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## **BHEL maintains growth trajectory under difficult market conditions Records Highest-ever Turnover & Profit; Dividend enhanced to all-time high 320%; Highest ever Utility sets commissioned in a year; New Strategic Roadmap unveiled to steer future growth**



New Delhi, September 19: In fiscal 2011-12, Bharat Heavy Electricals Limited (**BHEL**) maintained the growth momentum achieved in the year before, with a top line growth of 20% and an all-time high Turnover of Rs.495100 Million. The company also recorded a quantum jump of 24% in its Profit After Tax (PAT) which was also the highest-ever at Rs.70400 Million. Significantly, with this **BHEL** has become eligible for "Maharatna" status. This was disclosed by Mr. B. Prasada Rao, Chairman & Managing Director, **BHEL** at the 48th Annual General Meeting of the company, here today. Addressing shareholders, Mr. Rao said that **BHEL** recorded a 26% surge in Net Worth, which went up to Rs.25373 Crore from Rs.20154 Crore in the year before. Earnings Per Share (EPS) on the post split number of shares basis went up by 24% to Rs.28.76. Consequently, a total dividend of Rs.15660 Million – the highest ever, has been declared for 2011-12, which is 320% of the paid-up capital (including an interim dividend of 136%). Mr. Rao said that despite stagnation in the power sector and intense competitive pressure in domestic and international markets, orders worth Rs.22096 Crore, have been booked. At the end of the year, total orders in hand for execution in 2012-13 and beyond, stand at about Rs.135300 Crore. It is an undeniable fact that the entire business environment was beset with a bleak performance during 2011-12 hit by various issues like high cost of capital, demand contraction in the economy, uncertainty in finalisation of projects and so on. In the backdrop of subdued investment in infrastructure in the country, the company has demonstrated its competitive advantage in its power sector business segment by winning most of the power plant & associated equipment orders placed during the year in the country, he added. Mr. Rao said that the prevailing economic and business headwinds are posing an immense challenge to sustain past growth rates in the near term. The company expects business sentiment to improve in the medium and long term. Against such a backdrop, efforts are being made to transform **BHEL** into a more efficient and focused company that can meet the tough challenges posed by increasing competition and exploit the great opportunities that lie ahead. In a bid to steer **BHEL** towards becoming a global engineering enterprise, the company has drawn up its 7th Strategic Plan 2012-17, he said. Re-emphasizing its commitment towards sustainable progression, the CMD said that **BHEL** manages its environmental impacts across the entire manufacturing value chain. Internally, various integrated operations improvement initiatives enable it to optimally manage

key aspects of materials, water, energy, emissions and biodiversity in the larger interest of society. **BHEL** facilitates its customers in managing their environmental and social impacts throughout the entire operational lifecycle of the power plants by offering them state-of-the-art engineering and technology inputs for reducing green house gas emissions, water consumption, better heat rate, less auxiliary power consumption with less fuel requirement. Various performance reports from Central Electricity Authority, India and North American Electric Reliability Corporation (NERC), USA also explicitly indicate superior performance of **BHEL** thermal sets in terms of Plant Load factor, Operating Availability, Forced and Planned Outages. **BHEL** has been actively contributing to the national effort of developing and promoting clean energy based products on a sustained basis. During the year, the company set a new record in its Solar Photovoltaic (PV) business by commissioning 15 MWp of Solar Power Plants in various parts of the country. Under the aegis of the National Mission on Clean Coal Technology, **BHEL**, in association with IGCAR, NTPC and other organizations, is developing Advanced Ultra Supercritical Technology. Once operational, plants based on this technology will operate at efficiency exceeding 45% under Indian ambient conditions. Further, the company is actively involved in development of IGCC technology, which is the clean coal technology of the future. **BHEL**, on the strength of 6.2 MW IGCC plant installed at Trichy, is working with APGenco to set up a 182 MW plant at Vijayawada. Enumerating **BHEL's** milestones in international business, he said that the year 2011-12 witnessed business confidence falling sharply due to a barrage of shocks like the tsunami in Japan, political volatility in the Middle East & North Africa (MENA) region and widespread financial instability in Europe impacting **BHEL's** international business prospects. In the face of such challenges, **BHEL** has made persistent efforts in maintaining its volume of international business. Though certain large orders expected to be finalised during the year were delayed, concerted efforts have helped us maintain our global footprint with orders from 21 countries across the world. **BHEL** won the confidence of existing customers in overseas business in terms of repeat orders for supply of 2500 kW and 1400 kW Slip Ring Induction Motors from Mombasa Cement Ltd., Kenya. The company was successful in making an entry into Ukraine, a new market, by securing an order for 27 MW STG package from the Arcelor Mittal group. The company also secured its maiden export order for Wellheads from Georgia. Continued focus on After-Sales-Services led to orders for Spares & Services from different parts of the world including Australia, Bangladesh, Bhutan, Georgia, Indonesia, Iraq, Kazakhstan, Malaysia, Malta, Oman, Saudi Arabia, Sri Lanka, UAE, United States, Vietnam and Yemen, said the CMD. On the performance of **BHEL** equipment, he said that upholding its tradition of exhibiting cutting-edge performance, **BHEL's** thermal sets (coal-based) generated 460 Billion Units during the year 2011-12 as against 435 Billion Units last year, an increase of 5.63% and contributed 75% to the country's generation from thermal utility sets. The overall PLF of **BHEL**-supplied coal-based sets continued to be the highest at 75.5% against the national average of 73.3%, once again reaffirming the reliability and quality of **BHEL** equipment. Of these, 61 sets registered PLF of over 90% and 82 sets achieved PLF between 80% - 90%. Further, during the year, **BHEL**-supplied 195/200/210/250/500 MW coal based sets which form the backbone of country's power generation, achieved a PLF of 78.9%. Mr. Rao said that in 2011-12, **BHEL** commissioned/synchronized the highest-ever 9270 MW of sets in a single year. This included commissioning of 8410 MW of utility and 535 MW of captive sets in the country and 325 MW in the overseas market. A landmark was achieved by the company when it added a cumulative capacity of 1625 MW comprising thermal and hydro units across the country within a span of just 24 Hours. Significantly, during the XI Plan period **BHEL** has commissioned 25385 MW of Utility sets, nearly double of that commissioned by it during X plan. As part of R&D initiatives, the CMD said that continuing its focus on engineering and R&D, **BHEL** invested Rs.11990 Million on R&D and filed a record 351 patents and copyrights during the year. With this, the intellectual capital of the company has grown to 1786, enabling it to consolidate innovation capabilities in existing and new areas. Significantly, 20% of the turnover in 2011-12 has come from in-house developed products, he added. Realising the gravity of the challenges in today's global economy, **BHEL** has adopted innovation as the central driver for implementing its strategy and achieving growth. The company has always stood above the rest in the engineering sector in the country in research and development efforts to improve its performance in indigenising products & systems using the coming of age technologies, meeting not only the needs of the country but also to stand competitive globally, said Mr. Rao.

**BHEL** has adopted a new R&D Policy to transform R&D and innovation in a structured and focussed manner in order to have strong capabilities in product development and engineering. As part of its Strategic Plan 2012-17, the company has identified a number of projects to build and consolidate capabilities in emerging and existing areas. The company is putting in place enablers like people capabilities, infrastructure, processes and organization support to succeed in its ambitious technology endeavours. Active partnerships and alliances are being worked out with national and international science and technology establishments of repute like IITs, IISc, CSIR, etc. The company has signed a Memorandum of Collaboration for pursuing R&D in the area of solar energy consisting of Solar PV and Solar Thermal-CSP with IOCL & IIT-Rajasthan. Focus areas are clean coal technologies, renewable energy, 765/1200 kV transmission systems and products, transportation, system engineering and futuristic technologies, he said. With a capital investment of Rs.11220 Million during the year 2011-12, **BHEL** has made a total capital investment of Rs.62980 Million during the XI plan period in augmenting manufacturing capacities & modernisation of facilities in its manufacturing units and power projects. This has enabled the company to realise a manufacturing capability to deliver 20000 MW of power equipment per year with effect from the year 2012-13, he said. He informed shareholders that BHPV, which was acquired as part of **BHEL**'s inorganic growth strategy, achieved a net profit of Rs.104.4 Million with a turnover of Rs.1560 Million, registering a y-o-y growth of 14%. **BHEL** is providing resources to BHPV in terms of technology support, order booking, capacity enhancement, working capital and policy & procedures alignment. The process of merger with **BHEL** has been initiated. A new subsidiary **BHEL Electrical Machines Limited**, Kasargod, was incorporated on 19th January 2011 with **BHEL** holding a majority stake of 51% and Govt. of Kerala retaining 49%. The company plans to develop Specialised Alternators in various fields. The subsidiary company posted a turnover of Rs. 211.4 Million during the nine month period, as full commercial activities began only in June, 2011. **BHEL** is extending support like working capital loan, order booking and R&D support to meet the objectives of **BHEL EML**, he added. Looking to the future, he informed shareholders that **BHEL** today finds itself at a crossroads where on one hand the company has acquired tremendous capabilities while on the other hand the business environment is not propitious for harnessing its capabilities due to muted growth in domestic economy and the contagion effect of a subdued global economy. The recent trend of subdued performance of the industry is unlikely to continue on the back of strong fundamentals of the economy. Demand revival is expected over the mid to long term which will see the economy bouncing back to its earlier stead. As enumerated in the company's Strategic Plan 2012-17, **BHEL** will expand its offerings in the power sector by building EPC capability, focus on industry businesses, expand spares & services and adopt a collaborative approach. Focus will be on enhancing the EPC business and enlarging scope of offer in the power sector. The company's JV with NTPC namely NBPPL would be the manufacturing base for certain BoP equipment like AHP and CHP etc. **BHEL** is also working with GE India to offer water management solutions for the power sector. Secondly, smaller business areas like Transportation, Transmission, and Renewables, etc. will get more attention so as to maintain a balanced portfolio. In addition, there would be an increased emphasis on technology and R&D efforts to meet emerging business requirements. **BHEL** will continue to upgrade existing products and systems to contemporary levels and develop new products through continuous in-house efforts as well as through acquisition of new technologies, said Mr. Rao. In spite of the prevailing situation in power sector, the company believes that the power sector will continue to remain a major contributor to its top line with transportation and transmission emerging as the next big business verticals. In view of increasing intensity of competition in this segment, **BHEL** is pursuing various cost reduction strategies to retain leadership position in the Indian market. The company will continue to strengthen its presence in the Nuclear, Renewable and Water segments. He further informed shareholders that **BHEL** has recruited more than 20,000 talented and competent people at all levels during last five years. Human resource focus would be on developing their competencies, performance and potential in alignment with business plans. Leadership development, competency mapping, performance linked pay; career planning and succession planning initiatives are in various stages of implementation within the company. To ensure implementation of Strategic Plan 2012-17, **BHEL** would continue to pursue its 6-Point Agenda viz. Capability Enhancement, Accelerated Project Execution, Product Cost Competitiveness & Quality,

Diversification, Engineering & Technology and People Development to enable it reap an execution premium that would place it ahead of peers, said Mr. Rao.

**Mr. B. Prasada Rao, CMD, BHEL addressing shareholders at BHELs 48th AGM in New Delhi**

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