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BHEL maintains Leadership position even in the shrunk market; Achieves Turnover of Rs.40,338 Cr; Profitability sustained under adverse business conditions; Total Dividend of 141.5% declared; Highest ever Synchronisation/Commissioning of 13,452 MW in a year



New Delhi, September 19: In spite of fiscal 2013-14 being an extremely challenging year for Bharat Heavy Electricals Limited (**BHEL**), the company has been successful in navigating through such a constrained business environment. **BHEL** has achieved a Turnover of Rs.40,338 Crore and a Net profit of Rs.3,461 Crore during 2013-14. The resilience of the company is evident from the net Profit Margin of 9% which is still higher than many industry peers. This was stated by Mr. B. Prasada Rao, Chairman & Managing Director, **BHEL** at the 50th Annual General Meeting of the company, here today.

Consequently, a total dividend of Rs.693 Crore, has been declared for 2013-14, which is 141.5% of the paid-up capital (including an interim dividend of 65.5%), maintaining the track record of paying dividends uninterruptedly since 1976-77, he added.

Addressing shareholders, Mr. Rao said that, during the year **BHEL** synchronized/commissioned all time high power projects of 13,452 MW which is the highest in a single year. This includes commissioning of 11,266 MW in utilities comprising 9 nos. of 600 MW sets, 1,698 MW in captive/industrial sets, and 488 MW in the overseas markets.

Mr. Rao said that despite unfavourable externalities, **BHEL** secured orders worth Rs.28,007 Crore from its diversified business segments viz. Power and Industry covering both domestic and international markets. Despite severe market shrinkage and stiff competition in the power sector, **BHEL** increased its market share from 68% in 2012-13 to 72% in 2013-14 which includes highest ever mega EPC order worth Rs.7,900 Crore for 3x660 MW supercritical units from NTPC for North Karanpura. At the end of the year total orders in hand for execution in 2014-15 and beyond, stand at Rs.1,01,566 Crore.

He said that financial year 2013-14 was the second successive year of sub-5% growth, though the economy marginally improved as compared to 2012-13, with GDP growth of 4.7%. Persistent Inflation, high fiscal deficit and high interest rates have negatively affected the growth potential. The cutback in investments, slow

momentum in infrastructure and energy sectors, delayed and stalled projects have also contributed to the performance that was below expectations. Investment and capital expenditure by the industry slowed down.

However, as the economy is expected to move at prerecession levels in near term, the capital expenditure cycle could kick off in a big way in the next few quarters. This will improve business environment and **BHEL** will benefit from emerging opportunities, he added.

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. Customers of **BHEL**, while remaining profitable, are able to serve the nation in accordance with prevalent and acceptable social and ecological standards. Various performance reports from Central Electricity Authority, India and North American Electric Reliability Corporation (NERC), USA explicitly indicate superior performance of **BHEL** supplied thermal sets, which ultimately leads to most optimal utilization of fossil fuel coal in such power plants. During the year, overall PLF of **BHEL** supplied coal-based sets at 66.9% was higher than the national average of 65.6% including 36 sets which registered PLF of over 90%. 175 **BHEL** coal based sets achieved OA higher than 90%. **BHEL** supplied Nuclear sets registered an OA of 88.6 % and PLF of 81.5 % in 2013-14.

With a manufacturing capacity of 20,000 MW of power equipment per annum, **BHEL** is one of the few global companies with the capability to manufacture the entire range/type of power equipment. Today, power stations with **BHEL** supplied equipment have a sturdy 57% share in India's total installed power generation capacity and contributes 65% to the total generation from coal based thermal utility sets, said the CMD.

Mr. Rao informed shareholders that certain ongoing projects have got impacted as the Indian power sector continues to be besieged with issues relating to fund constraints, land acquisition, clearances and coal linkages. These testing times in recent few years have given **BHEL** the opportunity to consolidate its strengths, identify areas for future growth and leverage on the intrinsic capabilities to build strong foundations for the coming years. The company will achieve this through the anchors of capability enhancement, project execution, cost competitiveness & quality, diversification, engineering & technology, and people development as per the '6-Point Agenda' adopted for dynamic growth and leadership.

Enhancing the capability to deliver excellence is the key pillar of strength to address current turbulent times. Large scale of operations creates a competitive advantage for **BHEL** as it converts a high asset base into economies of scale by spreading fixed costs, pooling resources and creating critical mass in a significant portion of power project value chain. **BHEL** has augmented its capacity for Power plant equipment manufacturing to 20,000 MW p.a. Capacity augmentation for locomotive manufacturing to 75 numbers per annum, for Seamless Steel Tubes to 86,500 MTPA, New Manufacturing Units - Centralized Stamping Unit at Jagdishpur, Power Plant Piping Unit at Thirumayam, Power Equipment Fabrication Plant at Bhandara and merger of BHPV Vizag are steps undertaken by **BHEL** to leverage its scale, he said.

The CMD said that faster execution and delivery on time are need of the competitive business environment of the day. **BHEL** has adopted a key strategy of Accelerating project execution with focus on intermediate milestones, delivery cycle reduction, and deployment of additional Tools & Plants. Execution capabilities have been strengthened with various initiatives such as addition of 129 heavy cranes at project sites suitable for erection of 600/660 MW sets. During 2013-14, the company synchronized/ commissioned 30% more power projects as compared to last year. Further in the transmission business area, **BHEL** constructed and successfully commissioned 765/400 kV substation 6 months ahead of schedule at Raichur in Karnataka, the southern end of 765 kV Raichur-Sholapur transmission link of PGCIL. With this, the Southern Grid is now synchronised with the N-E-W Grid thus forming the synchronously operated National Grid thereby fulfilling the ambition of One Nation - One Grid-One Frequency.

To address prevailing pricing pressures, **BHEL** is focusing on all round cost reduction measures in different areas of operations through competitive buying, supply risk mitigation, IT application, operations improvement, and better employee productivity. In new technology areas, focus is on indigenisation and development of Indian vendors, in addition to design optimization, standardization of equipment modules, reducing rework cost, enhancing performance parameters and de-packaging of bought-out-items & civil works, which are adopted across all business areas, he added.

Mr. Rao told shareholders that given the current business environment, particularly in the power sector, **BHEL** is focusing on increasing its value contribution in a shrinking market. Towards this, the company has been adopting a two pronged strategy; focus on EPC business and enlarging the scope of offer. **BHEL** is expanding its portfolio by adding Flue- Gas Desulphurisation (FGD), Water Management systems, Air Cooled Condenser, and other Balance of Plant (BoP) systems. The company is fully harnessing its potential in the spares & services area, forging partnerships with power plant developers for UMPPs. Increasing level of indigenisation in supercritical technology, development of Advanced Ultra Supercritical power equipment, and introduction of state-of-the-art CFBC technology are major strategies in the power sector.

He further said that the Industry segment too is feeling the effect of the contraction in investments. As planned, **BHEL** has taken various initiatives in recent past to expand its presence in Transportation (Rail), Solar and Transmission business areas, both by way of investments in existing facilities and by exploring new business models with focus on collaboration with value chain partners for capitalising new business opportunities. Plan to set up an integrated manufacturing facility for 480 MW Solar PV systems in Maharashtra is a significant step in this direction. For business diversification, **BHEL** is pursuing capacity expansion (e.g. Locomotives), product development (e.g. 765 & 1200 kV transformer), collaboration with stakeholders, capabilities' consolidation (e.g. water business) and gaining experience in new technology areas (e.g. NE Agra ±800 kV HVDC transmission line) to enhance the share of Industry Segment in turnover-mix.

In the Hydro power sector, **BHEL** has augmented its capabilities to manufacture up to 300 MW Hydro sets. Adding to its nuclear capabilities, India's first 1000 MW Nuclear set at Kudankulam-1 was synchronised in 2013 where **BHEL** successfully carried out erection and commissioning of TG, he added.

In international business, the CMD informed shareholders that **BHEL** is also exploring collaboration opportunities in target countries to grow exports business by forging opportunity-specific and market specific alliances to strengthen **BHEL's** role as an EPC Contractor in the International markets.

He said that innovation, an integral aspect of **BHEL's** business strategy to enhance competitiveness and offer contemporary solutions to customers, is going to power the company's future. Keeping up with its commitment to R&D led growth strategy, **BHEL** spent Rs.1,114 Crore in 2013-14 which was 2.76% of the turnover as against 2.49% for the previous year. This is the highest R&D spend by an Indian company in the engineering and manufacturing segment. **BHEL's** total intellectual capital of 2,589 patents and copyrights is a reflection of its R&D efforts with the highest ever IPRs (434) filed during the year. Turnover from in-house developed products amounted to Rs.8,110 Crore which is 20 % of the company's turnover.

As part of R&D initiatives, Mr. Rao said that **BHEL** has developed new fuel flexible supercritical boilers which can operate and maintain steam generation in the extreme cases of 100% specified Indian coal as well as 100% specified imported coal. **BHEL** is also slated to play a key role in research, development, demonstration and deployment (RDD&D) with development of India's first coal fired Advanced Ultra Supercritical (AUSC) power plant in association with Indira Gandhi Centre for Atomic Research (IGCAR) and NTPC.

Reiterating its commitment towards sustainable development, the CMD said that as the relationship between ecology and technology is changing, **BHEL** is committed to offer fuel efficient and environment friendly technologies and products to its customers. The first **BHEL** make 660 MW supercritical unit was commissioned for

NTPC at Barh and the first 800 MW Boiler was synchronised for APPDCL at Krishnapatnam during 2013-14. **BHEL** also delivered CFBC for burning multiple fuels, HRSG for absorbing waste heat and IGCC for coal gasification technologies in India.

Looking to the future, he informed shareholders that with a golden legacy of 50 illustrious years on its side, **BHEL** has embraced this business dynamism by expanding its offerings and enhancing competitiveness seeking to realize its long term vision and stay relevant with the changing times. Its growth strategies emerging from diversification are linked with the growth in economy and subsequent investment in infrastructure and have long gestation periods. Creating new business avenues and maximizing the utilization of available infrastructure will be the key to future growth and stakeholders' wealth enhancement. The new and changing India will have an insatiable appetite for a wide range of products & services offered by **BHEL**. Therefore the company is confident of realising its vision of becoming a global engineering enterprise providing solutions for a better tomorrow, he added.

BHEL's Board at the company's 50th AGM

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