

CHAIRMAN'S ADDRESS

53rd Annual General Meeting

September 22, 2017 | New Delhi



Creating  of tomorrow



Atul Sobti, Chairman & Managing Director

*“...‘New India’ ...is a journey
...40,000 employees of your
company ...see it as an
opportunity to create a new
BHEL..”*

*“...persistent efforts in
this journey enabled us to
deliver both on growth and
profitability in yet another
year of challenging business
environment...”*

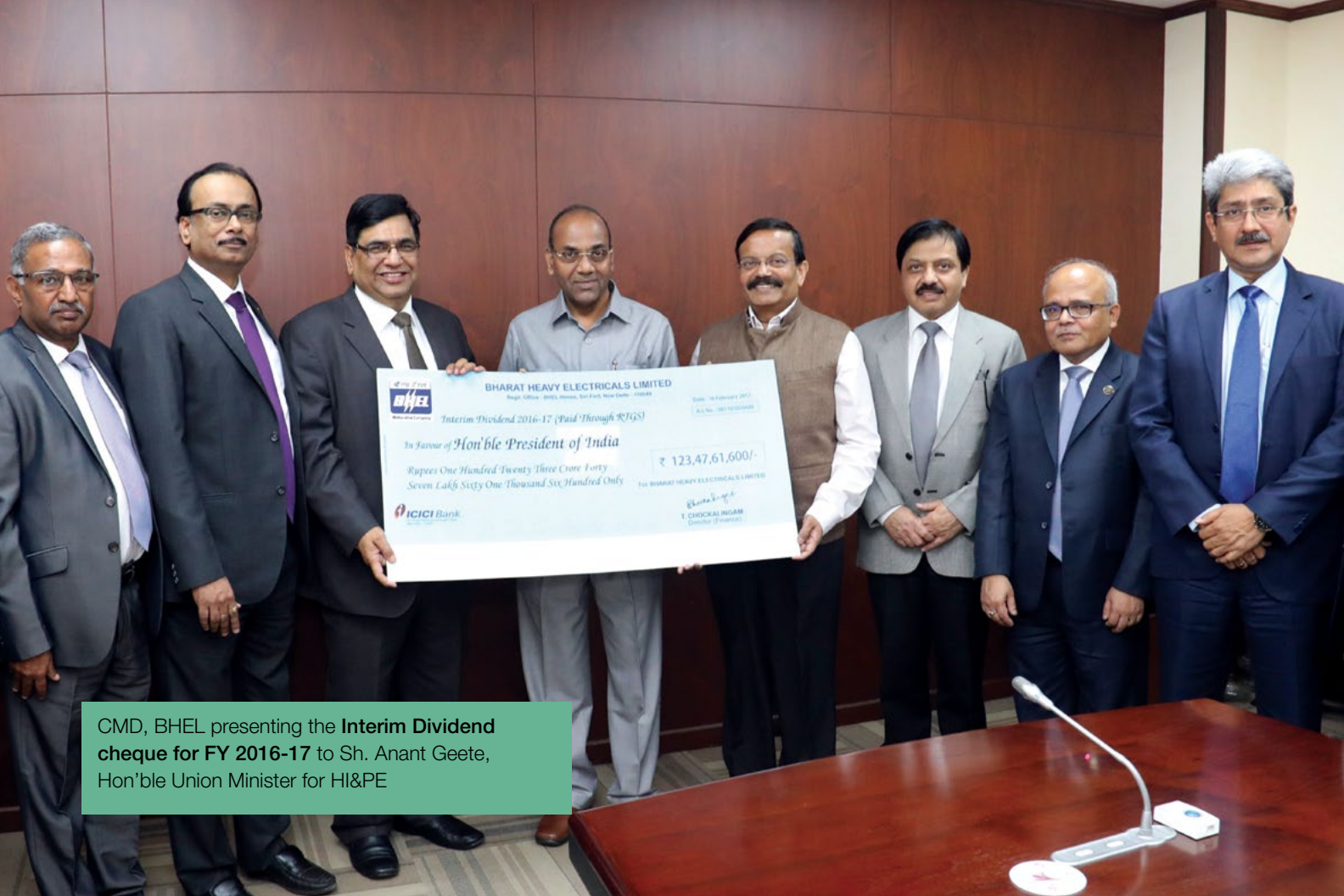
Ladies and Gentlemen,

A very warm good morning to each and every one of you.

On behalf of the Board of Directors, I take this opportunity to extend a very cordial welcome to you all in the 53rd Annual General Meeting of your company. The Annual Report for the year ended 31st March 2017 is with you and with your permission, I shall take it as read.

Our Hon'ble Prime Minister of India, Shri Narendra Modi ji has given the clarion call to create a '**New India**' and said, "*There are 125 Crore people and if each one takes one step, then the country would be 125 Crore steps ahead*". These words capture the essence of the fervour of 125 Crore Indians joining hands to create a 'New India'. This is a journey and your company envisions playing a significant role in this journey. 40,000 employees of your company have together embarked on this journey and see it as an opportunity to create a new BHEL which is more responsive to the environment, has new sources of strength and has new streams of growth that make the company sustainably rising. Our persistent efforts in this journey enabled us to deliver both on growth and profitability in yet another year of challenging business environment. Going forward, our resolute focus will remain on managing the current momentum as well as on building capabilities for charting a higher growth path.

2017 also marks the 25th year of BHEL being a public listed company. This has been a very rewarding journey for the shareholders. On behalf of BHEL, let me first express profound gratitude to you, our shareholders, for continuously reposing faith in BHEL.

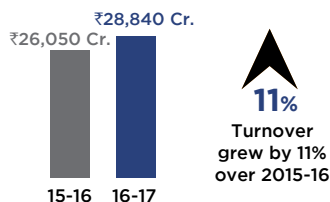


CMD, BHEL presenting the **Interim Dividend cheque for FY 2016-17** to Sh. Anant Geete, Hon'ble Union Minister for HI&PE

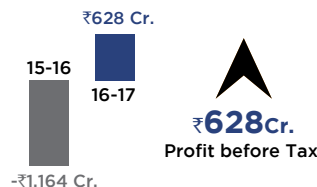
The year that was...

Now, let us look at some of the achievements in the year 2016-17 reflecting your company's strong fundamentals:

Trend of negative growth REVERSED



The Company turned PROFITABLE



Financial performance

- BHEL recorded a turnover of ₹28,840 Crore, a growth of 10.7% over the previous year—after reversing the declining trend of the last three years.
- The company also returned to profitability with a Profit Before Tax (PBT) of ₹628 Crore, compared to a loss of ₹1,164 Crore (IND-AS restated) in the previous fiscal. Net Profit (PAT) stood at ₹496 Crore, against a net loss of ₹710 Crore (IND-AS restated) in the previous year.
- Your company would be paying a total dividend of 79% for the year 2016-17 that includes a final dividend of 39% subject to approval by the shareholders during the meeting. We have thus maintained the track record of paying dividends uninterrupted since 1976-77.
- The Board of Directors of your company has also recommended issue of bonus shares in the ratio of 1 bonus share for every 2 existing shares.

Project execution

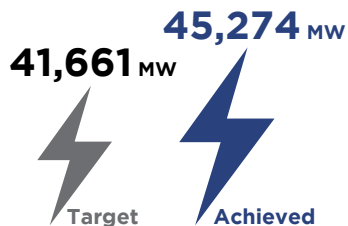
- Your company contributed 45,274 MW of power generation capacity during the 12th Five Year Plan (2012-17), surpassing the government's target for BHEL by 9%,



BHEL took up the execution of **3x14 MW Salma Hydropower Project in Afghanistan** on war footing, and successfully commissioned all three units.

The project (renamed as Afghan-India Friendship Dam) was jointly inaugurated by the Hon'ble Prime Minister of India, Shri Narendra Modi and Dr. Mohammad Ashraf Ghani, Hon'ble President of Afghanistan (inset)





Power Projects commissioned during 12th plan period, 2012-17

9% More than the target set by Govt. of India for BHEL

strongly complemented by our sustained focus on expeditious project execution.

- 8,570 MW of power generating equipment both for utilities and captive was commissioned/synchronised during the year in Indian and overseas markets. With this, the total installed base of power generating equipment supplied worldwide by BHEL is around 180 GW.
- Four supercritical sets including three sets of 660 MW rating & one unit of 800 MW rating have been successfully commissioned during the year. With this, we are pleased to inform that BHEL has commissioned 15 SG (Steam Generators) and 13 TG (Turbine Generators)- supercritical sets till date.
- Your company commissioned its single largest 50 MW Solar PV power plant at NTPC Ananthapur.
- 76/62 mm Super Rapid Gun Mount (SRGM), the most distinctive & noticeable armament, and Auxiliary Control System (ACS) was commissioned on INS Chennai, the third ship of the Kolkata-class stealth guided missile destroyers of the Indian Navy. I would like to share here that all the three ships of this class have been equipped with BHEL manufactured SRGM and ACS.
- Despite major security concerns and immense logistic barriers, BHEL successfully commissioned all the three units of the prestigious 3x14 MW Salma hydropower project (Afghan India Friendship Dam) in Afghanistan.



5x30 MW Mahatma Gandhi Kalwakurthy Lift Irrigation Project, Telangana, set up by BHEL.
TG Hall of the project (inset)



“...secured the largest ever export order on EPC basis... 2x660 MW Maitree Thermal Power Plant (TPP) in Bangladesh...”

“...include 18x145 MW Palamuru Rangareddy Lift Irrigation Scheme... largest rating... pump motor sets ordered ...in India...”

Order booking

- Your company booked orders worth ₹23,489 Crore in 2016-17. With this, the company has orders worth ₹1,05,200 Crore for execution in 2017-18 and beyond. BHEL secured the largest ever export order on EPC basis - the first ever overseas contract valued over ₹10,000 Crore for setting up the 2x660 MW Maitree Thermal Power Plant (TPP) in Bangladesh, a result of our persistent efforts towards globalization.
- We also won a major order from Power Grid Corp. of India Ltd. for ±800 kV, 6000 MW HVDC terminals associated with the HVDC Bipole link between the western and southern grid of India. Other significant orders include 18x145 MW Palamuru Rangareddy Lift Irrigation Scheme stages 2&3 from Govt. of Telangana - having the largest rating of pump motor sets ordered for supply in India, and 57.6 MLD ultrafiltration water package order from NTECL Vallur TPS.
- With the highest total SPV power plant orders won during the year for 131 MW, your company's total solar portfolio now exceeds 370 MW.

Innovation led growth

- With strong focus on innovation and R&D, your company invested more than 2.5% of its turnover on R&D during the year. Your company also filed the highest-ever 508 patents and copyrights in a year, enhancing its intellectual capital to 3,915 patents and copyrights filed, which are in productive use in the company's business.



BHEL-supplied **India's first 800kV Thyristor Valve** at Agra terminal for the World's largest Multi-terminal 6,000 MW **North-East Agra (NEA) UHVDC** project

“...developing the first Advanced Ultra Supercritical (AUSC) Technology for higher efficiency thermal power plants, jointly with NTPC & IGCAR...”

“...continue to march forward with zeal in our journey of ‘Creating BHEL of tomorrow’, a BHEL that is ‘Responsive, Robust and Rising’ to the needs of its stakeholders.”

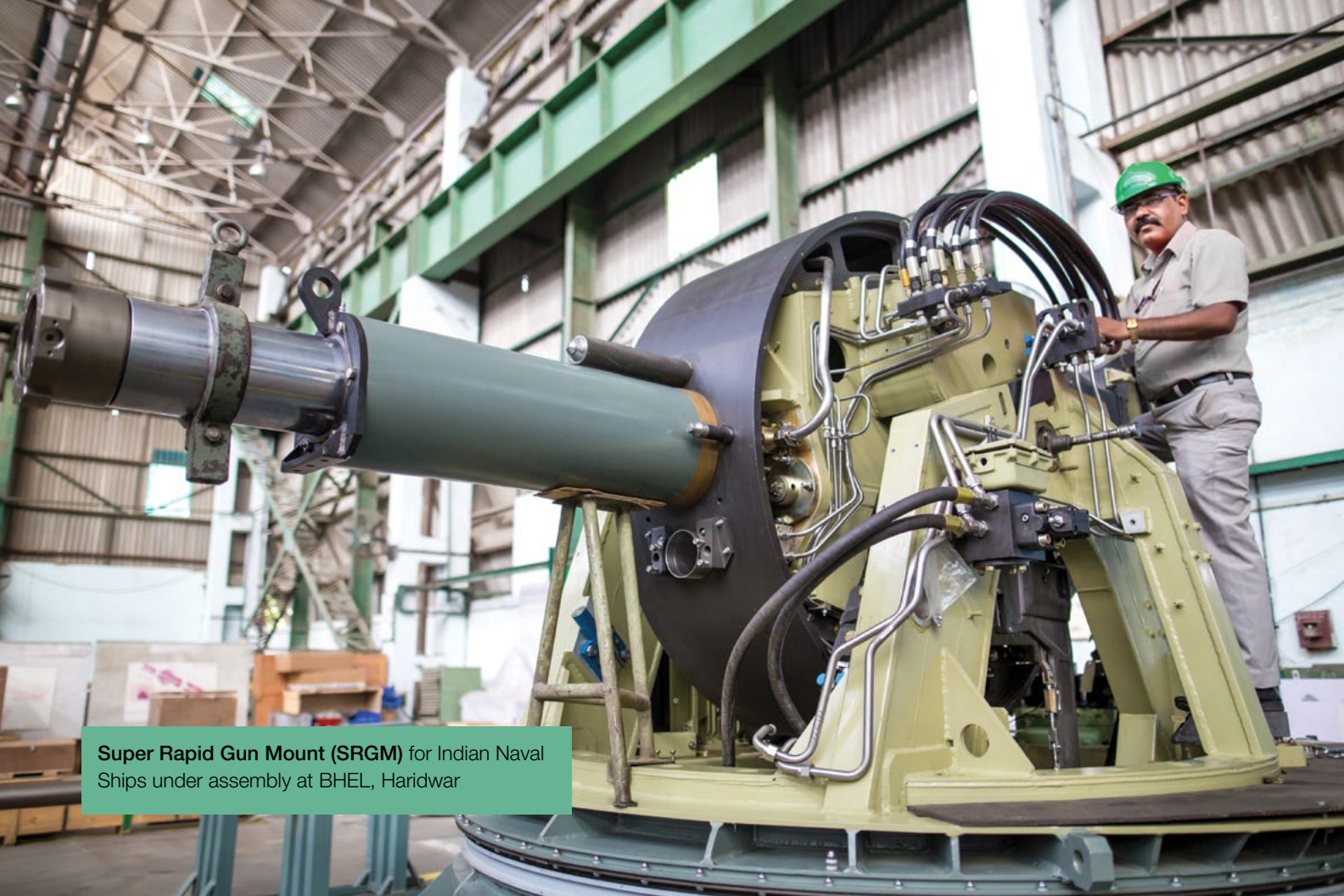
- BHEL is developing the first Advanced Ultra Supercritical (AUSC) technology for higher efficiency thermal power plants, jointly with NTPC and IGCAR under the aegis of Government of India. The project will reinforce the leadership of your company in the power sector.
- Your company is further focusing on commercialization of higher rating Power Conditioning Units for solar power plants, IGBT technology, and other recently developed products.

Our efforts are bearing results but there's still a lot of hard work ahead. We are adeptly changing in line with the future requirements.

The road ahead...

Forces of change like climate change, technology disruptions, fragile geopolitics, newer regulations, suboptimal investment from private sector and changing energy-mix are leading to emergence of newer challenges for your company. Initiatives taken by the government such as Ujwal DISCOM Assurance Yojana (UDAY), Goods and Services Tax (GST), push to ‘Make-in-India’ and visibility in resolution of stranded projects are very encouraging for sustained growth of the economy.

All the same, we continue to march forward with zeal in our journey of ‘Creating BHEL of tomorrow’, a BHEL that is ‘Responsive, Robust and Rising’ to the needs of its stakeholders. We have already taken some important steps in this journey and have resolved ourselves for many more with focus on maintaining the current momentum of profitability, protecting the core business while building new capabilities, and diversifying by harnessing the emerging opportunities.



Super Rapid Gun Mount (SRGM) for Indian Naval Ships under assembly at BHEL, Haridwar

“ For sustaining momentum of growth and profitability, the company is focusing on expeditious execution of orders and implementing structural changes for making your company agile ”

Creating BHEL of Tomorrow: **Sustaining momentum of growth**

For sustaining momentum of growth and profitability, the company is focusing on expeditious execution of orders and implementing structural changes for making your company agile:

- Efforts are being made to convert stranded/slow moving orders into executable ones. Around ₹12,000 Crore of non-executable orders have been converted to executable ones during the year.
- We have created customer focused business groups for nuclear, hydro, defence & aerospace, and transportation for strengthening diversification efforts. We have also consolidated various structures to increase organizational agility. Further initiatives will entail consolidation of smaller and consistently underperforming businesses and establishments.
- A dedicated ‘Project Closure Synergy Group’ has been created to ensure early closure of project sites, optimize manpower utilization, resolving outstanding issues with various stakeholders, and realizing cash.
- We have revised various company policies with focus on simplification and decentralization to eliminate low value added activities and multiplicity of processes.

Creating BHEL of Tomorrow: **Growth in medium term**

The key to growth in medium term is to protect leadership in the core business, reorient people strategy and harness digital technologies for higher value proposition:



BHEL forayed into power generation with its JV project, 2x800 MW Yeramarus TPS

“ The key to growth in medium term is to protect leadership in the core business, reorient people strategy and harness digital technologies for higher value proposition ”

- We are asserting leadership in the core business by enhancing value proposition in the existing portfolio. Developing new products and services such as emission control equipment, lift irrigation systems, enhanced offerings for nuclear power, and expanding spares and services business are complementing the efforts to expand our core business. Foray into power generation as a co-developer of 2x800 MW Yeramuru TPS is one of the strategies for capturing more business in the power value chain.
- We have taken various initiatives in response to changing demography of employees and the business mix. These comprehensively cover various aspects of people development. Some of these initiatives are formation of trust for post-retirement medical benefits; simplification of pre-mature voluntary retirement from 55 years of age; introduction of 'Sabbatical Leave' to pursue goals and interests of employees; 'Project Leave' for employees posted at project sites; and career enhancement opportunity to supervisors with requisite engineering degrees. Initiatives towards employee engagement in your company have been recognized in the business world by being adjudged as one of the **'Top 25 Best Companies to Work for'** in India by the prestigious Business Today magazine – BHEL is the only PSU to figure in this distinguished list. We are also enhancing application of technology in the learning endeavours of employees with the objective of 'Ease of learning, Ease of sharing, Ease of access'.
- 'Corporate Digital Transformation' group has been formed for developing capabilities in diagnostics and predictive maintenance services as a business opportunity and enhance productivity of our operations.



Air-conditioned AC EMU, equipped with BHEL electrics, under trial at Mumbai

“...long-term sustenance rests on strengthening the capabilities to innovate and on bringing more diversity in turnover both in business-mix and geographical-mix ”

Creating BHEL of Tomorrow: Foundation for long-term sustenance

The foundation for long-term sustenance rests on strengthening the capabilities to innovate and on bringing more diversity in turnover both in business-mix and geographical-mix:

- We continue to invest more than 2.5% of turnover on R&D and innovation – the highest in the country among engineering and manufacturing companies. Current focus areas include the development of Advanced Ultra Supercritical (AUSC) technology, passive solar trackers, 1200 kV UHVAC transformers and reactors, and IGBT propulsion technology for ACEMU and DEMU.
- We are building a more diversified portfolio capitalizing on emerging opportunities in solar power, transportation, defence, aerospace and water business to increase the share of business from non-coal areas. Manufacturing capacity for solar cells and solar modules has been expanded to 105 MW and 226 MW per annum respectively. Continuing with the strategy of building capacity and capability through in-house resources, and collaboration with global technology leaders, we have recently entered into technology collaboration agreement with Kawasaki Heavy Industries Ltd., Japan for the manufacture of stainless steel coaches and bogies for Metro Rail.
- Export strategies are being aligned with global dynamics with focus on market expansion and market penetration. Execution of 2x660 MW Maitree TPP in Bangladesh, the first overseas power project of this rating and exacting parameters will open a stream of new opportunities in export markets.



State-of-the-art **105 MW Solar Photo-voltaic manufacturing line** at BHEL, Bengaluru

“ In line with the Hon’ble Prime Minister’s vision ...trained 23,810 individuals... including 4,728 Act-apprentices...”

Governance & Sustainable Development

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

We continue to serve the community through various socio-economic and community development programmes to promote skill development, education, improvement of living conditions and hygiene in villages and communities located in the vicinity of our manufacturing plants and project sites spread across the country.

Excellence of your company and achievements of its employees won many recognitions during the year. Major ones include the *Prime Minister’s Shram Awards; Vishwakarma Rashtriya Puraskars; National Safety Award; PSE Excellence Awards for excellence in R&D, Technology Development & Innovation; EEPC INDIA National Award for Export Excellence; Golden Peacock HR Excellence Award; Top 25 Best Companies to Work for in India by Business Today; Top PSU Award under Heavy Engineering from Dun & Bradstreet and; ICAI National Award for Excellence in Cost Management 2016.*

In line with the Hon’ble Prime Minister’s vision for skill development, BHEL trained 23,810 individuals under various schemes including 4,728 Act-apprentices in 2016-17. I would like to share with all of you that the Hon’ble Prime Minister presented a cheque of the highest amount of ₹1.79 Crores to BHEL as a mark of appreciation for BHEL’s



96 MLD Raw Water Treatment plant set up by BHEL at OPaL Dahej Petrochemical Complex, Gujarat

*“... ‘Swachh Bharat’ and
‘Clean Ganga’ initiatives,
BHEL... providing support for
construction of 25 Clusters of
Bio-Digester toilets in Haridwar
and Rishikesh”*

active participation by engaging a large number of apprentices under the National Apprenticeship Promotion Scheme (NAPS), representing the organisation’s contribution to Prime Minister’s ‘Skill India’ initiative.

Your company achieved carbon footprint avoidance of 14,378 MT CO₂ equivalent during 2016-17 by generating 14.82 MU energy through in-house solar power installations. BHEL has partnered with HelpAge India, PHD Rural Development Foundation (PHDRDF) and Wockhardt Foundation for providing financial support for running operations of total 10 Mobile Medical Units (MMUs) in the vicinity of its project sites and manufacturing units, benefitting more than one lakh patients during 2016-17. Under Gol’s ‘Swachh Bharat’ and ‘Clean Ganga’ initiatives, BHEL is providing support for construction of 25 Clusters of Bio-Digester toilets in Haridwar and Rishikesh.

The journey continues...

Finally, I would like to express my sincere gratitude to all our stakeholders: business partners including customers and vendors for showing faith in us, employees for their passion and commitment, members of the Board for their wisdom, members of the Management Committee for efficiently managing the company’s resources and operations, and above all—you, our shareholders, for placing trust in our ability to steer forward BHEL in these challenging times.

Various ministries of Government of India, particularly the Department of Heavy Industry, have been providing valuable guidance and support to our efforts. Thank you all for

Leadership at BHEL

Board of Directors*

Sitting from right to left

Ms. Surama Padhy, Independent Director

Shri Rajesh Kishore, Independent Director

Shri Atul Sobti, Chairman & Managing Director

Dr. Subhash Chandra Pandey, Additional Secretary
& Financial Adviser, DIPP : Part-time Official Director

Shri A.N. Roy, Independent Director

*- as on 15.07.2017

Standing from right to left

Shri S. Biswas, Director (Engineering, R&D)

Shri T. Chockalingam, Director (Finance)

Shri Bhaskar Jyoti Mahanta,

Joint Secretary, DHI : Part-time Official Director

Shri Akhil Joshi, Director (Power)

Shri D. Bandyopadhyay, Director (Human Resources)

Shri Keshav N. Desiraju, Independent Director

Shri R. Swaminathan, Independent Director

Shri Amitabh Mathur, Director (Industrial Systems
& Products)



“...have the technology strength, manufacturing prowess, committed manpower, and innovation ecosystem to contribute in this [New India] movement.”

your continued support that I greatly appreciate and cherish. Your company has invested more than 50 years in nation building endeavours. The current movement towards building a ‘New India’ also offers us encouraging prospects. Team BHEL believes that we have the technology strength, manufacturing prowess, committed manpower, and innovation ecosystem to contribute in this movement.

With renewed vigour, great confidence and relentless determination, we look forward to an exciting future ahead and solicit your continued support in the journey ahead.

Best wishes,
जय हिन्द !

New Delhi
September 22, 2017



(Atul Sobti)
Chairman & Managing Director

50 MW Solar Power Plant commissioned by BHEL at
Kadiri (Ananthapur), Andhra Pradesh



BHARAT HEAVY ELECTRICALS LIMITED

Registered Office : BHEL House, Siri Fort, New Delhi 110049, India

www.bhel.com

Corporate Identity Number : L74899DL1964GOI004281