequency) controls. Significantly, Indian Railways is finalising tenders for two new locomotive factories for manufacturing High power, High speed Electric and Diesel-Electric Locomotives. **BHEL** is partnering with leading players for both the opportunities, he said. In the defence sector, Mr. Rao said that over the years, **BHEL** has made significant contributions for Naval guns and IPMS (Integrated platform Management system). Currently â€˜Make in Indiaâ€™ initiatives in the defence sector are opening up large opportunities in Naval and Field Guns, Sub-marines, etc. **BHEL** is actively pursuing these opportunities by partnering with Global OEMs. In the renewable segment, he informed that **BHEL** has been in the field of Solar Photo-Voltaics (SPV) for nearly three decades now. The company has developed capabilities to supply complete SPV systems on EPC basis for both off-grid and grid-interactive requirements. It has also geared itself to take up EPC of large size Solar projects (i.e. greater than 50 MW) to address emerging market trends and the increased potential in this segment. In its water business, **BHEL** now offers turnkey solutions from concept to commissioning for various feed water characteristics ranging from pre-treatment to tertiary treatment, including pre-treatment-sedimentation, filtration, RO-based sea water desalination plant, UF-RO-EDI based DM Plant, Effluent treatment plant, Membrane based sewage treatment plants (STP), Zero Liquid discharge (ZLD) for industries, and complete plant water system for power plants. Besides executing a number of water treatment plants integral to various power stations, **BHEL** has also made a foray in the industrial segment and bagged an order for a 96 MLD membrane-based raw water filtration plant for a petrochemical plant at Dahej. On the performance of **BHEL** equipment, Mr. Rao said that today, **BHEL** equipment boasts of world-class performance attributes like lower auxiliary power consumption, superior boiler efficiency, better plant heat rate & Plant Load Factor (PLF) and finally lower life-cycle cost. Various performance reports from Central Electricity Authority, India and North American Electric Reliability Corporation (NERC), USA explicitly indicate the superior

performance of **BHEL**â€™s thermal sets, which ultimately leads to optimal utilization of coal in such power plants. During the year, overall PLF of **BHEL**-supplied coal-based sets at 65.20%, was higher than the national average by 70 bps. This includes 27 sets that registered a PLF of over 90% and 76 sets that achieved a PLF between 80-90%. 181 **BHEL** coal-based sets achieved Operating Availability (OA) higher than 90%. **BHEL** supplied Nuclear sets registered an OA of 92.3 % and PLF of 83.7 % in 2014â€“15. Looking to the future, he informed shareholders that **BHEL** still faces many challenges but recent policy initiatives taken by the Government are likely to improve the business environment and provide momentum to existing and upcoming projects. The company is focusing on leveraging its intrinsic capabilities to build a strong foundation for the coming years. Reiterating its commitment towards sustainable development, the CMD said that **BHEL**'s resolve to focus on clean coal technologies and chart a low carbon growth path is manifested in several dimensions. **BHEL** manufactured & commissioned Indiaâ€™s first 660 MW (SG & TG) and 800 MW (SG) sets with supercritical technology resulting in ~11% reduction in CO2 emissions, less fuel consumption & ultimately leading to lower cost for its in-house developments like Fuel Flexible Boiler, portfolio of more efficient UHV Transmission systems & products and low lifecycle cost of equipment are facilitating use of affordable environmentally sustainable energy systems. In the field of photovoltaics, **BHEL** has expertise in the critical parts of the value chain, viz., Silicon Wafer to Cell, Cell to PV Module, erection, commissioning and O&M of MW-size Solar PV power plants. Mr. Rao said that faster execution and on time delivery are indispensable to sustain market leadership and the company has already augmented its capacity for power plant equipment manufacturing to 20,000 MW p.a. **BHEL** signed an MOU with the newly formed Telangana State for 6,000 MW Power projects and received two major EPC orders from TSGENCO for 1x800 MW Kothagudem TPS & 4x270 MW Bhadradri TPS. This has been followed by a landmark single-largest EPC order worth around Rs.18,000 Crore received recently for setting up 5x800 MW Supercritical Thermal power project at Yadadri in Telangana. The company is all set to create new benchmarks in execution. It is also favourably placed in a number of other new tenders, he added. Mr. Rao told shareholders that the â€˜Make in Indiaâ€™ initiative seeks to make India a competitive manufacturing hub and for **BHEL**, the opportunity lies in higher value-added manufacturing. In line with this, the company is focusing on increasing its value contribution in a shrinking market. In sync with its strategy of capturing EPC business and enlarging scope of offer, **BHEL** received 89% of the power sector orders on EPC basis as compared to 52% in 2013-14. This includes an order for the country's first ever EPC contract for an 800 MW rating supercritical power project secured from GSECL for 1x800 MW at Wanakbori. In addition to this, **BHEL** is expanding its portfolio of equipment & systems by adding Flue-Gas Desulphurisation (FGD), Water Management system, Air Cooled Condenser, and other Balance of Plant (BoP) systems. Increasing level of indigenisation in Supercritical Technology and development of Adv. Ultra Supercritical Technology (AUSC) are focus areas in power sector. In the industry segment too, the company has taken various initiatives to expand its presence and build a robust portfolio of businesses by leveraging the its strengths, investments in existing facilities and by exploring new business models with focus on collaboration with value chain partners. The company set a new record in its Solar Photovoltaic (PV) business in a single year by supplying 50 MWp of SPV modules. **BHEL** also received the largest value single order for 64 sets of IGBT-based Traction Converters from CLW. **BHEL** is well positioned to capitalize on the premium 765 kV voltage segment. **BHEL** is also executing world's largest Â± 800 kV, 6,000 MW Multi-terminal HVDC NE-Agra project. 76/62 Super Rapid Gun Mount (SRGM) along with Auxiliary Control System (ACS) were successfully commissioned on-board the indigenously-built Naval warship INS Kolkata D-63. To capitalize on the opportunities in the defence sector, **BHEL** has formed a consortium with Mishra Dhatu Nigam Ltd. and Hindustan Shipyards Ltd for jointly bidding for indigenously building P-75 (I) submarines for the Indian Navy, said Mr. Rao. In international business, **BHEL** is exploring collaboration opportunities in target countries to grow exports business by forging opportunity-specific and market-specific alliances to strengthen **BHEL**â€™s role as an EPC player in the global market. He said that innovation is an integral aspect of **BHEL**'s business strategy to enhance competitiveness and offer contemporary solutions. The R&D expenditure of the company has consistently been more than 2.5% of the turnover for more than 5 years now. During the year, **BHEL** invested Rs.1,019 Crore on R&D, and recorded a turnover of Rs.7,300 Crore from in-house developed products and services. **BHEL** also filed the highest-ever 453

patents and copyrights in a year, enhancing the companyâ€™s intellectual capital to 3,010. The CMD informed shareholders that India has the capability and the resolve to reach the zenith of its growth potential and with long-term drivers in place, **BHEL** is poised to harness the emerging opportunities. Energy & Infrastructure, being the fulcrum of economic development, would continue to depict a rising trend till demand-supply deficit is addressed in its entirety. Energy security and climate change issues are determining the future course of development. This represents a huge opportunity to be leveraged by **BHEL** with its wide range of quality products & services and the company is confident of realising its vision of becoming a global engineering enterprise providing solutions for a better tomorrow, he added.