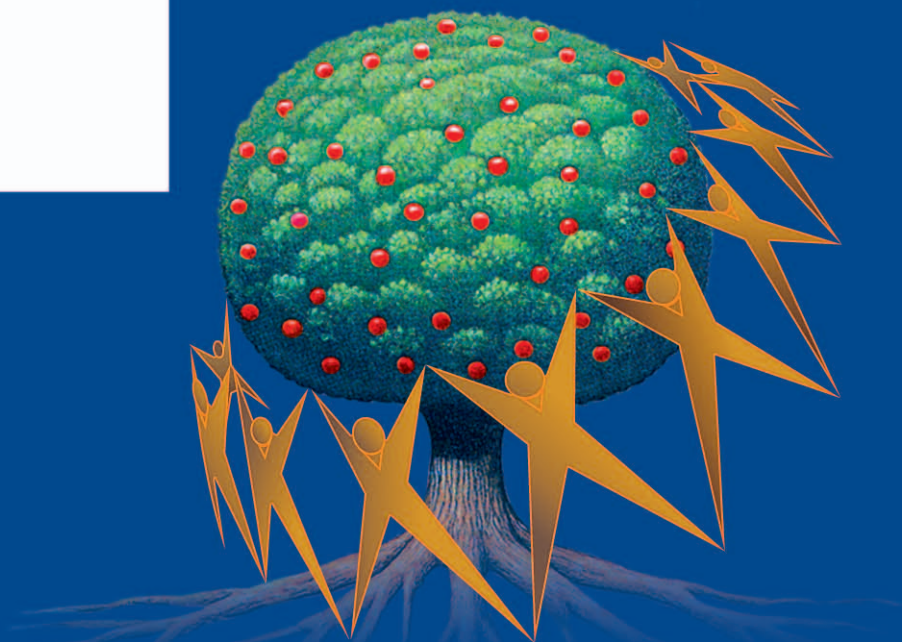


CATALYSING TO THE NATION'S GROWTH

Annual Report 2005 – 2006



Bharat Heavy Electricals Limited

*Brightening lives...
... Powering progress*

Board of Directors

(As on 15.07.2006)

Shri Ashok K. Puri

Chairman & Managing Director

Shri Naresh Chaturvedi

Director

Dr. Surajit Mitra

Director

Shri Vineet Nayyar

Director

Shri Sanjay M. Dadlika

Director

(From 16.11.2005)

Shri Ashok K. Aggarwal

Director

(From 16.11.2005)

Shri Manish Gupta

Director

(From 16.11.2005)

Shri Shekhar Datta

Director

(From 16.11.2005)

Shri Raman Singh Sidhu

Director

(From 04.01.2006)

Shri Madhukar

Director

(From 05.07.2006)

Shri Ramji Rai

Director (E, R&D)

Shri S.K. Jain

Director (HR)

Shri A. K. Mathur

Director (IS & P)

Shri K. Ravi Kumar

Director (Power)

Shri C.S. Verma

Director (Finance)

Shri N.K. Sinha

Company Secretary

Management Committee

(As on 15.07.2006)

Ashok K. Puri

Ramji Rai

S.K. Jain

K. Ravi Kumar

A.K. Mathur

C.S. Verma

A. Bhattacharya

P.T. Deo

R.K. Belapurkar

C.P. Singh

S.K. Gupta

Dr. V. Gopalakrishnan

V.K. Pande

S.C. Vig

R.K. Singh

V. Viswanathan

D. Indran

M.L. Sah

P.S. Kulshrestha

R.K. Bhattacharya

S. Sathyanarayanan

V.K. Jain

Pankaj Sharma

B.P. Rao

- Chairman and Managing Director

- Engg. Research & Development
Corporate Research & Development
Corporate Monitoring, Materials
Management
Investment Planning, Manufacturing
Technology

- Human Resources
Human Resource Development Institute
Corporate Information Technology
Corporate Communication

- Power Business
Power Sector Regions - North, East, South & West
Spares & Services Business

- Industrial Systems including Captive Power
Plants &
Products Business
Transmission Business
Transportation Business
Ceramics Business Unit
Component Fabrication Plant

- Finance
Internal Audit & Taxation
Financial Services

- Corporate Planning & Development

- Heavy Electricals Plant
Electrical Machines Repair Plant
International Operations Business

- Heavy Power Equipment Plant

- Heavy Electrical Equipment Plant
Central Foundry Forge Plant
Pollution Control Research Institute

- High Pressure Boiler Plant
Seamless Steel Tube Plant
Industrial Valves Plant
Piping Centre
Welding Research Institute

- Transmission Business

- Power Sector - Marketing

- Power Sector- Western Region

- Electronics Division
Electronics Systems Division
Industrial Systems Group

- Power Sector-Southern Region

- Power Sector-Eastern Region

- Corporate Human Resource
Corporate Communication
Corporate Productivity
Health, Safety & Environment

- Corporate Engg. & Product Development
Advance Research Project
Technology Licensing & Joint Ventures

- Boiler Auxiliaries Plant

- Transformer Plant

- Power Sector-Northern Region

- Secretary, Management Committee



Bharat Heavy Electricals Limited

Regd. Office : BHEL House, Siri Fort, New Delhi - 110 049

FORM OF PROXY

FOLIO/ID NO.

NO. OF SHARES

I/We of
..... in
the District of
being a member/members of the above named Company, hereby appoint
of in the District of or failing
him/her
of in the District
of as my/our proxy
to vote for me/us on my/our behalf at the 42nd Annual General Meeting of the Company to be held on
15th September 2006 and at any adjournment thereof.

Signed this day of 2006.

Affix One
Rupee
Revenue
Stamp

- Notes : a) The form should be signed across the stamp as per specimen signature registered with the Company.
b) The form should be deposited at the Registered Office of the Company forty-eight hours before the
time for holding the Meeting.

Bharat Heavy Electricals Limited

Regd. Office : BHEL House, Siri Fort, New Delhi - 110 049

ATTENDANCE SLIP

42nd ANNUAL GENERAL MEETING

to be held on Friday, the 15th day of September, 2006

at 10.00 AM at FICCI Auditorium, Barakhamba Road, New Delhi-110 001.

NAME OF THE ATTENDING MEMBER
(IN BLOCK LETTERS)

Folio. / ID No.

No. of shares held

NAME OF PROXY

(IN BLOCK LETTERS, TO BE FILLED

IN IF THE PROXY ATTENDS INSTEAD OF THE MEMBER)

I hereby record my presence at the 42nd Annual General Meeting on 15th September 2006.

Signature of Member/Proxy

THIS ATTENDANCE SLIP DULY FILLED TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING HALL

TEAR HERE



Bharat Heavy Electricals Limited

Regd. Office : BHEL House, Siri Fort, New Delhi - 110 049

Dear Shareholder(s),

Re: Payment of dividend through Electronic Clearing Services (ECS)

In case you have not already sent the ECS/Bank Account particulars to our Registrars, viz, M/s Karvy Computershare Pvt. Ltd. or to your Depository Participant (in case of demat holding), we would request you to provide the said particulars in the format given below to facilitate prompt, safe and correct payment of dividend to be declared in the 42nd Annual General Meeting of the company to be held on 15th September 2006.

Please ensure that the details submitted by you to the Registrars / Depository Participant are correct as any error therein could result in the dividend amount being credited to wrong account.

Payment of dividend through ECS and / or to the designated Bank Account, which will appear on the dividend warrant, will help to prevent fraudulent encashment of dividend warrants.

Kindly help us in our endeavour to serve you better.

Yours faithfully

Sd/-

(N.K. Sinha)

Company Secretary

P.S. In case you are holding shares in demat form, kindly advise your Depository Participant to take note of your Bank account particulars / ECS mandate.

FORM FOR ECS MANDATE/BANK ACCOUNT PARTICULARS

I/We do hereby authorise BHEL/my Depository Participant to

☐ Print the following details on my/our dividend warrant

☐ Credit my dividend amount to my Bank account by ECS

(Strike out whichever is not applicable)

My/our Folio No. DP ID No. Client A/c No.

Particulars of Bank Account :

- | | | |
|---|---|-------|
| A. Bank Name | : | ..... |
| B. Branch Name | : | ..... |
| (Address for Mandate only) | : | ..... |
| C. 9 digit code number of the bank & branch as appearing on the MICR cheque | : | ..... |
| D. Account Type (Saving/Current) | : | ..... |
| E. Account No. as appearing on the cheque book | : | ..... |
| F. STD code & Telephone No. of Shareholder | : | ..... |

I/we shall not hold the company responsible if the ECS could not be implemented or the Bank discontinue the ECS, for any reason.



M/s Karvy Computershare Pvt. Ltd.

UNIT : BHEL

Karvy House, 46, Avenue 4,

Street No.1, Banjara Hills,

HYDERABAD-500034

.....
Signature of the Shareholder(s)

Please attach the photocopy of a cheque or a blank cancelled cheque issued by your bank relating to your above account for verifying the accuracy of the 9 digit code number.



Form 2B

[See rules 4CCC and 5Dof Companies (Central Govt.'s) General Rules & Forms, 1956]

NOMINATION FORM

(To be filled in by individual (s) applying singly or jointly)

I/We and and
the holders of Shares bearing number (s) of Bharat Heavy Electricals
Limited wish to make a nomination and do hereby nominate the following person (s) in whom all rights of transfer
and/or amount payable in respect of shares shall vest in the event of my or our death.

Name (s) and Address (es) of Nominee (s)

Name :

Address :

Date of Birth* :

(*to be furnished in case the nominee is a minor)

** The Nominee is a minor whose guardian is

Name and Address

.....

.....

(** to be deleted if not applicable)

Signature :

Name :

Address :

Date :

Signature :

Name :

Address :

Date :

Signature :

Name :

Address :

Date :

Address, Name and Signature of two witnesses :

Name and Address

Signature with date

1.

2.

Instructions :

1. The Nomination can be made by individuals only applying/holding shares on their own behalf singly or jointly, Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of power of attorney cannot nominate. If the shares are held jointly, all joint holders will sign the nomination form. Space is provided as a specimen, if there are more joint holders, more sheets can be added for signatures of holders of shares and witness.
2. A minor can be nominated by a holder of shares and in that event the name and address of the Guardian shall be given by the holder.
3. The nominee shall not be a Trust, Society, Body corporate, Partnership firm, Karta of Hindu Undivided Family or a Power of Attorney holder. A non-resident Indian can be a nominee on repatriable basis.
4. Nomination stands rescinded upon transfer of share.
5. Transfer of share in favour of a nominee shall be valid discharge by a Company against the legal heir.
6. The intimation regarding Nomination/Nomination Form shall be filed in duplicate with Company/Registrar and Share Transfer Agent of the Company who will return one copy thereof to the shareholder.



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Bharat Heavy Electricals Limited

Regd. Office : BHEL House, Siri Fort, New Delhi - 110 049

NOTICE

Notice is hereby given that the 42nd Annual General Meeting of the Members of BHARAT HEAVY ELECTRICALS LIMITED will be held on 'Friday', the 15th September, 2006 at 10.00 A.M. at FICCI Auditorium, Barakhamba Road (Tansen Marg), New Delhi-110001, to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2006 and the Profit & Loss Account for the financial year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Vineet Nayyar, who retires by rotation and being eligible, offers himself for re appointment.
4. To appoint a Director in place of Shri Naresh Chaturvedi, who retires by rotation and being eligible, offers himself for re-appointment.
5. To fix the-remuneration of the Auditors.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Shri Sanjay M. Dadlika, who was appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 and who holds Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from the Director himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

7. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Shri Ashok K. Aggarwal, who was appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with

Section 260 of the Companies Act, 1956 and who holds Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from the Director himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

8. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Shri Manish Gupta, who was appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 and who holds Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from the Director himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

9. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Shri Shekhar Datta, who was appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 and who holds Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from the Director himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

10. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Shri Raman Singh Sidhu, who was appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 and who holds Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from the Director himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

11. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT Shri Madhukar, who was appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 and who holds Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from the Director himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company.”

12. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT Shri C.P. Singh who has been appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f 01/09/2006 to hold Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company.”

13. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, and subject to approval of the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, Government of India, the Articles of Association of the Company be and is hereby altered in the following manner:

A) By deletion of existing Article 69 (22) together with all the conditions vide (i) to (iii) provided thereunder and substituting therefor Article 69 (22) with marginal notes reading as “To establish Joint Venture and Wholly Owned Subsidiaries” as follows:

69 (22) To establish financial Joint Ventures and Wholly Owned Subsidiaries in India or abroad provided the equity investment of the Company is limited to the following:

- i) 15 per cent of the networth of the Company in one project limited to Rs.1000 Crores.

- ii) 30 per cent of the networth of the Company in all projects put together.

B) By insertion of new sub-clause 23 under existing Article 69 numbered as Article 69(23) immediately after Article 69 (22) with the marginal notes reading as “Mergers and Acquisitions”.

69 (23) To approve Mergers & Acquisitions subject to the conditions that:

- (i) It shall be as per the growth plan and in the core area of functioning of the Company.
- (ii) Conditions / limits shall be as in the case of establishing joint ventures / subsidiaries, and within the overall ceiling of 30 per cent of the networth of the Company for Joint ventures / subsidiaries, Mergers & Acquisitions put together;

- (iii) The Cabinet Committee on Economic Affairs (CCEA) shall be kept informed in case of investments abroad.

C) By insertion of new sub-clause (d) under existing Article 69 (4) numbered as Article 69 (4) (d) with the marginal notes reading as “Sub-delegation of powers relating to Human Resource Management”.

69 (4) (d) to further delegate the powers relating to Human Resource Management (appointments, transfer, posting, etc.) of below Board level executives to sub committees of the Board or to executives of the Company, as may be decided by the Board of Directors.”

By Order of the Board of Directors

Sd/-

(N. K. SINHA)

COMPANY SECRETARY

New Delhi

Dated: 11th August, 2006

Registered Office:

“BHEL House”, Siri Fort, New Delhi-110 049.

Notes:-

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.



PROXY FORM DULY COMPLETED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS (48 HOURS) BEFORE THE SCHEDULED TIME OF THE ANNUAL GENERAL MEETING. BLANK PROXY FORM IS ENCLOSED.

2. Relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business, as set out above is annexed hereto.
3. Brief resume of each of the Directors proposed for appointment and re-appointment is given as Annexure-2 to the Directors' Report.
4. Shri Vineet Nayyar and Shri Naresh Chaturvedi, Directors, retire by rotation and being eligible, offer themselves for reappointment. However, as per terms of appointment, the tenure of Shri Vineet Nayyar is upto 28.02.2007.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from 5th September, 2006 -15th September, 2006 (both days inclusive) for the purpose of payment of dividend, if any, approved by the Members.
6. Members are advised to submit their Electronic Clearing Service (ECS) mandates in the form (given elsewhere in the Annual Report) duly filled in and signed, to enable the Company to make remittance by means of ECS.
7. The Board of Directors have recommended a dividend of 145% for the financial year 2005-06 including interim dividend of 40% and special interim dividend of 85% already paid during the year.
8. The final dividend on the Equity Shares as recommended by the Board of Directors for the year ended 31st March, 2006 when sanctioned at the Annual General Meeting of the Company will be payable within 30 days from the date of declaration of dividend by the members i.e. on or before 14th October, 2006, to those shareholders whose name appears on the Company's Register of Members or as the beneficial owner of shares in the records of the Depository as on Tuesday, the 5th September, 2006.
9. Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, as amended, the dividend amounts which remain unpaid / unclaimed for a period of 7 years, are required to be transferred to the Investors Education & Protection Fund of the Central Government. After that there remains no claim of the members whatsoever on the said amount. Accordingly, the dividend for the Financial year 1998 99 which remains unclaimed is due to be transferred to the said account after 30th September 2006 and for the further years commencing from 1999-2000 onwards on their respective due dates.

Members who have not claimed / encashed their Dividend so far for the financial year ended 31st March 1999 or any subsequent financial year(s) may approach the Company for obtaining payments thereof before expiry of the stipulated 7 years period.

10. Members may avail facility of nomination in terms of Section 109A of the Companies Act, 1956, by nominating in the Form-2B (given elsewhere in the Annual Report) any person to whom their shares in the Company shall vest in the event of their death.
11. Pursuant to Section 619(2) read with Section 224 (8) (aa) of the Companies Act, 1956, the Auditors of a Government Company shall be appointed or re appointed by the Comptroller and Auditor General (C&AG) of India and their remuneration has to be fixed by the Company in the Annual General Meeting. The appointment of Statutory Auditors of the Company for the year 2006-2007 is awaited from C&AG of India. The General Meeting may, authorise the Board to fix up an appropriate remuneration of Auditors for the year 2006-2007 after taking into consideration the increase in volume of work and prevailing inflation.
12. A corporate member shall be deemed to be personally present only if it is represented in accordance with Section 187 of the Companies Act, 1956 i.e. only if the corporate member sends certified true copy of the board resolution / power of attorney authorizing the representative to attend and vote at the Annual General meeting.
13. Members are requested to notify immediately any change of address:
 - i. to their Depository Participants (DPs) in respect of their electronic share accounts, and
 - ii. to the Company at its Registered Office in respect of their physical shares, if any , quoting their folio number, Banker's name and account number to ensure prompt and safe receipt of dividendwarrants.
14. Members attending the meeting are requested to complete the enclosed Attendance Slip and deliver the same at the entrance of the meeting venue. However, entry to the Auditorium will be strictly on the basis of the entry slip available at the counters at the venue and to be exchanged with attendance slip.
15. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Company at least a week prior to the date of the meeting, so that the information required can be made readily available at the meeting.
16. Members are requested:-
 - i) to bring their copies of Annual Report, Notice and Attendance Slip at the time of the meeting.

- ii) to quote their Folio Nos. / ID Nos. in all correspondence
- iii) to note that no briefcase or bag will be allowed to be taken inside the auditorium for security reasons.
- iv) to note that no gifts will be distributed in the AGM.

By Order of the Board of Directors

Sd/
(N. K. SINHA)
COMPANY SECRETARY

New Delhi.

Dated: 11th August, 2006

Registered Office:

“BHEL House”, Siri Fort, New Delhi-110 049.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

The following explanatory statement sets out the material facts relating to the business mentioned in Item Nos. 6 to 13 of the accompanying Notice dated 11th August, 2006.

ITEM NO. 6

Shri Sanjay M. Dadlika aged 42 years is a Social Worker. As per the direction of the Govt. of India, Shri Dadlika was appointed as an Additional Director of the Company w.e.f. 16.11.2005 to hold the Office for a period of three years i.e. upto 15.11.2008 or until further orders, whichever event occurs the earliest. Having been so appointed, Shri Dadlika holds office till the date of this Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act 1956, the Company has received a Notice in writing along with a deposit of Rs.500/- from the Director himself, proposing his candidature for the Office of Director of the Company.

None of the Directors of the Company except Shri Sanjay M. Dadlika is in any way concerned or interested in the resolution.

Shri Dadlika presently holds ten (10) equity shares in the company.

The Board of Directors commends the resolution for approval of the shareholders.

ITEM NO. 7

Shri Ashok K. Aggarwal aged 55 years is an Industrialist. As per the direction of the Govt. of India, Shri Aggarwal was appointed as an Additional Director of the Company w.e.f. 16.11.2005 to hold the Office for a period of three years i.e. upto 15.11.2008 or until further orders, whichever event occurs the earliest. Having been so appointed, Shri Aggarwal

holds office till the date of this Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act 1956, the Company has received a Notice in writing along with a deposit of Rs.500/- from the Director himself, proposing his candidature for the Office of Director of the Company.

None of the Directors of the Company except Shri Ashok K. Aggarwal is in any way concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

ITEM NO. 8

Shri Manish Gupta aged 64 years is a retired Civil Servant. As per the direction of the Govt. of India, Shri Gupta was appointed as an Additional Director of the Company w.e.f. 16.11.2005 to hold the Office for a period of three years i.e. upto 15.11.2008 or until further orders, whichever event occurs the earliest. Having been so appointed, Shri Gupta holds office till the date of this Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act 1956, the Company has received a Notice in writing along with a deposit of Rs.500/- from the Director himself, proposing his candidature for the Office of Director of the Company.

None of the Directors of the Company except Shri Manish Gupta is in any way concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

ITEM NO. 9

Shri Shekhar Datta aged 68 years is a Mechanical Engineer from London. As per the direction of the Govt. of India, Shri Datta was appointed as an Additional Director of the Company w.e.f. 16.11.2005 to hold the Office for a period of three years i.e. upto 15.11.2008 or until further orders, whichever event occurs the earliest. Having been so appointed, Shri Datta holds office till the date of this Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act 1956, the Company has received a Notice in writing along with a deposit of Rs.500/- from the Director himself, proposing his candidature for the Office of Director of the Company.



None of the Directors of the Company except Shri Shekhar Datta is in any way concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

ITEM NO. 10

Shri Raman Singh Sidhu aged 49 years is a Consultant. As per the direction of the Govt. of India, Shri Sidhu was appointed as an Additional Director of the Company w.e.f. 04.01.2006 to hold the Office for a period of three years i.e. upto 03.01.2009 or until further orders, whichever event occurs the earliest. Having been so appointed, Shri Sidhu holds office till the date of this Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act 1956, the Company has received a Notice in writing along with a deposit of Rs.500/- from the Director himself, proposing his candidature for the Office of Director of the Company.

None of the Directors of the Company except Shri Raman Singh Sidhu is in any way concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

ITEM NO. 11

Shri Madhukar, aged 62 years is an eminent banking professional. As per the direction of the Govt. of India, Shri Madhukar was appointed as an Additional Director of the Company w.e.f. 05.07.2006 to hold the Office for a period of three years i.e. upto 04.07.2009 or until further orders, whichever event occurs the earliest. Having been so appointed, Shri Madhukar holds office till the date of this Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act 1956, the Company has received a Notice in writing along with a deposit of Rs.500/- from the Director himself, proposing his candidature for the Office of Director of the Company.

None of the Directors of the Company except Shri Madhukar is in any way concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

ITEM NO. 12

Shri C.P. Singh, aged 57 years is a mechanical engineer. As per the direction of the Govt. of India, Shri C.P.Singh has been

appointed as an Additional Director of the Company w.e.f. 01.09.2006 to hold the Office for a period of five years i.e. upto 31.08.2011 or till the date of superannuation or until further orders, whichever event occurs the earliest. Having been so appointed, Shri C.P.Singh holds office till the date of ensuing Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act 1956, the Company has received a Notice in writing along with a deposit of Rs.500/- from himself, proposing his candidature for the Office of Director of the Company.

None of the Directors of the Company except Shri Singh is in any way concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

ITEM NO. 13

The Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises, Government of India vide their Office Memorandum (OM) No. 18(24)/2003-GM-GL.64 dated 05.08.2005 have enhanced the delegated powers to Boards' of Navratna Public Sector Enterprises (PSEs).

Accordingly, in conformity with the guidelines stipulated in the aforesaid O.M. dated 05.08.2005, your Directors consider it necessary to effect alteration / addition in the Articles of Association of the company.

A copy of the existing Memorandum and Articles of Association of the Company together with the proposed alterations are available for inspection between the hours of 3 PM to 5 PM on all working days upto the date of the Annual General Meeting.

Your Directors, therefore, place before you the proposal and recommend amendments of the Articles of Association of the Company, as listed out in the proposed resolution, which are self-explanatory.

None of the Directors of your Company is interested or concerned in this Resolution.

By Order of the Board of Directors

Sd/-
(N. K. SINHA)
COMPANY SECRETARY

New Delhi.

Dated: 11th August, 2006

Registered Office:

“BHEL House”, Siri Fort, New Delhi-110 049.

Awards



Shri C.S. Verma, Director (Finance), receiving ICWAI National Award for Excellence in Cost Management-2005



Shri A.K. Puri CMD, BHEL, receiving FICCI Award for environmental conservation and pollution control from Hon'ble Prime Minister of India



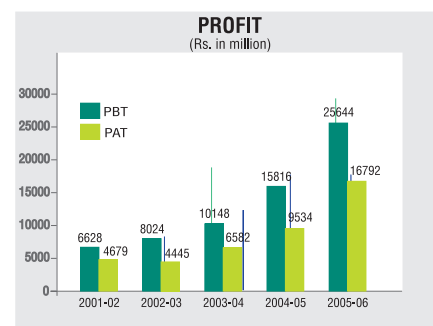
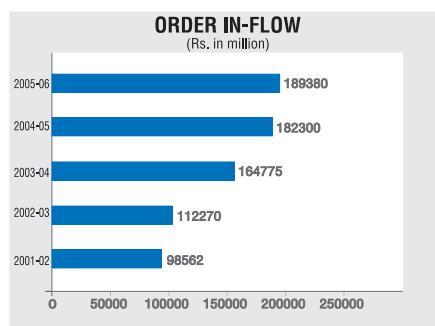
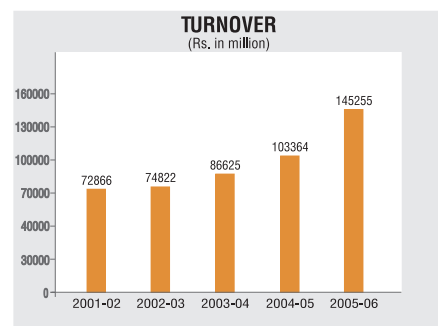
Shri R.C. Parakh of BHEL Bhopal Unit being conferred the National Award for Best Disabled Employee for the year 2005 by the Hon'ble President of India



BHEL Employees, recipients of BHEL Excellence Award-2005 seen with BHEL CMD and Directors

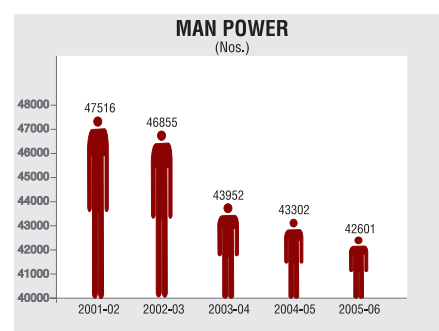
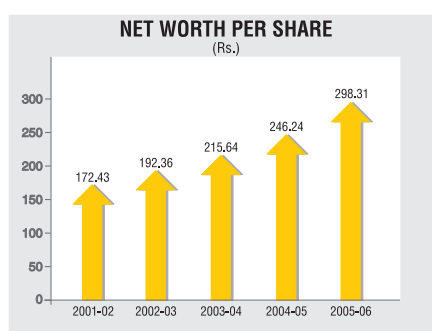
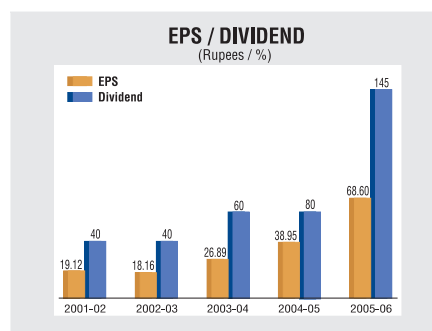


BHEL at a Glance



	2004-05	2005-06	(Rs. in million) CHANGE (%)
Turnover	103364	145255	40.53
Value Added	42540	56828	33.58
Employee (Nos.)	43302	42601	-1.62
Profit Before Tax	15816	25644	62.14
Profit After Tax	9534	16792	76.13
Dividend	1958	3549	81.26
Dividend Tax	266	498	87.22
Retained Earnings	7310	12745	74.35
Total Assets	144915	175060	20.80
Net Worth	60269	73014	21.15
Total Borrowings	5370	5582	3.95
Debt : Equity	0.09	0.08	-14.20
Per Share (in Rupees) :			
- Net worth	246.24	298.31	21.15
- Earnings	38.95	68.60	76.12
- Dividend	8.00	14.50	81.26
			(US \$ in million)
Turnover	2371	3270	37.90
Profit Before Tax	363	577	59.11
Profit After Tax	219	378	72.84

Conversion Rates (Rate as on 31st March):
 1 US \$ = Rs. 43.59 for 2004-05
 1 US \$ = Rs. 44.42 for 2005-06



Year in Brief

- Turnover at Rs. 145255 million - an impressive growth of 41% on top of 19% achieved in 2004-05 and 16% achieved in 2003-04. Highest Y-O-Y growth in last three decades.
- Net profit at Rs. 16792 million witnessed an increase of 76% over that of 2004-05.
- EVA at Rs. 10800 million up by 114% over that of Rs.5040 million achieved in 2004-05.
- Overall order inflow of Rs. 189380 million while operating in intensely competitive national & international markets ensures an outstanding order book of Rs.376000 million for execution in 2006-07 & beyond.
- BHEL enlarges its footprint in the global arena by recording highest ever export orders of Rs. 33480 million which included largest single export order for 4x125 MW Kosti Power Plant in Sudan. Overseas business now established in all six continents.



600 MW Western Mountain Power Station, Libya, all the four units have been commissioned as on date

- Customers in domestic as well as export market segments both in the government & private sector demonstrated their confidence on BHEL by placing repeat orders.
- BHEL has maintained its share of 65% in the country's total installed power generating capacity and this has significantly contributed to 73% of the power generated in the country during the year.
- BHEL is equipping itself to cater to country's ambitious future power capacity addition programme including ultra-mega projects tied-up technology for 800 MW thermal sets operating with super critical parameters as well as enhancing its annual manufacturing capacity from the present 6,000 MW to 10,000 MW.
- 84 Patents were filed during the year taking the total number of patents filed till date to 340. Out of this, BHEL has been granted 35 patents and the rest are in various stages of processing. Further, 13 copy right applications were also filed during the year.



Signing of Technology Transfer Agreement for Once-through Steam Generators suitable for Operating with Super Critical Parameters

- In the continuing efforts to maintain technology edge through R&D, BHEL is setting up Centres of Excellence for Surface Engineering (COE-SE) and for Intelligent Machines and Robotics (CIMAR).



Nalco Captive Power Plant, equipped with 8 sets of 120 MW - customer placed repeat order for another 2 sets of 120 MW each

- BHEL is the first engineering & manufacturing organisation and the first PSU in the country to win the coveted 'Best in Class Distinction' from the International Asia Pacific Quality Organisation (APQO) through its Ranipet unit winning International Asia Pacific Quality Award (IAPQA 2005).



Centre for Excellence for Permanent Magnet Machines



Five Year Summary

(Rs.in million)

	2005-06	2004-05	2003-04	2002-03	2001-02
I. EARNINGS					
Sale of products & services to customers	145255	103364	86625	74822	72866
Other Income	5567	6556	5127	5087	4940
Changes in stock	3860	5398	-306	-453	-373
Total Earnings	154682	115318	91446	79456	77433
Materials	70994	50977	36347	31604	33068
Personnel Payments	18785	16504	16395	15046	14446
Other mfg., admn. & selling expenses	36213	29018	25975	22380	20629
Outgoings before interest & depr.	125992	96499	78717	69030	68143
Profit before depreciation, interest & tax	28690	18819	12729	10426	9290
Depreciation	2459	2189	1980	1854	1692
Gross Profit	26231	16630	10749	8572	7598
Interest	587	814	601	548	970
Profit before tax	25644	15816	10148	8024	6628
Provision for tax	8852	6282	3566	3579	1949
Profit after tax	16792	9534	6582	4445	4679
Dividend (incl.dividend tax)	4047	2224	1659	1104	979
Retained Profit	12745	7310	4923	3341	3700
II. WHAT THE COMPANY OWNED					
Gross Block	38221	36289	34596	33493	31820
Less : accumulated depreciation & lease adj.	28398	25847	23655	21788	20054
Net Block	9823	10442	10941	11705	11766
Capital WIP	1846	953	1086	587	567
Investments	83	90	290	103	103
Current Assets, Loans & Advances	163308	133430	104247	83484	80514
Total assets	175060	144915	116564	95879	92950
III. WHAT THE COMPANY OWED					
Borrowings (incl. Credits for assets taken on lease)	5582	5370	5400	5310	6658
Current liabilities & provisions	103200	84459	63369	47561	47135
Total liabilities	108782	89829	68769	52871	53793
IV. NET WORTH OF THE COMPANY					
Share Capital	2448	2448	2448	2448	2448
Reserves & Surplus	70566	57821	50512	45589	42248
Less : Deferred Revenue Expenditure	0	0	179	955	2493
Net Worth	73014	60269	52781	47082	42203
V. CAPITAL EMPLOYED	55174	45574	37063	36522	40482
VI. VALUE ADDED	56828	42540	36800	32475	30740
VII. RATIOS					
PBDIT to total assets (%) #	17.9%	14.4%	12.0%	11.0%	10.3%
Gross profit to capital employed (%) #	52.1%	40.2%	29.2%	22.3%	18.3%
Earnings per share (Rs.)	68.60	38.95	26.89	18.16	19.12
Net worth per share (Rs.)	298.31	246.24	215.64	192.36	172.43
Current Ratio	1.58	1.58	1.65	1.76	1.71
Total Debt / Equity	0.08	0.09	0.10	0.11	0.16

On the basis of average net assets and capital employed

Directors' Report

Your Directors have pleasure in presenting their 42nd Annual Report together with audited accounts of the Company for the year ended March 31, 2006.

PERFORMANCE HIGHLIGHTS

Your company has completed another successful year in 2005-06 and has registered a net profit of Rs. 16792 million. Net worth of the company has gone up from Rs. 60269 million in 2004-05 to Rs. 73014 million in 2005-06 registering an increase of 21.15%. NAV per share has increased from Rs. 246.24 in 2004-05 to Rs. 298.31 in 2005-06.

Major highlights of performance during 2005-06 are summarised below:

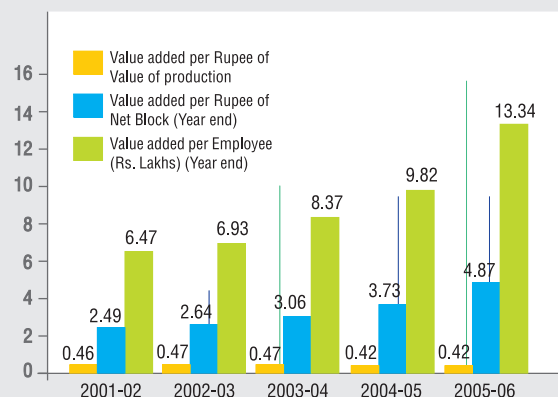
	(Rs. in million)		
	2005-06	2004-05	Increased by
Turnover	145255	103364	40.53%
Profit before tax	25644	15816	62.14%
Profit After Tax	16792	9534	76.13%
Economic Value Added	10800	5040	114.29%
Earnings Per Share (Rs.)	68.60	38.95	76.13%
NAV per share (Rs.)	298.31	246.24	21.15%

The details of appropriation of profit for the year are as follows:

	(Rs. in million)	
	2005-06	2004-05
Profit after tax	16792	9534
Add :- Balance of Profit b/f from last year	2376	1034
– Transfer from Foreign Project Reserve	69	32
	<u>19237</u>	<u>10600</u>
Appropriations:		
– Foreign Project Reserve	NIL	NIL
– Bond Redemption Reserve	1000	1000
– Dividend – Interim	3060	857
– Final	489	1101
– Corporate Dividend Tax	498	266
– Transfer to General Reserve	12000	5000
– Carried to Balance Sheet	2190	2376
	<u>19237</u>	<u>10600</u>

A dividend of 145% (including an interim dividend of 40% and a special interim dividend of 85% approved by the Board and already paid), amounting to Rs. 3549 million, on the paid up capital of Rs. 2447.60 million has been recommended for

PRODUCTIVITY RATIO



2005-06, as compared to 80% dividend (including an interim dividend of 35%) declared for 2004-05. In addition, a provision of Rs. 69 million has been made for Corporate Dividend Tax on the final dividend proposed. Corporate Dividend Tax of Rs. 429 million has already been paid on the interim dividend.

ORDERS RECEIVED

Orders received during the year increased by 3.88% from Rs. 182300 million in 2004-05 to Rs. 189380 million in 2005-06. Sector wise orders booked are as follows:

	(Rs. in million)	
	2005-06	2004-05
Power Sector	108620	134750
Industry Sector	47280	41170
International Operations	33480	6380
Total Orders Booked	189380	182300
Order Book outstanding as at the end of the year	376000	320000

RATING OF BHEL VIS-À-VIS MOU TARGETS

Performance of the Company for the year 2004-05 has been rated as 'Excellent' in terms of MoU signed with the Government of India. The MoU rating for 2005-06 is under finalisation by the Government.

MANAGEMENT DISCUSSION AND ANALYSIS

A report on Management Discussion and Analysis is placed at Annexure – 1.

BOARD OF DIRECTORS

Appointment

S / Shri Sanjay M. Dadlika, Ashok K. Aggarwal, Manish Gupta and Shekhar Datta were appointed as Part-time, Non-Official Directors w.e.f. 16th November, 2005.



NTPC's 2100 MW Korba Power Station - customer reposed trust by placing order for another unit of 500 MW

Shri Raman Singh Sidhu was appointed as Part-time, Non-Official Director w.e.f. 4th January, 2006.

Shri Madhukar was appointed as Part-time, Non-Official Director w.e.f. 5th July, 2006.

Shri C.P. Singh has been appointed as an Additional Director w.e.f. 1st September 2006 to take charge of the office of Director (ER&D).

In accordance with Article 67(iv) of the Articles of Association of the Company, S / Shri Sanjay M. Dadlika, Ashok K. Aggarwal, Manish Gupta, Shekhar Datta, Raman Singh Sidhu, Madhukar and Chandra Pratap Singh shall hold office as Additional Directors up to the ensuing Annual General Meeting of the Company and are eligible for re- appointment.

Cessation

Shri Ramji Rai will lay down the office of Director (E,R&D) on attaining the age of superannuation on 31st August, 2006.

Pursuant to Article 67 (i) of the Articles of Association of the Company, S / Shri Vineet Nayyar and Naresh Chaturvedi retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

In compliance with Clause 49 IV (G) (i) of the Listing Agreement, brief resume of the Directors proposed for appointment and reappointment, nature of their expertise in specific functional areas and names of Companies in which they hold directorship and the Membership of Committees of the Board are given at Annexure – 2 forming part of the Directors' Report.

OFFICIAL LANGUAGE IMPLEMENTATION

- Official Language Implementation Committees have been constituted in the Units/Regional Offices of the Company. During the year, regular meetings were conducted and compliance of the decisions taken to promote the progressive use of Hindi was ensured.

- Scheme for Hindi Training at induction level is being implemented to impart Hindi Training to newly appointed officers during their training and probation period so as to make them aware of the provisions of Official Language Policy.
- 5 days Translation Training Programme was organised at Corporate Office and at Haridwar Unit with the cooperation of Central Translation Bureau, Department of Official Languages, Government of India to equip our employees for Hindi translation.
- Hindi software on computers has been provided and employees are being trained to make use of the same. A special workshop on "IT and Hindi" for General Managers and Additional General Managers of Delhi based divisions was organised. During the year, employees were imparted training by conducting Hindi Workshops in all the Units.
- To implement Rajbhasha through motivation and pursuation, the following Incentives and awards are given:
 - i) The Company has an award scheme called 'Inter Unit Rajbhasha Puraskar Yojna' for encouraging the use of Hindi in its Units/Offices. Rajbhasha Shield and appreciation letters were awarded to the Heads of the Units/Offices which secured first and second place for excellence in Rajbhasha implementation.
 - ii) At unit level, departments were awarded for excellent contribution in Rajbhasha implementation.
 - iii) To encourage the employees for using Hindi in their work, the Company gives twice the number of cash awards prescribed by Rajbhasha Vibhag, Government of India.
 - iv) The employees passing Prabodh, Praveen, Pragya, Hindi Typing and Hindi Stenography were given a cash award of Rs. 2000 each. Moreover, prizes were awarded on the basis of the marks obtained also.
- In view of creating favourable atmosphere for using Hindi in the Units/Offices and creating interest for Hindi amongst employees, Hindi Day/Week/Month is celebrated in all the Units/Offices and Hindi competitions are organised. During 2005-06, Hindi Mah Utsav was celebrated from 14th September, 2005 to 13th October, 2005. Several competitions and programmes were conducted during this period. A cultural programme 'Sanskritik Chetana' was also organised in BHEL Township, Noida during this period. BHEL employees and their children performed in activities like singing, playing musical instruments, dancing and drama.

- Various Units of the Company are publishing ten different Hindi magazines, viz. Bhel Bharti, Srijan, Bhel Ganga, Bhel Yashasvi, Bhel Darpan, Bhel Chandan, Abhivyakti, Poorvabha, Pravah and Bhel Kiran.

PARTICIPATION IN THE GLOBAL COMPACT OF THE UNITED NATIONS

As part of the strategy, culture and day-to-day operations, the Company is committed to support and advance the ten principles of UN's Global Compact Programme – on human rights, labour standards, environment and anti-corruption – within its sphere of influence.

Through its association with UNGC, BHEL has got a unique opportunity of networking with other corporates and sharing experiences related to Corporate Social Responsibility, at national and global level. BHEL continued to take lead role in Global Compact Society (GCS) activities – an apex level forum of Indian Organisations/Institutions, committed to UN's Global Compact Programme.

At the 2nd National Convention on 'Role of Corporates in Promoting Social Objectives through Global Compact' organised by GCS in February, 2006, BHEL's presentation focused on Company's rich experiences in implementing projects related to Corporate Social Responsibility (CSR). The initiative taken by BHEL was well received & was appreciated by the participants.

In furtherance of its efforts for generating awareness about UNGC programme among BHEL employees, a workshop for HSE representatives from all Units/Regions was organised during the year.

Following is the brief report of how the Company has addressed each of the ten principles during the year 2005-06:

Human Rights:

- 1) *Business should support and respect the protection of internationally proclaimed human rights &*
- 2) *Make sure they are not complicit in human rights abuses.*

The Company practices the above principles in letter and spirit and has framed its policies in consonance with upholding the dignity of its employees.



Shri Shammi Sukh being conferred with "Rashtra Gaurav" by Akhil Bhartiya Rashtra Bhasha Vikas Sangathan

Labour Standards:

- 3) *Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining*

BHEL, as a true corporate citizen, takes pride in implementing various laws protecting the interests of the working class. Issues/problems concerning the workers are discussed and settled at various bi-partite fora in the Company. The Company also has an apex level bipartite forum wherein workers are represented by members of recognised Unions and the leaders of Central Trade Union Organisations and the Management is represented by Chairman & Managing Director, functional Directors and the Heads of Units.

- 4) *The elimination of all forms of forced and compulsory labour &*
- 5) *The effective abolition of child labour*

BHEL neither practices compulsory labour nor has child labour.

- 6) *Eliminate discrimination in respect of employment and occupation*

BHEL does not discriminate its employees on the basis of factors such as sex, caste, religion, race etc.

Environment:

- 7) *Businesses should support a precautionary approach to environmental challenges;*
- 8) *Undertake initiatives to promote greater environmental responsibility &*
- 9) *Encourage the development and diffusion of environmentally friendly technologies*

All BHEL Units have been certified to Environment Management System (ISO-14000) and Occupational Health & Safety



Solar Power Plant at Kaylapara in Sagar Island, West Bengal

(OHSAS-18000), after stringent audits by an international certifying agency. During the year, BHEL township located in Noida was also certified to these Systems.

Also, as part of the Company's commitment towards conservation of environment, several tree plantation drives were organised at its plants and townships, located across the Country.

As part of its commitment towards the society and as a responsible corporate citizen, BHEL is involved in a host of community development programmes in various parts of the country.

- The schools set up for mentally challenged children in various BHEL Units cater to the aspirations and requirements of the under privileged children to help them become self-dependant citizens.
- BHEL has been playing a proactive role in the development of villages in the vicinity of its manufacturing plants. The activities include free medical aid, provision for street lights, drinking water and infrastructure support to schools etc.
- BHEL family has risen in solidarity with the fellow citizens and victims of the severe earthquake which rocked the state of Jammu & Kashmir during the year.

In the area of development and diffusion of environment friendly technology, BHEL commissioned three 'Stand-Alone' Solar Photovoltaic (SPV) power plants for WBREDA at Rakhalpur, Kaylapara and Daudpur islands, in the Sunderbans. Hon'ble President of India, Dr. A.P.J. Abdul Kalam visited the Solar Power Plant at Kaylapara and admired the efforts of BHEL and WBREDA in harnessing renewable energy for the welfare of people living in remote parts of the Country.

India's largest Solar-Diesel Hybrid Power Plant of 50 KWp capacity was commissioned at Bangaram Island of Lakshadweep and 150 sets of Solar Powered Water Pumping Systems were commissioned in various parts of Punjab.

BHEL has developed a Bypass Over Fire Air (BOFA) system, which reduces Nitrogen Oxide (NOx) pollutants from coal-based thermal power plants by up to 50%.

Anti – Corruption :

10) Business should work against all forms of corruption, including extortion and bribery.

BHEL has initiated a host of 'transparency measures' which will help the Company to avoid corruption. The Company focuses more on preventive and educative aspects, rather than investigative/ punitive ones.

VIGILANCE

The Company's vigilance set-up is headed by CVO supported by senior officials heading vigilance departments in the individual Units.

As in earlier years, preventive vigilance was the thrust area of BHEL Vigilance during 2005-06. For this, training programmes were organised to generate awareness of rules and procedures amongst employees of the organisation. 96 such programmes were organised during the year 2005-06. An in-house Refresher Training programme for Vigilance Officers was also organised at Bhopal Unit. Further, a Training programme for Vigilance Officers of CPSEs under DHI was organised by BHEL Vigilance during the year.

During the year 2005-06, Vigilance Heads of all Units / Regions have carried out system studies with a view to make system more effective and transparent. Interactive sessions were also held with line executives representing different functional areas, in order to create vigilance awareness and enhance their knowledge of the Company's rules, procedures and policies.

In line with the directions of Central Vigilance Commission (CVC), Transparency Measures have been implemented in various areas of Company operations, especially in areas requiring interfaces with customers and suppliers. Some of these measures include the hosting of tender details on the Company's web site, personal and vendor payments through Electronic mode and computerisation of property returns.

SECURITY

The security of the Company, its Plants, installations and offices is managed by the Central Industrial Security Force (CISF), the Company's own security and Private security.

Security audit of major Plants is being done by the Intelligence Bureau. Review of security is also done internally from time to time.

The management, security staff and the employees of the Company are sensitised to the security needs of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2006 the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2005-06 and of the profit or loss of the company for that period;
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors have prepared the annual accounts for the financial year ended 31st March, 2006 on a 'going concern' basis.

AUDITORS

The Auditors of your Company are appointed by the Comptroller and Auditor General of India. The names of auditors appointed for the year 2005-06 are printed separately in the Annual Report.

The replies to the points referred to in the Auditors' Report and to the Comments of the Comptroller and Auditor General of India are given at Annexure – 3. The Review of Accounts of the Company for the year ended 31st March, 2006 by the Comptroller and Auditor General of India is also given at Annexure – 3.

CORPORATE GOVERNANCE

As per the requirements of Clause 49 of the Listing Agreement a detailed report on Corporate Governance together with the following is given at Annexure – 4:

- (i) CEO/CFO Certificate [as per Clause 49(V)] and
- (ii) Certificate from the Company's Auditors [as per Clause 49(VII)].

OTHER DISCLOSURES

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given at Annexure – 5.

None of the employees of the Company is drawing remuneration in excess of the limits prescribed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975.

ACKNOWLEDGEMENTS

The Board places on record its sincere appreciation towards the Company's valued customers in India and abroad for the support and confidence reposed by them in the organisation and looks forward to the continuance of this mutually supportive relationship in future.

The Board also gratefully acknowledges the support and guidance received from various ministries of the Government of India, particularly the Department of Heavy Industry, in Company's operations and developmental plans. The Directors express their grateful thanks also to the Comptroller and Auditor General of India, Chairman and Members of Audit Board, Statutory auditor and branch auditors. The Company also wishes to place on record its appreciation of the continued co-operation received from all the Technology Collaborators and Suppliers and support provided by the Financial Institutions and bankers. The Board wishes to record its deep gratitude to all members of the BHEL family whose enthusiasm, dedication and co-operation has made the achievement of an excellent performance possible.

**For and on behalf of the Board of Directors of
BHARAT HEAVY ELECTRICALS LTD.**

**Sd/-
ASHOK K. PURI
CHAIRMAN & MANAGING DIRECTOR**

Place : New Delhi
Dated : August 8, 2006



Management Discussion and Analysis

FINANCIAL OPERATIONS

Turnover for the year has touched a new high for the fifth year in succession thereby reaching the figure of Rs. 145255 million against Rs. 103364 million in 2004-05, an increase of 40.53%.

Value addition for the year 2005-06 stood at Rs. 56828 million as against Rs. 42540 million for the year 2004-05, registering an increase of 33.58%.

Profit before tax for the year stood at Rs. 25644 million and is higher by 62.14% as compared to profit before tax of Rs. 15816 million in 2004-05. Gross margin as a percentage of value of production (net of excise duty) increased to 20.98% as against 18.76% in 2004-05. Profit before tax as a percentage of value of production (net of excise duty) increased from 15.77% in 2004-05 to 18.75% in 2005-06.

Profit after tax at Rs. 16792 million has increased by 76.13% over the previous year's Profit after tax of Rs. 9534 million.

Net working capital (other than cash and bank balances) increased by Rs. 1576 million during 2005-06 over the previous year. The factors contributing to the increase are:

- Increase in Sundry Debtors by Rs. 11960 million.
- Increase in Inventory by Rs. 8283 million.
- Increase in Other Current Assets and Loans and Advances by Rs. 74 million.

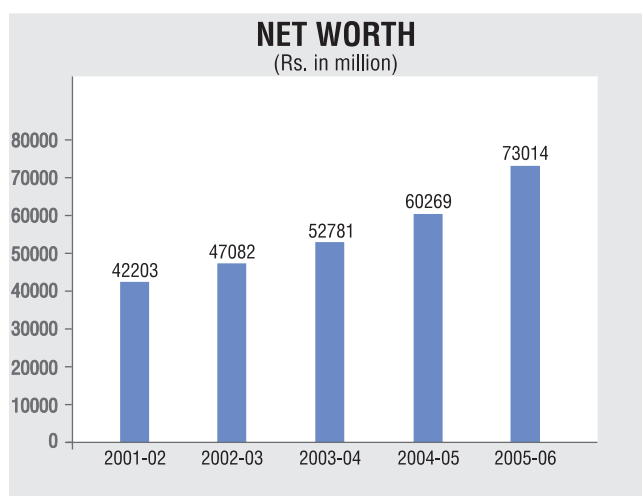
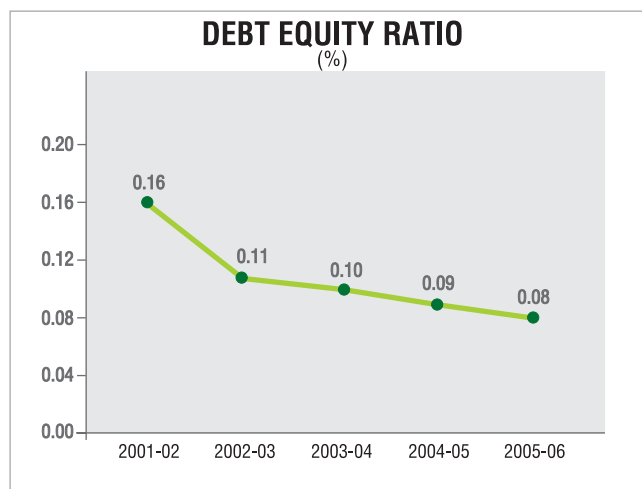
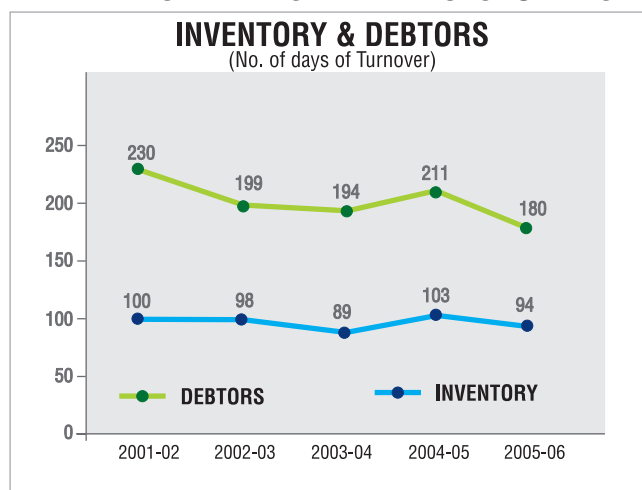
However, increase in Current Liabilities and Provisions by Rs. 18741 million has offset the increase in Current Assets thereby making marginal impact on the working capital over that of previous year.

Sundry Debtors increased from Rs. 59721 million in 2004-05 to Rs. 71681 million in 2005-06, an increase of 20.03%. In terms of number of sales days, Sundry debtors decreased from 211 days in 2004-05 to 180 days in 2005-06.

Inventory increased by 28.40% over previous year, i.e. from Rs. 29161 million in 2004-05 to Rs. 37444 million in 2005-06. Inventory, in number of days of turnover, decreased from 103 days in 2004-05 to 94 days in 2005-06.

Cash and bank balances, including short term deposits, at the year-end stood at Rs. 41340 million as against Rs. 31779 million at the end of last year. Equity remained at Rs. 2448 million. Net worth increased by Rs.12745 million to Rs. 73014 million. Debt-Equity Ratio declined from 0.09 in 2004-05 to 0.08 in 2005-06.

ANNEXURE – I TO THE DIRECTORS REPORT



POWER SECTOR

Power Sector booked orders worth Rs.108620 million for supply & installation of 3354.2 MW of Power Generating Equipment as well as Services and supply of Spares.

Significant orders booked during the year were :

Coal (3125 MW)

- 1X500 MW Vijayawada Stg IV from Andhra Pradesh Generation Company Limited (APGENCO)
- 1X500 MW Bhoopalpally Stg I from APGENCO
- 1X500 MW Korba Stg III from National Thermal Power Corporation (NTPC)
- 2X250 MW Neyveli Extn. Stg II from Neyveli Lignite Corporation (NLC)
- 2x125 MW Surat Lignite Power Plant, Mangrol from Gujarat Industries Power Company Limited (GIPCL) based on CFBC Technology
- 2x125 MW Barsingsar from Neyveli Lignite Corporation based on CFBC Technology
- 1x125 MW Giral Lignite from Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL) based on CFBC Technology
- 2X250 MW Chhabra TPS from RRVUNL
- 3X660 MW Barh Stg I - ESP Pkg for Supply and Erection of Electrostatic Precipitators from NTPC

Gas (37.2 MW)

- 1x37.2 MW Lakwa WHR Project Turnkey order received from Assam Power Generation Company Limited (APGCL)
- Order received for Condition study, Supply of spares and Restart from Ratnagiri Gas & Power Pvt. Ltd. (RGPPPL) for Block II (700 MW) of the 2184 MW 9FA Gas Turbine based Combined Cycle Project at Ratnagiri.

Hydro (192 MW)

- 2x96 MW Allain Duhangan HEP (TG Pkg) from private developer Allain Duhangan Hydro Power Limited (ADHPL) (Bhilwara Group)
- Patel Engineering Nettampadu Stg I & II (E&M for Pump Motor Set 7x17 MW)

Service After Sales (SAS)

- With a focus to provide a single window facility to the customer for Post warranty Services, a new



120 MW Captive Power Plant commissioned at TATA Jojobera

Business Group, namely “Spares & Services Business Group (SSBG)” was formed. The group deals with all post warranty marketing aspects relating to Power equipment viz. Supply of Spares, Overhauling, Repairs, Renovation & Modernisation and Plant Performance Improvement

- Concerted efforts towards Spares, Services and PPIB business resulted in fetching record orders worth Rs. 18531 million during the year, the highest in any year.
- Major orders booked in this category during the year were Upgrading of Panipat TPS from 110 MW to 117.8 MW and Renovation & Modernisation of 2x110 MW BSES, Barauni & 2x110 MW Muzzaffarpur TPS.

Erection & Commissioning Order – Non BHEL Nuclear Sets

- Power Sector-Southern Region bagged order from Nuclear Power Corporation of India Limited (NPCIL) for erection and commissioning of 2x220 MWe Turbine, Generator, MSR and Auxiliary System including associated electricals and C&I for Nuclear Project at Kaiga, Karnataka.
- Power Sector-Northern Region bagged order from NPCIL for erection, testing and commissioning of 2x220 MWe unit 5 & 6 at Nuclear Project at Kota, Rajasthan.

Customer's Delight

- There has been continuous improvement in time reduction of commissioning cycle of BHEL Thermal sets. At Tata Jojobera-4 (120 MW) time taken from Start of Erection to synchronization was 17.5 months against schedule of 19 months & 20.5 months taken for Jojobera-2. Coal firing of



the unit was done within 7 days of synchronization and the set handed over to customer within 2 months of synchronization.

- BHEL continued its efforts to render efficient customer service aimed at facilitating uninterrupted power supply and keeping power plants in good running condition. During the year, Power Sector overhauled 121 thermal utility and industrial sets including 8 non-BHEL sets covering various products e.g. Boilers, TGs and Auxiliaries. 35 Hydro sets were also overhauled during the year.

Commissioning

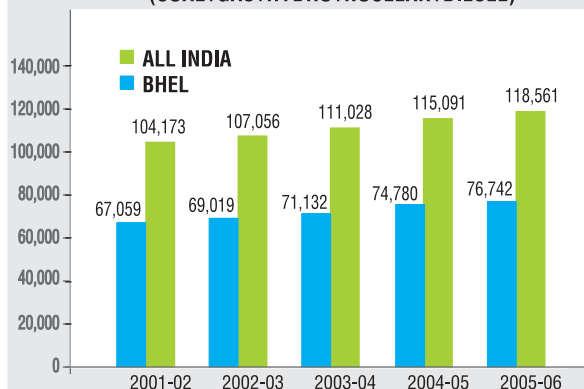
- BHEL added 1841.51 MW in the Nation's Electric Utility Sector. Major sets commissioned include 540 MW of Nuclear set at Tarapur, 500 MW and 210 MW Thermal sets at Rihand and Paricha respectively, 200 MW HEP at Sardarsarovar and other small rated hydro & gas based sets.
- 87% of Coal and 100% of Nuclear based MW commissioned in the country during the year were of BHEL make.

Performance of BHEL Sets

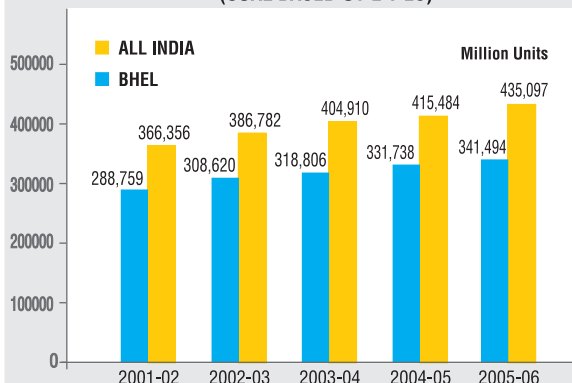
The overall performance of BHEL thermal sets was better than the national average.

- BHEL thermal sets achieved Plant Load Factor (PLF) of 74.9%, which is 1.3% higher than national average.
- The combined PLF of BHEL 500 / 250 / 200 / 210 195 MW thermal sets which form the backbone of country's electric power generating capacity registered the PLF of 79.8 %. Operating Availability (O.A.) of these sets was at 87.5%.
- 250 MW and 500 MW BHEL Thermal sets recorded the PLF of 82.2% and 85.5% respectively during the year.
- 142 BHEL thermal sets clocked uninterrupted operation of more than 90 days, out of which 25 sets ran continuously for more than 200 days during the year.
- BHEL make Vijayawada III TPS (210 MW) ran continuously for 441 days without tripping.

INSTALLED GENERATING CAPACITY- UTILITY (MW) (COAL+GAS+HYDRO+NUCLEAR+DIESEL)



GENERATION OF POWER (COAL BASED UTILITIES)



INDUSTRY SECTOR

Orders amounting to Rs. 47280 million have been received by Industry Sector in 2005-06 as against Rs. 41170 million in the previous year.

Major Orders received are as under:

- **Captive Power Segment**
 - 2x120 MW Captive Power Plant (unit 9 &10) of NALCO.
 - 1x250 TPH Steam Generator & 1x18.5 MW Back pressure Turbine Cogen Plant from NALCO Damanjodi.
 - 1x80 MW Captive Power Plant from Hindustan Zinc Ltd.
 - 20 MW (Fr5) GTG based Cogen Plant from IOCL Haldia.
 - 2 STG Sets of 45 MW from Hooghly Met Coke & Power Co. Ltd.
 - 3X25 MW STG from Visa Steels Ltd.

● Industrial Products

- Refurbishment & upgradation of 4 nos. oil rigs at Sibsagar from ONGC. Orders for Wet Gas Compressor from IOCL Panipat Expansion-FCCU Revamp and Air Compressor from HPCL Vizag Green Fuel Project.
- 58 no. alternators (3-12 MW) from OEMs like TEIL, Belliss and Kessels
- Order for highest rating flameproof motor (2x 1130 KW) from M/s Kirloskar Ebara Pumps Ltd. for pipeline job of Numaligarh Refinery.
- Orders for about 125 nos. motors received from major cement plants like M/s GACL, ACC, Jaypee Cements, Vasavdatta, My Home and Binani. Orders from refinery & petrochemical sector for 65 nos. motors secured including 14 nos. 18-20 pole, slow speed squirrel cage and synchronous motors for HPCL Vizag through M/s Dresser Rand and Bharat Pumps and Compressors Ltd.

● Transmission Business

- 220/66/11 kV Substation at Daultabad and 66 kV substation at Gurgaon from Haryana Vidyut Prasaran Nigam Limited (HVPNL).
- 220/66 kV Substation at Salempur alongwith 66 kV substations at Lohara & Mathana from HVPNL.
- 400 kV Switchyard and Power Transformers for 2x250 MW Expansion-II of Neyveli Power Plant and 220 kV Switchyard at Barsingsar from Neyveli Lignite Corporation.
- 400/132 kV switchyard package for Barh Super Thermal Power Project (3x660 MW) from NTPC. This is the largest value order for a single switchyard secured by BHEL.
- An order secured from Power Grid Corporation of India Limited (POWERGRID) for setting up 400 kV substations at Balia in Eastern Uttar Pradesh. The converter station for the largest rating long distance HVDC system for transmitting 2500 MW power between Balia and Bhiwadi is also coming up at this location.
- An order from POWERGRID for setting up a 220/132 kV substation at Pithoragarh. This shall be the first



5 MW DG Set for Captive Power Plant at Naval Seabird Project

substation to be built by BHEL for POWERGRID in the State of Uttaranchal.

- Orders from POWERGRID for setting up 220/132 kV Substation at Raebareli and 400/220 kV Substation at Arasur (new) and extension of 400 kV Udumalpet Substation associated with Transmission System for Neyveli Generation.
- First order for Substations with 33 kV Gas Insulated Switchgear from WBSEB at Siliguri in Eastern Region.
- In the Transmission products segment major orders received for 5x315 MVA Generator Transformer, 2x100 MVA Station Reserve Transformer, 1x40 MVA Station Transformer from Jindal Power Ltd. Raigarh, 20x50 MVA 132 kV Auto Transformers from J&K PDD and 5x315 MVA Auto Transformers from PGCIL Kaiga 3 & 4.

● Transportation

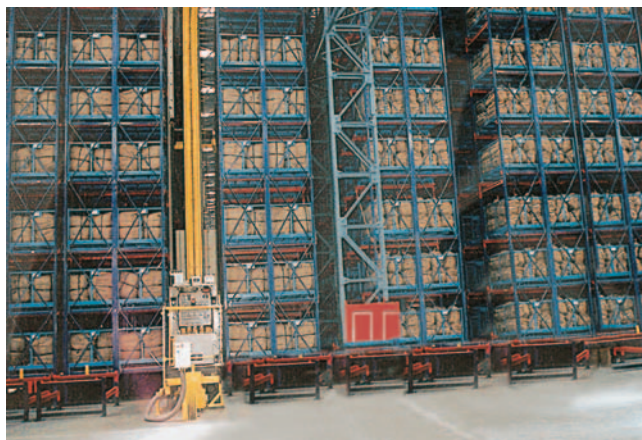
- Orders for 45 Traction Converters and 326 Traction Motors from Indian Railways and 11 sets of electrics for Diesel Locos for Angola from RITES & DLW.

● Defence

- Order for 3 nos SRGMs secured from Goa Shipyard Limited.

● Other highlights

- Captive/industrial sets totaling to 523 MW were commissioned during the year. This is an all-time high.



Automated Storage and Retrieval System supplied to Central Ordnance Depot, Kanpur

- New H-Compact Series motors with high efficiency, low noise and vibration were introduced in the market. First order secured in October 2005 as per MOU target. Motor manufactured and successfully tested.
- First time Mark-VI based GT controls commissioned at RIL Hazira for their Unit 8 CPP.
- Max DNA DCS system of BHEL for Captive Power Plants has been got approved by EIL.
- Refurbishment & upgradation of 11 out of 12 rigs for ONGC's 1st phase order completed.
- Successful manufacture and dispatch of first 2 nos. Dynamic track stabilizer (DTS) for Indian Railways track maintenance requirements.
- Industry Sector has been awarded BVQI-ISO 9001-2000 Certification. The certification has UKAS (U.K.) accreditation. Re-certification for OHSAS 18001 for industry sector complex has also been obtained from M/s Det Norske Veritas.
- During the year 2005-06 BHEL commissioned following substations / switchyards :
 - ❑ POWERGRID's 400/220 kV Substation at Kaithal
 - ❑ POWERGRID's 400/220 kV Substation at Patiala
 - ❑ POWERGRID's 400/220/132 kV Substation at Baripada
 - ❑ DTL's 220/33 kV Substation at Geeta Colony in East Delhi

- ❑ POWERGRID's Fixed Series Compensation Scheme on 400 kV Transmission line at Rengali
- ❑ NTPC's 132 kV Switchyard at Vindhyachal
- ❑ 66/11 kV substation of NDPL at Bawana 6.
- ❑ 400/220 kV switchyard at NPCIL, Kaiga 3&4.

INTERNATIONAL BUSINESS

Export order booking during 2005-06

- BHEL achieved highest ever physical export order inflow of Rs. 33480 million during the year - Six fold increase over last year and more than double the exports order booking ever achieved by BHEL in any one year.
- The year was significant for string of BHEL's successes in Project Exports encompassing BHEL's turnkey capabilities in almost all areas with orders secured for Oil & coal based Steam Power Plants, Gas turbine based Power plants, Hydro Power Plants, Sub-stations besides orders for loose products like Compressors, Transformers, Solar cells etc. in diverse markets, thus further expanding its exports reach.

Major Achievements during 2005-06

- During the year BHEL secured several prestigious orders, each one of which signifies a major step forward towards consolidation in international business:
 - ❑ Largest ever export order secured for 4x125 MW Steam turbine based Kosti Thermal Power Plant, Sudan from National Electricity Corporation on EPC basis. This is the first order for power plant from Sudan and first ever 125 MW unit rating based EPC order for thermal power plant from overseas market.
 - ❑ Strong hold in Oman retained by securing Sixth & Seventh Power Project orders for total 3x126 MW Gas Turbine based power plants at Mukhaizana & Qarn Alam from Petroleum Development, Oman on EPC basis.
 - ❑ First Coal Fired Thermal Power Plant on EPC basis secured for 2x60 MW Power Plant from PT Merak, Indonesia.
 - ❑ 42 MW Salma Hydro Electric Power Plant - First Power Plant order secured from Afghanistan.

- ❑ First ever export order for 220 kV Substations from EEPKO Ethiopia (World Bank funded project) received.
- ❑ First ever export order from South America for 1x25 MVA and 1x15 MVA Transformers for NVEBS, Suriname. With this order, BHEL has established its footprints in all the six inhabited continents of the world.
- ❑ Third consecutive order secured for Compressors for Marmul Project of Petroleum Development Oman.
- ❑ Orders received for 40 sets of well heads from SPC Syria, PV modules from Poland & Germany, Motors from Thailand and Shunt Reactor from Greece.
- ❑ Continued focus on After Sales Services led to orders for Spares & Services from Sri Lanka, Oman, Azerbaijan, Malaysia, Saudi Arabia, Singapore, Cyprus, Trinidad and Tobago, Kazakhstan, Indonesia, Philippines, Bangladesh & Thailand.

➤ Execution of Major overseas orders:

- ❑ A significant landmark was achieved with the successful commissioning of two Gas turbine generating units each of 157 MW ISO rating at the 600 MW Western Mountain Gas Turbine Power Plant, Libya, the biggest overseas power plant project being executed by BHEL. The Gas turbines exceeded guaranteed performance during testing. The supplies for remaining two units have also been completed.
- ❑ Successfully Commissioned 1st ever Industrial Steam Turbine Generating Unit with Dual Controlled Extraction for Thai Carbon Black Plc, Thailand.
- ❑ BHEL expanded its business in Environmental Pollution Control Technologies with:
 - ☞ Successful commissioning of Electro Static Precipitators (ESPs) behind Chemical Recovery Boilers at Advance Agro, Thailand. The ESPs exceeded guaranteed performance providing a clean environment at Advance Agro's Prachinburi Plant.
 - ☞ First time manufactured and commissioned Bag Filters for steel mill in Romania making an entry in European market with environment friendly product.
 - ☞ BHEL's environment friendly Photovoltaic Systems, supplied to European markets of Italy and Germany.



Compressor unit for PDO, Oman

CAPITAL INVESTMENT

Continued efforts towards modernisation of the manufacturing technology and augmentation of manufacturing capacity, in our manufacturing units and at sites resulted in capital investment of Rs. 2730 million, during the year 2005-06. Out of this, an investment of Rs. 2020 million was made towards acquiring latest "state of the art" manufacturing facilities for upgrading the technology & increasing production capacity of various products in our manufacturing units.

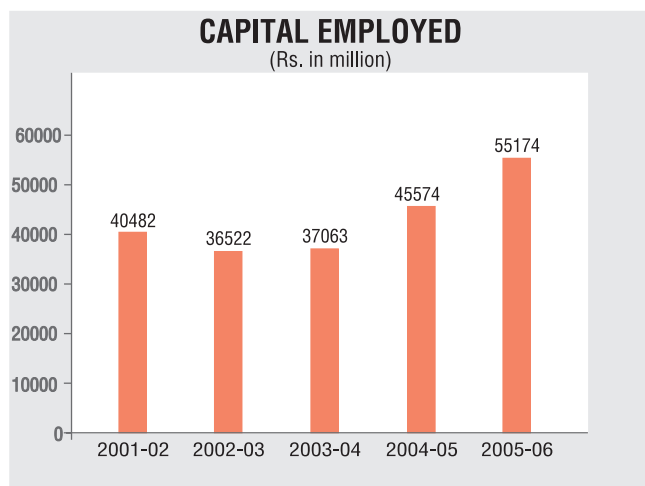
These investments will facilitate capacity augmentation for different products, modernisation of manufacturing facilities, cycle time reduction, upgradation/ replacement of ageing facilities and modernisation /upgradation of erection & commissioning related equipment.

Thrust for the coming years are also directed towards these objectives both at units and at sites.

In addition an amount of about Rs. 390 million was incurred during year 2005-06 on "Reconditioning / Re-building of existing assets" to enhance their life, accuracy and productivity.

Major Schemes Completed During 2005-06:

1. Augmentation of Manufacturing Facilities for maxDNA Technology at EDn, Bangalore.
2. Development of Poly Crystalline Silicon Solar Cells technology with Anti- reflecting Coating to increase the conversion efficiency at EDn, Bangalore.
3. Modernisation of manufacturing facilities for Pumps at Hyderabad.
4. Capacity augmentation of New design blades to 3500 MW at Hardwar.



Major Ongoing Schemes:

At Bhopal unit

- Modernisation and Capacity augmentation of Hydro Products manufacturing facilities to upgrade/ augment the manufacturing facilities & improve quality (Rs. 1795 million)
- Transformer Capacity augmentation from 12000 MVA to 15000 MVA (Rs.100 million)
- Facilities for Capacity augmentation of Electrical motors (Rs. 358 million)

At Haridwar unit

- Modernisation of Steam Turbine Manufacturing facilities, Ph-II (Rs. 327 million) & Generator Manufacturing facilities to reduce manufacturing cycle & improve quality (Rs. 780 million)
- Steam turbine & Generator Capacity augmentation to 5200 MW per annum (Rs. 970 million total)
- New Blade Shop phase-III, to augment capacity to 5250 MW (Rs. 822 million)

At Hyderabad unit

- Modernisation of Generator Manufacturing facilities (Rs. 175 million) and Heat Exchangers (Rs. 44 million)
- Augmentation of facilities for advanced class and large size Gas Turbines (Rs. 370 million) and facilities for repair of Fr-9E Compressor rotor (Rs. 67 million)
- Establishment of Assembly & Test facilities for Fr9FA Gas Turbines (Rs. 422 million)
- Capacity augmentation of Pulveriser manufacturing facilities (Rs. 370 million)
- Facilities for Steam turbine modernisation (Rs. 187 million)

At BAP, Ranipet Unit

- BAP Modernisation & capacity augmentation (Rs. 155 million)

At HPBP, Trichy Plant

- Boiler Shops capacity expansion to 5750 MW at Trichy plant (Rs. 1900 million)

At Transformer Plant, Jhansi

- De-bottlenecking of Transformer manufacturing facilities to increase Turn over (Rs. 53.5 million)

These investment schemes will enable the company to modernise & upgrade its manufacturing facilities with state of art machines, augment the manufacturing capacity, reduce cycle time and improve product quality to meet the growing market challenges & opportunities and above all customer satisfaction.

Cutting Edge Technologies

In our endeavor to develop new frontier/cutting edge technologies for the existing and new products/ systems, BHEL is setting up two more Centres of Excellence for Surface Engg. with an outlay of Rs. 90 million and for Intelligent machines & Robotics (CIMAR) Rs. 47.7 million. Centre of Excellence for Computational Fluid Dynamics, Permanent Magnet Machines and Simulators have already been setup.

10th Plan Period Capital Investment

BHEL has plans to invest more than Rs. 12000 million during the 10th plan period for its various products in the Units and for Erection & Commissioning equipment for various power plant sites. During the first four years of the 10th plan, about Rs. 7200 million of capital expenditure has already been made for all these areas. Further investment of about Rs. 4800 million is expected for the year 2006-07 which includes above said on going schemes besides addition of power plant site facilities.

JOINT VENTURES

The two Joint Venture Companies promoted by BHEL viz. "BHEL-GE Gas Turbine Services Ltd." (BGGTS) with GE, USA for repair & servicing of GE designed Gas Turbines and "Powerplant Performance Improvement Ltd." (PPIL) with Siemens AG, Germany for plant performance improvement of old fossil fuel power plants, have now completed eight full financial years of operation.

During the year, PPIL successfully completed PG Test on 120 MW Korba East – Unit 5 and the unit was handed over to CSEB for commercial operation. O&M supervision for BOP was also organised for CSEB, Korba in line with the contract. PPIL has so far successfully uprated four units of Kothagudem TPS (4x110MW) and also enhanced performance of five units of DPL Durgapur (3x77MW, 2x30MW) and two units of Korba (East) TPS. The total income of PPIL during 2005-06 was Rs. 13.39 million (unaudited).

BGGTS achieved a sales turnover of Rs. 2703 million during the year 2005-06 with a profit after tax of Rs. 282 million. Orders for Rs. 3029 million were booked by BGGTS during the year. During the year BGGTS successfully executed Mark VI Controls retrofits for IFFCO, Aonla and Essar Power besides bagging CMU/Value pack orders from IFFCO/Phulpur, Indo-Gulf & Nagarjuna Fertilisers. BGGTS also secured its biggest ever export order of Rs. 240 million from RPC,

Bangladesh for rehabilitation of Frame 6 DLN Gas Turbine. BGGTS has already paid an interim dividend of 225% for the year 2005-06 in Dec, 2005. The board of BGGTS has recommended a further dividend of 225% for the year 2005-06 in May, 2006.

R&D AND TECHNOLOGICAL ACHIEVEMENTS

During the year, a turnover of Rs. 11519 million was achieved by commercialising products and systems developed during the last five years through in-house R&D.

An amount of Rs. 1517 million was spent on R&D activities. Of this, Rs. 1449 million was spent on revenue expenditure, focusing on new product and system developments and improvements in existing products for cost effectiveness and higher reliability, efficiency, availability, quality, etc. In addition, an expenditure of Rs. 68 million has been incurred for purchase of capital assets for R&D.

Some significant developments carried out during the year are as follows:-

- In conformity with the global concern for environmental protection through reduction of Nitrogen Oxide (NOx) pollutants from coal-based thermal power plants, BHEL has developed a state-of-the-art Bypass Over Fire Air (BOFA) system. In demonstration of the system by retrofitting in Suratgarh 250 MW boiler, a reduction of upto 50% in NOx from the present level has been observed.
- BHEL continues its thrust to exploit the potential of renewable energy. It has developed and tested 500 metre head Francis Turbine having higher efficiency for hydro power generation.
- As part of its efforts to provide maximum value to its customers, BHEL has developed a steam leak detection system, which allows timely detection of Boiler tube leaks in thermal power plants. This prevents catastrophic failures and large-scale outages, by facilitating preventive shutdown.
- For enhancing the country's generating capacity at moderate investments through R&M of existing units, BHEL has developed a new LP Turbine variant, which can be retrofitted in old LMW sets. There are 57 nos. of 200/210 MW LMW sets (supplied by BHEL), which have completed over 20 years of service life. After retrofitting, the units can be uprated by 8.5 MW and their life can be extended by another 20 years.
- As its contribution to modernize the storage and inventory management system of the Indian Army, BHEL is executing a contract for installing its in house developed Automatic Storage & Retrieval Systems (ASRS). Spread over 13 warehouses, the ASRS comprises more than 1,26,000 storage bins and a computer-based 'Warehouse

Management System' which facilitates automatic operation through Radio Frequency Communication. Valued at over Rs. 1000 million, the contract was placed by Central Ordnance Depot, Kanpur.

- For the benefit of customers by way of developing more efficient products/technologies, BHEL had established several centres of excellence (CoE). Set up last year, the CoE for Permanent Magnet Machines, has developed a new 38 kW, 220 volts, 400 Hz. Compact Permanent Magnet Generator (PMG) which is lighter and smaller (40%), and more reliable in comparison with the present PMG.
- Continuing its tradition of contributing to the country's space programme, BHEL manufactured solar panels comprising high-efficiency multi-junction solar cells with 5500 watts output and Satellite Batteries (Nickel Hydrogen type 70 AH). These were deployed in the Communication Satellite INSAT4A, which was put in geosynchronous orbit by ISRO in December, 2005.
- As part of improving the economies of solar photovoltaic systems to enhance the conversion efficiency of the solar cell by around 10-15%, anti reflection coating technology has been developed.
- As part of its endeavour to offer quality products conforming to international standards to its customers, BHEL has got its large-size higher wattage (150 watt) PV modules certified by European Solar Test Installation (ESTI), Joint Research Centre (JRC), European Commission, ISPRA, Italy. BHEL had earlier obtained the certification for low wattage modules. This internationally recognised development will facilitate marketing of the entire spectrum of PV products in overseas markets.

HUMAN RESOURCE MANAGEMENT

Industrial Relations

The Industrial Relations at various Units and Service Divisions of the Company remained harmonious and cordial during the year under report. The thrust on participative culture continued during the year.

Two meetings of the apex level bipartite forum, namely "The Joint Committee for BHEL" were held during the year. At the Unit level, the Plant and Shop Councils held 71 and 274 meetings respectively during the year 2005-06.

The State of Jammu & Kashmir was rocked by severe earthquake during October, 2005. The Company showed solidarity with the citizens of the Country, as in the past, by contributing an amount of Rs. 30 million.

Awards won by BHEL Units and Employees

● Vishwakarma Rashtriya Puruskar (given by Ministry of Labour)

Vishwakarma Rashtriya Puruskars are given to recognize outstanding contribution made by a worker or a group of workers in an organisation through his/her/their suggestions to improve productivity.



Seven employees of BHEL have won three awards during 2005-06. Two awards were won by six employees of Haridwar Unit and one by an employee of Hyderabad Unit. A total of 28 Vishwakarma Rashtriya Puruskars were declared by Ministry of labour.

- **National Safety Awards (given by Ministry of Labour)**

National Safety Awards are given to recognize good safety performance on the part of Industrial undertakings (covered under Factories Act, 1986) and to stimulate and maintain interest of both the management and the workers in accident prevention programmes.

5 National Safety Awards in the winner category (Tiruchy-4 & EPD-1) have been won by BHEL during 2005-06.

- **National Awards for the welfare of persons with disabilities**

The awards are given by Ministry of Social Justice and Empowerment to recognise outstanding contribution by persons with disabilities. This year Shri R.C.Parakh, AGM from Bhopal Unit received this award from President of India for his contribution to technological development of transformer product in Bhopal.

- **Indian National Suggestion Schemes' Association Award (INSAAN Award)**

These awards are given by Indian National Suggestion Schemes' Association for Excellence in various categories like Suggestions, Posters, Technical Papers, Slogans, etc. Out of 49 awards given by INSAAN, twelve awards have been won by BHEL units. These are: (Ranipet-1, Hyderabad-2, Haridwar-5 and Tiruchy-4).

- **Excel Awards**

Excel Awards are given in-house to recognise, reward & place on record outstanding contribution by the employees towards growth & profitability of the company & to the society.

28 employees of the Company from various units have won BHEL Excel awards in seven categories, which were distributed by our CMD.

- **IMPRESS Scheme**

IMPRESS Scheme was introduced companywide to exploit untapped potential in the organisation to achieve higher efficiency of conversion of basic inputs like material and capital into sellable products and services. 1300 Improvement Projects have been rewarded under IMPRESS during the year in various Units.

Human Resource Development

The year 2005-06 has been marked by numerous initiatives taken in the HRD area with active involvement of top management. All programmes focused on enhancing readiness at the levels of Individual, Internal Organisation and External Organisation, guided by the theme "Being in business means being in a state of readiness always".

During 2005-06, 31,500 participants were exposed to different training programmes. As a part of our social commitment over 4500 Act Apprentices were trained in the Company. During the year, 93 campus recruited Engineer Trainees underwent one year induction training programme at different units. Over 520 customer personnel also were trained on various themes. Planned efforts have been made to make training fulfill the organisational needs. Due attention has been given to faculty development.

A beginning was made for assessing post-training effectiveness of training programmes conducted by HRDI. An exercise for receiving feedback from external agencies on effectiveness of training programmes was also undertaken during the year.

New initiatives undertaken during the year were:

- A system for 'Multi-skilling and Skill Up-gradation' was developed.
- Training Programmes for inductee and promotee Artisans and Supervisors and promotee Executives were organised.
- Training of Trainers Certification programme was conducted for the employees.
- Training programme for Executive Trainees was revamped.

Manpower strength

The manpower strength of the Company as on 31.03.2006 was 42601.

Information regarding Presidential Directives

(1) Activities of the Company for welfare and advancement of Scheduled Castes (SCs), Scheduled Tribes (STs) and Other Backward Classes (OBCs)

The Company has been following the Presidential Directives and Guidelines issued by the Government of India from time to time regarding reservation for SCs, STs and OBCs in letter and spirit. During the year various Community Development activities focused on socio-economic development of SCs, STs and OBCs have been carried out by BHEL in the adopted villages.

(2) Representation of SC/ST/OBC employees

The representation of SC/ST/OBC employees in total manpower is 18.71%, 4.20% and 7.34% for SCs, STs and OBCs respectively as on 1/1/2006.

The Annual Statement showing the representation of SCs, STs and OBCs as on 1/1/2006 and number of appointments made during the preceding Calendar year as furnished to the government is given at Annexure-A.

(3) Manpower strength of Physically disabled employees

The Group-wise manpower strength of physically disabled employees in the Company as on 1/1/2006 is given at Annexure-B.

ANNEXURE – A

Annual Statement showing the Representation of SCs, STs and OBCs as on 01.01.2006 and No. of appointments made during the preceding calendar year

	Representation of SCs/STs/OBCs (As on 01.01.2006)				No. of appointments made during the calendar year 2005									
					By Direct Recruitment				By Promotion			By Deputation/ Absorption		
Groups	Total No. of Employees	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
Group A	11231	1447	477	810	105	24	9	25	0	0	0	1	0	0
Group B	11494	1667	322	254	0	0	0	0	0	0	0	0	0	0
Group C	17793	4162	900	1747	686	143	38	245	0	0	0	0	0	0
Group D (Excl. Sanitary Workers)	2017	475	97	329	0	0	0	0	0	0	0	0	0	0
Group D (Sanitary Workers)	292	260	3	6	0	0	0	0	0	0	0	0	0	0
Total	42827	8011	1799	3146	791	167	47	270	0	0	0	1	0	0

ANNEXURE – B

Groupwise Status of Physically Disabled in the Total Manpower in BHEL as on 01.01.2006		
Group	No. of Employees	No. of Physically Disabled
Group A	11231	77
Group B	11494	98
Group C	17793	261
Group D	2309	28
Total	42827	464



INTERNAL CONTROL SYSTEM

The company has put in place adequate internal control measures in major risk areas. These measures are in the form of various codes, manuals and procedures, issued by the management covering all critical and important activities viz. Budget, Purchase, Material, Stores, Works, Finance, Personnel etc. These codes, manuals and procedures are updated from time to time and are subject to strict compliance which is monitored by Internal Audit.

The Company has full fledged Internal Audit Cells located at major manufacturing units and regional offices of the company which carry out audit as per annual audit programme approved by Director (Finance) / Board Level Audit committee. The internal audit department checks the adequacy and effectiveness of Internal Control Systems through regular audits, systems reviews and monitors compliance of various manuals and procedures. Functioning of Internal Audit and adequacy of Internal Control System is reviewed by Board Level Audit Committee which is supported by Unit Level Audit Committees.

OPPORTUNITIES AND THREATS

Global Scenario

The growth in the net electricity consumption is expected to rise rapidly among the emerging economies of the world, with annual average growth of 4.0 percent from 2002 to 2025, as estimated by International Energy Outlook.

The world market for products and services in the power generation sector is expected to grow at an average annual rate of 3.2 per cent for the next five years. The highest demand will be in coal-fired power plants and the major trend is towards higher energy efficiencies and further cost reductions in design and engineering. Global demand for transmission and distribution equipment is forecast to rise at 4.5 per cent.

The Asia-Pacific region, specifically India & China, is projected to register strongest gains in electric power equipment among all regions. In addition, there are promising markets for new power plant equipment in countries of the Middle-East and Gulf Cooperation Council (GCC). Demand is also likely to pick up in North America & Europe regions, with focus on clean technologies. However, the major concern of developing countries in meeting their goals in the electricity sector is how quickly the reforms can be implemented thereby making the sector more investment friendly attracting capital flows.

Domestic Scenario

Power Sector

The Indian economy has grown at the rate of 7-8 percent over the last few years. There are plans for taking the economy on the higher growth path in the next 5 year plan. This will place heavy demand on the power sector, which needs to maintain a 10-12 percent growth rate to sustain the targeted growth. There is also an urgent need to spruce up the

Transmission and Distribution (T&D) system to transmit power efficiently with minimum losses. The country has planned a power capacity addition of 1,50,000 MW in the next 10 years.

Against X plan capacity addition original target of 41,110 MW, it is anticipated that about 80% would be achieved and around 62,000 MW is planned during XI plan. The power sector has experienced positive movements in the year 2005-06, including developments in the area of reforms, policy and regulation, Govt. Initiative for setting up of 'Ultra Mega Power Projects' etc. While Coal is likely to continue to be the dominant fuel for the next 20-25 years, Ministry of Power is also working on strategies to improve hydro- thermal mix and developing hydro power at a faster pace. The Nuclear energy generation is also likely to get a boost after signing of co-operation agreements with USA and France.

Transmission and Distribution (T&D), which had lagged behind the generation sector is now receiving a greater focus for its growth. Open access policy articulated in the Electricity Act would facilitate development of secure and economic national and regional grids, and also build-in redundancy levels and margins based on international standards and practices.

Industry Sector

The good performance of the Indian economy during 2005-06 was led by sustained growth in the industry and the services sectors. Industrial production registered a strong growth on the back of robust and broad-based manufacturing activity. In consonance with the pick-up in investment, growth of the capital goods sector has accelerated. Higher production of power and distribution transformers, turbines, boilers, material handling equipment, ship building and repair, locomotives, etc. are some major examples. Business expectation surveys conducted by various agencies suggest that the industrial sector is likely to continue its strong performance in the near and medium term.

It has been estimated that an investment of US \$ 150 billion would be required in the Indian infrastructure sector over the next few years out of which approx. 40% would be required in the power sector and about 14% would need to be invested in roads & railways. The development of energy infrastructure in particular is extremely important to facilitate acceleration in GDP growth. The Captive Power segment of the industry has been witnessing expansion of capacities and the trend is likely to continue in the coming years.

POSITIONING FOR THE FUTURE

The emphasis on creating a cohesive policy framework for the power sector which kick-started with Electricity Act 2003 is continuing apace with the finalisation of three important policies- the National Tariff Policy, the National Electricity Policy and the Guidelines for procurement of Electricity through Competitive Bidding. The Integrated Energy Policy

which is on the anvil, also has taken note of the long term electricity needs of the Country.

Development of the transmission network is being done in tandem with growth planned in power generation capacity, with introduction of higher transmission voltages and new technologies for bulk power transmission. The buoyancy in industrial growth would expectedly get a boost with the attention on manufacturing competitiveness at the national level.

BHEL is fully equipped to capitalise on these emerging opportunities. This has mandated the Company to rise to the challenge, re-align with fast changing market requirements and evolve strategies to tackle issues related to growth and value creation. In line with the expected growth in demand, the manufacturing capacity of the company is being enhanced from 6,000 MW per annum at present to 10,000 MW per annum by 2007. BHEL is also taking necessary steps for upgradation/ introduction of new technologies. It has already tied up to acquire technology to produce boilers with super-critical parameters. Introduction of higher rating hydro turbine generator sets and advanced class Gas Turbines have been planned to cater to the upcoming market requirements. BHEL is also gearing up to encash the emerging opportunities in the Nuclear Power Generation.

For enhancement of competitive edge, BHEL has embarked on a major exercise of 'Positioning BHEL for Accelerated Growth' to address all aspects of its operations to enhance its strategic positioning which include initiatives on competitiveness like Design-to-cost, Purchasing and Supply Management, Lean manufacture, IT effectiveness, Organisational focus on project deliveries, Structured product development, Enhancing system design capability, Reorienting for customer focus with greater emphasis on projects etc.

For further enhancing overseas business, BHEL continues to pursue new initiatives / strategies like thrust on identified target countries/ regions, enhanced focus on product sales and spares & services, local tie-ups and joint ventures for manufacture/assembly/ repair and servicing of equipment, positioning itself as an EPC contractor in the global market, setting up overseas strategic alliances, etc.

The emergence of Services sector, both in Generation and T&D areas, would provide a number of opportunities for BHEL in Renovation and Modernisation (R&M), Long Term Service Agreements (LTSA), overhauling and After-market services. The marketing activities of spares & services have been consolidated and a separate group has been formed to focus on this sector.

Further, BHEL is also open to pursue M&A strategy within the Navaratna guidelines/ with approval of Govt. of India, if it offers growth opportunities through new IPRs or new market access or opportunities for its strategic requirements. BHEL in its pursuit to become a global player may acquire some niche technology companies in identified sectors.

RISKS AND CONCERNS

Indian Power sector is witnessing major changes. Growth of Power Sector in India since its Independence has been noteworthy. However, the demand for power has been outstripping the growth of availability. Substantial peak and energy shortages prevail in the country. This is due to inadequacies in generation & transmission as well as inefficient use of electricity. Inadequacies in distribution networks have been one of the major reasons for poor quality of supply.

The Govt. aims to provide 'Power to All' by 2012. To achieve that, generation capacities have to be added, Associated Transmission and Commercial (AT&C) losses are to be substantially reduced to below 20 percent, tariffs rationalised and average revenue realisation greater than the cost of production ensured. It will have to continue with the process of reform and restructuring, implement the National Electricity Policy and ensure greater private partnership, in every segment.

To achieve targeted capacity addition by the end of Eleventh plan, a basket of coal, gas, nuclear, hydro and non-conventional energy has to be created. In planning such a fuel-mix, there must be an element of flexibility to deal with fuel-related issues like availability, prices, and policies. Unless fuel linkage is tied up planned growth is not feasible. In coal there is demand-supply gap, which is likely to increase. There is abundant coal and it has to be tapped. The coal production targets are low. Imports are necessary in the shorter term.

In the above context, the speed with which the state policies are implemented in a federal structure will be the key factor to watch. Moreover, given the prevailing conditions, substantial amount of resources would be required to be mobilised & invested in the power sector. In the years to come, environment compulsions on the one hand and the need to achieve energy security on the other, demand a thrust on development of power from hydro, nuclear and non-conventional sources.

In a subdued global market, BHEL is facing stiff international competition from the major global PPE manufacturers having financial muscle, economies of scale, technology leadership and global reach in their favour. Licensing restrictions of market access constrains opportunities for companies like BHEL, in some parts of the world.

While BHEL on its part has been taking initiatives to meet the emerging challenges in International markets such as positioning itself as an EPC contractor, enhancing project exports etc. - Government of India's support at this stage is crucial by way of providing competitive buyers' credit, Government to Government tied line of credit etc., to enable BHEL consolidate its presence in the existing export markets, build up references, and secure project export opportunities. In most of the business areas where BHEL operates, the growth prospects are also dependent on policy decisions at the national level apart from the prevailing broad business trends.



ANNEXURE – 2 TO THE DIRECTORS' REPORT

Brief Resume of Directors proposed for Appointment and Re-appointment as per Listing Agreement [Clause 49 IV (G) (i)]

PART-TIME OFFICIAL DIRECTORS

Shri Naresh Chaturvedi, aged 58 years, is an IAS Officer of 1970 batch from West Bengal cadre.

A gold medalist in M.Sc. (Physics), he also holds a degree in Law.

Before joining as Additional Secretary & Financial Advisor, Ministry of Heavy Industries & Public Enterprises, Govt. of India in May 2003, he was Managing Director of Food Corporation of India. He has also held important positions like Excise Commissioner of the states of U.P. and West Bengal, Special Secretary in the Home Department of West Bengal, Secretary to Governor of West Bengal and Director General, Food and Ex-Officio Principal Secretary, Food & Supplies Department of the Government of West Bengal.

Shri Chaturvedi is also Director on the Boards of Bharat Bhari Udyog Nigam Limited, HMT Limited, Heavy Engineering Corporation Limited, Engineering Projects India Limited and Dishergarh Power Supply Company Limited.

PART-TIME NON-OFFICIAL DIRECTOR

Shri Vineet Nayyar aged 67 years, is presently Vice Chairman & Managing Director of Tech Mahindra Limited.

During a career spanning 40 years, Shri Nayyar has handled an array of vastly different and critical assignments.

As Member of the Indian Administrative Services, he served the Government of India in various capacities including Director, Department of Economic Affairs.

He has also served two tenures with the World Bank holding diverse portfolios including Director of Oil and Gas Department and Chief of Energy operations for East Asia. Last position held in Government service, was as Chief of Energy, Finance, Industry and Infrastructure.

He was Chairman & Managing Director of Gas Authority of India Limited for a period of five years and Vice Chairman of HCL Technologies and Chief Executive Officer of HCL Perot Systems.

Presently, he is also on the Boards of Tech Mahindra Ltd, Indian Oil Corporation Limited, Kotak Mahindra Old Mutual Life Insurance Limited, Great Eastern Shipping Company Limited, Tech Mahindra (R&D Services) Ltd., Business Standard Ltd., Tech Mahindra (Americas) Inc., Tech Mahindra GmbH, Tech Mahindra (Thailand) Ltd and Vidya Investments Pvt. Ltd.

Shri Sanjay M. Dadlika aged 42 years, is a multitalented professional with expertise in Business Management.

A commerce graduate, he holds a number of positions of importance and standing including being a member of All India Congress Committee, Advisor to D.G..L.L., Ministry of Shipping, Chairman of Industries, Trade – Commerce, Market Division of M.P.C.C, Member of Film Censor Board, Member of State Consumer Protection Council, Director, Maharashtra Chamber of Commerce & Industries and many others.

As an educationist, under his leadership the famous Swami Vivekanand B.S.P.M is doing very good work in Maharashtra. An exclusive Heart Institute worth Rs. 25 crores is also taking shape under his stewardship.

As a Business Administrator and chancellor, Shri Dadlika has visited many countries for research and study work. He also conveyed numerous speeches on spirituality, Yog Vashishta, Ashtawakra Geeta & the Art of Living.

Shri Dadlika to his credit has awards such as Udyog Ratna Award, Best Trainer Award in International Junior Chamber Conference in Hong Kong, Samaj Bhusan Award from Indian Peace Society, Best Entrepreneur from Maharashtra Chamber of Commerce & Industry, Best Cultural Award in Hindi from Society of Mumbai and Best Speaker Award on Yoga Vashishta & Ashtawakra Geeta.

Presently, he is also a Director on the Board of Aditya Realtor Pvt. Ltd.

Shri Ashok K. Aggarwal, aged 55 years, is an Industrialist.

A graduate in Arts with a degree in Law, post graduate diploma in personnel management and industrial relations and a diploma in labour laws.

He has vast and rich experience of 25 years of working at Senior Management and Top Management positions both in Public / Private Sectors including multinationals. He is a member of the CII, FICCI, PHDCCI, HRD Network & NMA. He has been associated with different Management Institutes in developing Educational Programmes and Educational Curriculum for Masters Courses.

Presently, he is Managing Director of Gopal Group and director on the Boards of ASDA Foods Pvt. Ltd and GG Marketing Pvt. Ltd.

Shri Manish Gupta, aged 64 years, is a retired Civil Servant (IAS).

A Certificate holder in Field Engineering (Civil, Mechanical & Electrical) from College of Military Engineering, CME, Pune, he also holds a Post Graduate Certificate in Business Management from Calcutta University.

During his career, Mr. Gupta has presided over myriad responsibilities under the State and Central Governments in various positions. As Chief Secretary in the Government of West Bengal, he was the head of several critical Task Forces and Committees; notably as the Chairman of the Committee on Public Enterprises Restructuring, High Power Committee on Industry and Committee on Industry Urban Land Use. Apart from holding the office of Home Secretary & Principal Secretary in the Home Department and being Director of Calcutta Urban Transport Project, he was also the Principal of the Higher Education Department where he pioneered the setting up of privately funded engineering colleges.

In 2001, Microsoft, USA organized a Government World Leaders Conference in Seattle, USA in which he was formally selected to participate.

Presently, Shri Manish Gupta is also a director in Tata Metaliks Ltd. Texmaco Ltd. and Wellman Coke India Ltd.

He is also a member of the Shareholders' Grievance Committee of Tata Metaliks Ltd.

Shri Shekhar Datta, aged 68 years is a Graduate in Mechanical Engineering from London and is F.I.M.A.

Shri Datta has held directorships in reputed companies like Greaves Cotton Limited, Industrial Development Bank of India Ltd, Business Consultant to a number of Indian companies and former member of International Business Advisory Council of UNIDO.

Shri Datta has been President of Confederation of Indian Industry (CII), Bombay Chamber of Commerce & Industry and Indo-Italian Chamber of Commerce & Industry.

He has been honoured with the citation of 'Commendatore' in the Order for Merit of the Italian Republic, by the President of Italy; as 'Companion' of the Institution of Mechanical Engineers, U.K. and awarded 'Winner' of the Indo-British Trophy conferred by Her Majesty Queen Elizabeth II.

Presently, he is a director in Wockhardt Ltd, Vesuvius India Ltd, Bombay Stock Exchange Ltd and Lombadini India Pvt. Ltd.

He is also member of audit committees of Wockhardt Ltd and Vesuvius India Ltd and the share transfer and grievance committee of Vesuvius India Ltd.

Shri Raman Singh Sidhu, aged 49 years is a Management Consultant.

After completing B.A. Economics (Honours) from St. Stephen's College, Delhi, Shri Sidhu qualified as a Chartered Accountant in 1982 from Institute of Chartered Accountants in England & Wales. He is also a Fellow of the Institute of Chartered Accountants of India.

Shri Sidhu has over 24 years of work experience in Investment Banking, Corporate and Personal Banking. He has had successful stints in reputed companies including as Senior Director in HSBC Securities & Capital Markets (India) Pvt. Ltd, Director & Senior Advisor, Grand Thornton and other companies including Barclays Bank group and ANZ Grindlays. Over the years, he has also served as a Member of Banking and Finance Committees of FICCI, ASSOCHAM, PHD Chamber of Commerce and Bombay Chamber of Commerce.

He has also served as a member of Government of India's Core Group formed to establish on "Corporate Governance Norms for Institutional Investors" and as a Committee Member of the European Business Group.

Presently, he is also on the Boards of Group 4 Secs. Pvt. Ltd and Accord (India) Pvt. Ltd.

Shri Madhukar, aged 62 year is an eminent banking professional.

Apart from a post graduation in Arts, he also holds a degree in Law and numerous professional qualifications from reputed institutions, both in India and abroad.

In a career spanning 37 years in the banking sector, Shri Madhukar has worked in positions at the highest levels covering every major dimension of banking operations.

During his tenure as Chairman and Managing Director of United Bank of India, the company showed remarkable turnaround from being rated as the weakest nationalized bank to showing substantial profits within a span of just a few years.

He was also the Chairman and Managing Director of Industrial Investment Bank of India (IIBI) and Managing Director of State Bank of Bikaner and Jaipur (SBBJ) both of which institutions showed unprecedented progress during the course of his tenure.



He has also held position as Member of the governing council of Indian Banks Association, Chairman of Madhukar Committee on Tea Industry, whose recommendations were widely appreciated and director of Delhi Finance Corporation between 1997-2000.

WHOLE TIME FUNCTIONAL DIRECTOR

Shri Chandra Pratap Singh, aged 57 years, is a graduate in Mechanical Engineering from Banaras Hindu University.

He joined the Bhopal unit of BHEL as an Engineering Trainee in the year 1970. Over a career spanning 32 years, Shri C.P. Singh worked and headed in a wide variety of product groups including the water turbines, steam turbines, small and medium electrical machines, heat exchangers, turbo generators, diesel generators, traction machines, switchgears among many others.

His able stewardship and excellence in management have helped BHEL to score significant improvement in production and innovation in many areas – notably, as head of the Electrical Machines Division at Bhopal, when the Division exceeded the annual installed capacity for consecutive two years by huge margins and the development of the innovative Bowl Mill, namely BHEL – 280, which achieved the ‘OEE - Original Equipment Manufacturer’ status without any support from any collaborator

As Executive Director, PS-NR and later on BHEL, Hyderabad he successfully executed prestigious projects on turnkey basis and brought about all round improvement and record profits for the units.

His academic acumen has kept Shri Singh associated with various organizations like Institution of India, Computer Society of India etc. His learning zeal has kept the organization vibrant with exercise of Business process Reengineering, Design to Cost as suggested by McKinsey, OEE (Overall Equipment Effectiveness) work shops, Information Security Management Standard BS 7799 etc.

Presently Shri C.P. Singh is also on the Board of BHEL GE Gas Turbine Services Ltd. (BGGTS) as its Part-time Chairman.

Auditors' Report

TO THE MEMBERS OF BHARAT HEAVY ELECTRICALS LIMITED

We have audited the attached Balance Sheet of Bharat Heavy Electricals Limited as at 31st March, 2006 and also the Profit and Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

I. As required by the Companies (Auditors' Report) Order, 2003, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.

II. Further to our comments in the Annexure referred to in paragraph I above, we report that :

(1) *The balances of Sundry Debtors, Creditors, Contractors, Advances, Deposits and Stocks/materials lying with Sub-contractors/Fabricators are subject to confirmation and reconciliation. The consequential impact thereof, if any, on the accounts could not be ascertained.*

(2) *Provision and payment of service tax has not been made in respect of commissioning and installation services upto 9th September 2004 as referred to in Note No.21 of Schedule 19. Further no provision has been made in respect of service tax liability, if any, on account of amount collected by the company towards freight and insurance from the customers in view of the legal opinion obtained as mentioned in Note No.21 of Schedule 19. In view of the above uncertainties, the impact on the Profit & Loss Account, on account of*

(1) Requests for confirmations are sent and reconciliations with the parties are carried out as an ongoing process and the management does not envisage any significant impact on the accounts due to this.

(2) This relates to 2004-05 and is a repetition of Point II (3) of the auditor's report for the year 2004-05.

It is again reiterated that provision and payment of service tax has not been made in respect of commissioning and installation services upto 9th September, 2004 in light of the legal opinions obtained and pronounced legal judgments.

As per the legal opinion, the amount collected by the Company towards insurance and freight will not attract Service Tax since the Company is not providing Services as a "Goods Transport Agency" or as an "Insurer".



non-provision of service tax could not be ascertained.

(3) *Non-provision of liability towards leave travel concession/leave travel allowance entitlement to employees accrued and not availed at the year end. Liability on this account is recognized in the year of availment/encashment as mentioned in Note No.24 of Schedule 19. Impact of liability not provided for on the Profit & Loss Account could not be ascertained.*

(4) Provision for Contractual obligations is made @ 2.5% of contract value as in previous years in accordance with the Accounting Policy No.14. Accounting Standard (AS) 29 of the Institute of Chartered Accountants of India requires inter alia that the provision should reflect the current best estimate of expenditure to be incurred on this account and that the expected timing of any resulting outflow of economic benefits is to be disclosed. We are expected to obtain sufficient appropriate audit evidence as to whether the accounting estimate is reasonable. In the absence of sufficient data regarding the appropriateness of the above provision, we are unable to express an opinion as to whether the provision made is in line with the above Accounting Standard.

(5) Attention is drawn to:

(i) Note No.20 (i) of Schedule 19 regarding revision in accounting practice relating to machinery spares resulting in decrease in profit for the year by Rs.207.38 lakhs.

(ii) Note No 20(ii) of Schedule 19 regarding change in accounting practice in respect of provision for contractual obligation on spares turnover resulting in decrease in profit for the year by Rs.225.85 lakhs.

(6) We further report that overall impact of the adjustments to be carried out as per our remarks as given in Paras II(1) to II(4) above could not be determined.

Subject to the foregoing and consequential effect thereof:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us.

In view of the above, the treatment given in the accounts is in order.

This is being consistently followed over the years. However, this practice is being reviewed in light of AS-15, Accounting for retirement benefits in the financial statements of employers, which has become mandatory with effect from 01.04.2006.

The Company's policy of providing for contractual obligation @ 2.5% of contract value is consistent over the years and is on a conservative basis. The Company reviewed the Policy and decided to continue the same for the years 2005-06 and 2006-07 and, in the meantime, to review the actual expenditure and take a view thereafter.

- (c) The Branch Auditor's Reports have been furnished to us and have been appropriately dealt with while preparing our report.
- (d) The Balance Sheet and Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account and with the audited returns received from the branches.
- (e) In our opinion, the Balance Sheet and Profit and Loss Account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub Section (3C) of Section 211 of the Companies Act, 1956.
- (f) In terms of Notification No. GSR 829(E) dated 21.10.2003 issued by the Department of Company Affairs, Government of India, the provisions of Section 274(1)(g) of the Companies Act, 1956 are not applicable to the Company.
- (g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Accounting Policies and Explanatory Notes in Schedule-19, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006; and
 - (ii) In case of Profit & Loss Account of the profit for the year ended on that date; and
 - (iii) In the case of cash flow statements of the cash flows for the year ended on that date.

**For J.C. Bhalla & Co.
Chartered Accountants**

**Sd/-
(Sudhir Mallick)
Partner
Membership No. 80051**

**Place : New Delhi
Dated : 31/05/2006**



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Para I of our report of even date)

MANAGEMENT'S REPLY

- i) (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of its fixed assets.

(b) Except in respect of assets given on lease, the management has generally carried out the physical verification of a portion of the fixed assets in accordance with their phased programme of physical verification, which is considered reasonable having regard to the size of the Company and nature of its business and no material discrepancies were noticed on such verification to the extent verification was made during the year.

(c) There has been no disposal of substantial part of the fixed assets affecting the going concern concept.

- ii) (a) Physical verification of inventory has been conducted by the management under Perpetual Inventory System at regular intervals during the year except stock of work in progress and finished goods in few units where these are verified at the year end with reference to the inspection reports and production reports of the Planning Department of such units. In regard to stocks lying with contractors/fabricators and other parties, confirmations were received in a few cases only. Subject to the above, in our opinion the frequency of verification is reasonable.

(b) In our opinion procedures of physical verification of inventory, followed by the management are generally reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) On the basis of our examination of the records of the inventory, in our opinion, the company has generally maintained proper records of inventory and the discrepancies noticed on physical verification of inventory having regard to the size and nature of operations of the company were not material and have been properly dealt with in the books of account of the Company.

- iii) (a) According to the information given to us, the company has not granted any loans, secured or unsecured to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses (iii)(b) to (iii)(d) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company for the current year.

(b) According to the information given to us, the company has not taken any loans, secured or unsecured,

BHEL has supplied 53 AC/DC locomotives of Type WCAM-3 and 12 AC/DC locomotives of Type WCAG-1 to Indian Railways on lease. As per terms of Lease Agreement with the Indian Railways, a certificate confirming physical possession of these locomotives has been obtained from Indian Railways like in the past.

Requests for confirmations are sent to contractors/fabricators and other parties and reconciliations with them are carried out as an ongoing process and the management does not envisage any significant impact on the accounts due to this.

from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (f) and (iii) (g) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company for the current year.

- iv) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures, commensurate with the size of the company and the nature of business with regard to purchase of inventory and fixed assets and sale of goods and services. Further on the basis of our examination of the books and records of the company and according to the information and explanation given to us, we have neither come across nor have been informed of any instances of major weaknesses in the aforesaid internal control procedures. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal control.
- v) In our opinion and according to the information and explanation given to us, there are no contracts and arrangements referred to in Section 301 of the Act during the year that need to be entered in the register maintained under that Section. Accordingly, clause (v)(b) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the company for the current year.
- vi) The company has not accepted any deposits from public during the year within the meaning of sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules 1975 framed there under.
- vii) In our opinion, the Internal Audit System of the Company is largely commensurate with the size and nature of its business.
- viii) Prima facie, the Company has maintained cost accounts and records prescribed for the manufacture of Electric Motors, Seamless Steel Tubes, Electric Generator, Power Transformers, Power Driven Pumps, Power generation through windmills, Control Instrumentation and Automation Equipment, pursuant to the rules made by the Central Government under Section 209(1) (d) of the Companies Act, 1956. No detailed examination of the records was, however, made with a view to determine whether they are accurate or complete. To the best of our knowledge and according to the information given to us the Central Government has not prescribed the



maintenance of the cost records under Section 209(1)(d) of the Companies Act 1956 for other products of the Company.

ix) (a) According to the information and explanation given to us, and according to the books and records as produced and examined by us, in our opinion, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Excise Duty, Customs Duty, Cess and any other statutory dues except Service Tax as stated in Para II (2) of our report of even date have generally been regularly deposited with the appropriate authorities.

(b) According to the information and explanation given to us, there are no arrears of outstanding statutory dues as at 31st March, 2006 for a period of more than six months from the date they become payable except Service Tax as stated in Para II(2) of our report of even date and Ground rent, House tax and Sales tax of Rs. 312.97 lakhs, Rs.37.76 lakhs and Rs. 0.02 lakhs respectively.

(c) According to the information and explanation given to us, there are no amounts in respect of Custom Duty and Cess which have not been deposited with the appropriate authorities on account of any dispute. Details of Sales Tax, Income Tax, Wealth Tax, Excise Duty and Service Tax which have not been deposited on account of dispute are as under:

The Company is continuously pursuing the case with DDA for early settlement.

House Tax has since been paid on 17.06.2006.

Sales Tax has since been paid on 10.05.2006.

Sl. No.	Name of the Statute	Nature of the Dues	Amount (Rs. In lakhs)	Forum where dispute is pending
1.	Central Sales Tax Act, Work Contract Tax Act, Entry Tax Act and Sales Tax Act of various States	Sales Tax, Entry Tax & Work Contract Tax	1,075.28 7,123.54 7,910.88 5,849.21 2,959.38	Assessing Officer Commissioner/ Dy. Commissioner Appellate Tribunal High Court Various Appellate Authorities
2.	Wealth Tax Act, 1957	Wealth Tax	0.75	Commissioner (Appeals)
3.	Income Tax Act, 1961	Income Tax	126.99 12,093.82 156.92	Assessing Officer Commissioner (Appeals) High Court
4.	Central Excise Act, 1944	Excise Duty	114.03 735.83 4,050.78	Assessing Officer Commissioner (Appeals) Appellate Tribunal
5.	Finance Act, 1994	Service Tax	221.30 20.32	Assessing Officer Commissioner (Appeals)
		Total	42,439.03	

- x) The company has no accumulated losses as at March 31, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi) According to the records of the company examined by us and the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi) As per information and explanations given to us, the company has not obtained any term loan during the year.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investment.
- xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
- xix) In our opinion, the company has not issued any debentures during the year.
- xx) The company has not raised any money by public issue during the year.
- xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to



us, we have neither come across any instance of fraud on or by the company noticed or reported during the year nor have we been informed of any such case by the management, that causes the financial statements to be materially mis-stated.

**For J.C. Bhalla & Co.
Chartered Accountants**

**Sd/-
(Sudhir Mallick)
Partner
Membership No. 80051**

Place : New Delhi

Dated : 31/05/2006

Comments of the Comptroller and Auditor General of India under section 619(4) of the companies Act, 1956 on the accounts of Bharat Heavy Electricals Limited, New Delhi for the period ended 31st March 2006

Comments of C&AG	Management's Reply				
<p>A. Profit & Loss Account</p> <p>Profit after tax – Rs. 1679.16 crore</p> <p>Profit of the company was overstated by Rs.30.74 crore on account of following:</p> <table border="1" data-bbox="124 617 745 1891"> <thead> <tr> <th></th><th>Rs. in crores</th></tr> </thead> <tbody> <tr> <td>1. Short-provision of liability towards liquidated damages and back charges levied by customers.</td><td>15.52</td></tr> </tbody> </table>		Rs. in crores	1. Short-provision of liability towards liquidated damages and back charges levied by customers.	15.52	<p>1. This comprises the following three cases:</p> <p>a) As per audit, provision for liquidated damages and back charges amounting to Rs. 9.63 crores (LD Rs. 8.22 crores + back charges Rs. 1.41 crores) should have been made as against Rs. 5.19 crores provided by the company (Customer, IOCL-Digboi).</p> <p>An amount of Rs. 5.19 crores has been provided towards liquidated damages apart from Rs.1.41 crores towards back charges.</p> <p>In the meeting held on 30.01.2006 commercial settlement was reached with the customer settling all pending issues with the release of final payment and discharge of bank guarantee. Further it was also agreed that there shall not be any further claim for this project by BHEL.</p> <p>In view of the above provision has been made for the entire amount outstanding as per the books of accounts as on 31.03.2006.</p> <p>b) As per audit, provision for liquidated damages of Rs. 4.42 crores should have been made (HPCL Mumbai) as per contract.</p> <p>Provision for liquidated damages was originally made in the year 1999-2000 for Rs. 4.42 crores. On receipt of payment from the customer of Rs. 2.73 crores, balance outstanding amount of Rs. 1.69 crores has been fully provided. The contract is also already closed and this will be reviewed & reconciled in 2006-07.</p> <p>c) As per audit, the customer (GAIL-PATA) has levied liquidated damages of Rs. 14.74 crores on the total contract value whereas provision has been made in the books for Rs. 8.08 crores</p> <p>As per agreed terms and conditions and also supported by the fact that the customer has deducted liquidated damages on undelivered portion, provision has been correctly made for Rs. 8.08 crores. The issue is still under discussion with the customer.</p>
	Rs. in crores				
1. Short-provision of liability towards liquidated damages and back charges levied by customers.	15.52				



Comments of C&AG		Management's Reply
	Rs. in crores	
2. Accountal of turnover in respect of supply of materials by the Company under a contract on FOR destination basis, though the materials were not received by the buyer till 31 March 2006.	9.77	<p>2. The comment pertains to recognition of turnover on Ex-works basis in respect of supplies made by Haridwar unit. Audit's contention is that this contract is on FOR destination terms and hence turnover shall be accounted on receipt of goods at customer's place.</p> <p>The turnover was recognized since the contracted period of delivery is Ex-Haridwar works, materials were consigned to the customer's stores and full payment including taxes & duties, insurance, freight etc. were received by 31.03.2006.</p>
3. Non-accountal of price reduction (liquidated damages) levied by a customer due to delay in completion.	5.45	<p>3. Rs. 5.45 crores withheld by the customer (IOCL, Mathura) towards price reduction clause as per the contract for delays has been disclosed in contingent liability. Audit is of the view that this amount should have been provided for.</p> <p>The delay analysis indicated that primarily BHEL is not responsible for the delays. This has been disclosed as contingent liability pending ascertainment of responsibility of the contracting parties for the delays.</p> <p>General</p> <p>Even if all the above points are considered, the impact of this on PBT and PAT would come to Rs. 30.74 crores and Rs. 20.39 crores against the PBT and PAT of Rs. 2564.35 crores and Rs. 1679.16 crores respectively for the year 2005-06.</p>

Review of Accounts of Bharat Heavy Electricals Limited, New Delhi for the year ended 31st March 2006 by the Comptroller and Auditor General of India.

Note: The Review of Accounts has been prepared without taking into account comments under section 619 (4) of the Companies Act 1956 and qualification contained in the Statutory Auditor's Report.

1. FINANCIAL POSITION

The table below summarises the financial position of the Company under broad headings for the last three years.

	(Rs. in crore)		
	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
LIABILITIES			
(a) Paid-up Capital			
(i) Government (including share application money pending allotment)	165.76	165.76	165.76
(ii) Others	79.00	79.00	79.00
(b) (i) Free reserves and surplus	5048.43	5779.38	7053.87
(ii) Capital reserves	2.75	2.75	2.75
(c) Borrowings			
i) From Financial Institution	1.56	0.00	0.00
ii) Cash Credit	0.00	0.00	0.00
iii) Others	500.00	500.00	500.00
iv) Interest accrued and due	2.33	2.33	2.33
d) i) Current liabilities & provision	6336.85	8445.90	10320.02
ii) Credits for assets taken on lease	36.13	34.65	55.91
TOTAL	<u>12172.81</u>	<u>15009.77</u>	<u>18179.64</u>
ASSETS			
e) Gross block	3459.60	3628.94	3822.06
f) Less: Depreciation	2411.51	2619.35	2852.76
Add : Lease Adjustment A/c	46.04	34.65	12.98
g) Net block	1094.13	1044.24	982.28
h) Capital work-in-progress	108.56	95.32	184.57
i) Investments	28.98	8.95	8.29
j) Current assets, loans and advances	10424.70	13342.98	16330.78
k) Deferred tax assets (net)	498.52	518.28	673.72
l) Miscellaneous expenditure not written off	17.92	0.00	0.00
TOTAL	<u>12172.81</u>	<u>15009.77</u>	<u>18179.64</u>
m) Working Capital (j-d(i)-c(iv))	4085.52	4894.75	6008.43
n) Capital employed (g+m)	5179.65	5938.99	6990.71
o) Net worth (a+b(i)-l)	5275.27	6024.14	7298.63
p) Net worth per rupee of capital	21.55	24.61	29.82



2. SOURCES AND UTILISATION OF FUNDS

Funds amounting to Rs.1934.49 crore from internal and external sources were realised and utilised during the year are as follows:

(Rs. in crore)

Sources of Funds

a) Funds from operations:		
Profit after tax	1679.16	
Add : Depreciation	233.41	1912.57
b) Decrease in Investments		0.66
c) Increase in Borrowed funds		21.26
TOTAL		1934.49

Utilisation of Funds

a) Increase in Fixed Assets	171.45
b) Dividend paid (incl. Dividend Tax)	474.44
c) Increase in Deferred Tax Assets	155.44
d) Increase in Working Capital	1043.91
e) Increase in CWIP	89.25
TOTAL	1934.49

3. WORKING RESULTS

The working results of the Company for the last three years ending 31st March are as follows:

(Rs. in crore)

	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
i) Sales	8662.47	10336.40	14525.49
ii) Less : Excise Duty	643.44	809.26	1151.46
iii) Net Sales	8019.03	9527.14	13374.03
iv) Other or Misc. Income	512.77	655.70	546.92
v) Profit before tax and prior period adjustments	1027.50	1583.66	2560.83
vi) Prior period adjustments	12.75	2.03	-3.52
vii) Profit before tax*	1014.75	1581.63	2564.35
viii) Tax provisions	356.60	628.23	885.19
ix) Profit after tax	658.15	953.40	1679.16
x) Proposed Dividend (including dividend tax)	165.86	222.45	404.68

* Unit-wise working results are given in annexure.

The substantial increase in profit after tax in the current year which has registered an increase of 76.12% compared to previous year is mainly due to decrease in interest and other borrowing cost by 27.83% and exchange variation by 100%.

4. RATIO ANALYSIS

Some important financial ratios on the financial health of the company at the end of last three years ending 31st March are as follows:

	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
A. Liquidity ratio:			
Current ratio(j/d(i)+c(iv))	1.64	1.58	1.58
B. Debt Equity Ratio			
Long term debt/Equity[c(i)+c(ii)+c(iii)/a(i)+a(ii)+b(i)]	0.09	0.08	0.07

C. Profitability ratios: (in Percentage)

a) Profit before tax to			
i) Capital employed	19.59	26.63	36.68
ii) Net Worth	19.24	26.25	35.13
iii) Sales	11.71	15.30	17.65
b) Profit after tax to Equity	268.90	389.52	686.04
c) Earnings per share (in Rupees)	26.89	38.95	68.60

5. INVENTORY LEVELS

The inventory levels at the close of the last three years ending 31st March are as follows:

	(Rs. in crore)		
	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
a) Raw materials	853.06	1109.28	1535.53
b) Store, spares and loose tools	87.25	96.21	123.24
c) Work-in-progress	943.96	1405.67	1720.85
d) Finished goods	235.82	309.04	379.62
e) Scrap	13.60	24.07	20.19
TOTAL	<u>2133.69</u>	<u>2944.27</u>	<u>3779.43</u>

The stock of finished goods represented 0.33 , 0.36 & 0.31 month's sales in 2003-04, 2004-05 & 2005-06 respectively.

6. SUNDRY DEBTORS

The sundry debtors and sales in the last three years ending 31st March are as follows:

As on 31st March	Sundry Debtors			Sales (including excise duty)	% age of Sundry debtors to sales
	Considered Good	Considered Doubtful	Total		
2004	4608.48	686.27	5294.75	8662.47	61.12
2005	5972.14	754.57	6726.71	10336.40	65.08
2006	7168.06	941.36	8109.42	14525.49	55.83

Agewise analysis of sundry debtors as on 31.03.2006 is as follows:

	(Rs. in crore)
i) Less than 6 months	4885.99
ii) 6 months to 1 year	533.35
iii) 1 year to 3 years	1534.31
iv) More than 3 years	1155.77
TOTAL	<u>8109.42</u>

Place : New Delhi
Dated : 17/07/2006

Sd/-
(MEERA SWARUP)
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT
'AND EX-OFFICIO MEMBER,AUDIT BOARD-III, NEW DELHI



Working Results of BHEL Units

ANNEXURE

(Rs in crore)

	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
Heavy Electricals Equipment Plant, Hardwar	127.98	229.62	324.89
Heavy Power Equipment Plant, Hyderabad	157.73	321.18	615.49
High Pressure Boiler Plant, Trichy	150.27	139.15	396.84
Heavy Electricals Plant, Bhopal	131.37	156.38	236.43
Central Foundry Forge Plant, Hardwar	4.48	10.33	12.72
Transformer Plant, Jhansi	3.28	8.02	25.92
Electronics Division, Bangalore	101.92	193.00	276.86
Industrial Valves Plant, Goindwal	2.02	2.09	3.97
Industrial Systems Group, Bangalore	3.17	8.82	19.46
Boiler Auxiliary Plant, Ranipet	15.87	21.40	57.88
Electro Porcelains Division, Bangalore	1.43	3.52	3.33
Insulator Plant, Jagdishpur	-5.10	0.75	1.65
Power Group (Four Regions and PEM)	299.85	413.65	680.38
International Operations- Projects, New Delhi	5.55	14.89	-25.96
Centre of Technology Transfer, Hyderabad	3.63	6.09	7.72
Component Fabrication Plant, Rudrapur	-2.28	-1.99	-0.94
Heavy Equipment Repair Plant, Varanasi	3.87	6.66	14.73
Advance Research Project, New Delhi	0.48	0.46	0.03
Transmission Business Group, Bhopal	2.07	1.28	5.38
Electrical Machine Repair Plant, Mumbai	-5.53	-5.53	0.45
Distributed Power Generation Business Group, Hardwar	-1.01	-0.70	-
Corporate & Other Adjustments	13.70	52.57	-92.88
	<u>1014.75</u>	<u>1581.63</u>	<u>2564.35</u>

Corporate Governance

1. Our Philosophy on Corporate Governance

BHEL's Vision is to build a world class Engineering Enterprise committed to enhancing Stakeholder Value and its Mission is to be an Indian Multinational Engineering Enterprise providing total business solutions through quality products, systems and services in the fields of energy, industry, transportation, infrastructure and other potential areas.

However, all these are to be achieved within the parameters determined by our values – those which we have set and stood for, and those which we have imbibed from our international experience with reputed institutions world wide. Though our business environment will change, our commitment to ethical and moral standards of business conduct will remain constant.

BHEL believes that proper Corporate Governance facilitates effective realization of goals; simultaneously ensuring high level of business ethics. Therefore, emphasis is on fulfilling the true spirit of Corporate Governance and not just the letter of law. BHEL's Corporate Governance policy is based on the following principles:

- i) Independence and versatility of the Board;
- ii) Integrity and ethical behaviour of all personnel;
- iii) Recognition of obligations towards all stakeholders – customers, employees and shareholders;
- iv) High degree of disclosure and transparency levels;
- v) Total compliance with laws in all environments in which the company operates;
- vi) Achievement of above goals with compassion for people and environment;

To conclude, the company believes that conducting business in a manner that complies with the Corporate Governance procedures and Code of Conduct, exemplifies each of our core values, positions us to deliver long-term returns for our shareholders, favourable outcomes for our customers and attractive opportunities for our employees.

2. Board of Directors

i. Composition & category of Directors

Pursuant to Section 617 of the Companies Act, 1956, BHEL is a 'Government Company'. Presently 67.72% of the total paid-up share capital of the Company is held by the President of India.

The Board of Directors has appropriate mix of executives represented by functional directors and non-executive directors represented by Government Nominees and Independent Directors to maintain the independence of the Board, and to separate the Board functions of management and control. The Chairman is an executive director. Therefore, Independent Directors comprise half of the strength of the Board.

The composition of the Board of Directors is as follows:

Chairman & Managing Director	1
Whole-time Executive (Functional) Directors	5
Part-time Official Directors (Government Nominees) representing the Ministry of Heavy Industries & Public Enterprises, Government of India	2
Part-time Non-official (Independent) Directors	8
Total	16

As on 31.03.2006, two casual vacancies of Independent Directors existed on the Board of Directors of the Company. With the appointment of Shri Madhukar as Independent Director on the Board w.e.f 5th July, 2006, only one such vacancy remains. The matter is under process at the end of Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises, Government of India.



ii. Attendance of each director at the Board meetings during 2005-06 and the last AGM

Director's Name S/Shri	No. of Board Meetings.		Last AGM (held on 29.09.2005)
	Held	Attended	
Ashok K. Puri Chairman & Managing Director	11	11	Yes
C. Srinivasan* Director (Finance) (Upto 31.05.2005)	4	4	-
Ramji Rai (Director (ER&D))	11	9	Yes
S.K.Jain Director (HR)	11	9	Yes
A.K.Mathur Director (IS & P) (From 16.05.2005)	9	8	Yes
K. Ravi Kumar Director (Power) (From : 16.05.2005)	9	9	Yes
C.S.Verma Director (Finance) (From 01.09.2005)	4	4	Yes
Naresh Chaturvedi Part-time Official Director	11	10	No
D.R.S.Chaudhary* Part-time Official Director (Upto 28.07.2005)	5	4	-
Dr.Surajit Mitra Part-time Official Director (From 28.07.2005)	6	6	Yes
Vineet Nayyar Part-time Non Official (Independent) Director	11	9	Yes
Sanjay M. Dadlika* Part-time Non Official (Independent) Director (From : 16.11.2005)	3	3	-
Ashok K. Aggarwal* Part-time Non Official (Independent) Director (From : 16.11.2005)	3	3	-
Manish Gupta* Part-time Non Official (Independent) Director (From : 16.11.2005)	3	2	-
Shekhar Datta* Part-time Non Official (Independent) Director (from : 16.11.2005)	3	3	-
Raman Singh Sidhu* Part-time Non Official (Independent) Director (From : 04.01.2006)	2	2	-

Note: (*) denotes the respective person is not a Director of BHEL as on last AGM date.

iii. Number of other Boards or Board Committees in which Director of BHEL is a member or Chairman as on 31/03/2006

Director's name S/Shri	Details of Directorships in other Companies	Details of Committee Memberships and Committee Chairmanship
Naresh Chaturvedi	1. Bharat Bhari Udyog Nigam Limited 2. HMT Limited 3. Heavy Engineering Corporation Limited 4. Engineering Projects India Limited 5. Dishergarh Power Supply Company Limited	- Nil -
Surajit Mitra	1. Maruti Udyog Ltd 2. Scooters India Ltd. 3. Bharat Bhari Udyog Nigam Ltd.	Audit Committee: Bharat Bhari Udyog Nigam Ltd. (Member)
Vineet Nayyar	1. Tech Mahindra Ltd. 2. Indian Oil Corporation Limited 3. Kotak Mahindra Old Mutual Life Insurance Limited 4. Great Eastern Shipping Company Limited 5. Tech Mahindra (R&D Services) Ltd. 6. Business Standard Ltd. 7. Tech Mahindra (Americas) Inc. 8. Tech Mahindra GmbH 9. Tech Mahindra (Thailand Ltd) 10. Vidya Investments Pvt. Ltd.	- Nil -
Sanjay M. Dadlika	Aditya Realtor Pvt. Ltd.	- Nil -
Ashok K. Aggarwal	Dharam Pal Satya Pal Ltd.	- Nil -
Shekhar Dutta	1. Wockhardt Ltd. 2. Vesuvius India Ltd. 3. Piaggio Vehicles Pvt. Ltd. 4. Lombardini India Pvt. Ltd.	Audit Committee 1 Wockhardt Ltd. (Member) 2. Vesuvius India Ltd. (Member) Share Transfer and Investor Grievance Committee 1.Vesuvius India Ltd.. (Member)
Manish Gupta	1. Tata Metaliks Ltd. 2. Texmaco Ltd.	Shareholders' Grievance Committee TataMetaliks Ltd.
Raman Singh Sidhu	1. Accord India Pvt. Ltd. 2. G4S Corporate Services (India) Pvt. Ltd.	- Nil -
No Director of the company is a member in more than ten (10) committees or is a Chairman of more than five (5) committees across all companies in which he is a Director.		



iv. No. of Board Meetings held, dates on which held.

The meetings of the Board are normally held at the Company's Registered Office in New Delhi and are scheduled well in advance. The Company Secretary in consultation with Chairman and Managing Director, sends notice of each Board meeting in writing to each Director. The Board agenda is circulated to the Directors in advance.

The members of the Board have access to all information of the Company and are free to recommend inclusion of any matter in agenda for discussion. In case of need, the senior management is invited to attend the Board Meetings to provide additional inputs relating to the items being discussed and / or giving presentation to the Board. The Board meets at least once in a quarter to review the quarterly results and other items on the agenda. Additional meetings are held, when necessary.

During the year under review, the Board met eleven times on the following dates:

- | | | |
|-----------------------|-------------------------|-----------------------|
| (i) April 1, 2005 | (ii) April 28, 2005 | (iii) May 16, 2005 |
| (iv) May 31, 2005 | (v) June 10, 2005 | (vi) July 28, 2005 |
| (vii) August 29, 2005 | (viii) October 28, 2005 | (ix) December 7, 2005 |
| (x) January 30, 2006 | (xi) March 7, 2006 | |

The maximum time gap between any two meetings was not more than three calendar months

v. Board's Responsibilities

The Board's mandate is to oversee the Company's strategic direction, review and monitor corporate performance, ensure regulatory compliance and safeguard the interests of shareholders.

vi. Role of Independent Directors

The Independent Directors play an important role in deliberations at the Board and Committee meetings and bring to the Company their expertise in the fields of engineering, finance, management, law and public policy.

The Board has established various committees such as the Audit committee, Shareholders / Investors grievance committee, Share Transfer committee and Remuneration Committee.

In terms of Clause 49 of the Listing Agreement, the Audit Committee and Shareholders / Investors Grievance Committee are chaired by an Independent Director and the said committees' functions are within the defined terms of reference. The minutes of committee meetings are circulated and discussed in the Board meetings.

vii. Information placed before the Board of Directors :

The information under the following heads, are usually presented to the Board of Directors of BHEL either as part of the agenda papers or are tabled / presented during the course of Board meeting:

- Annual operating plans and budgets and any updates.
- Capital budgets and any updates.
- Quarterly results for the company and its operating divisions or business segments.
- Minutes of meetings of audit committee and other committees of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level.
- Details of any joint venture or R&D project or technical collaboration agreement requiring approval of Board of Directors.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources / Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- Sale of material, nature of investments, subsidiaries, assets, which is not in normal course of business.
- Action Taken Report on all pending matters.
- Disclosure of Interest by Directors about directorships and committee positions occupied by them in other companies.
- Quarterly report on Compliance of various laws.

- Information relating to major legal disputes.
- Short-term Investment of surplus funds.
- Any contract(s) in which Director(s) are deemed to be interested.
- Status of shareholder's grievances on quarterly basis
- Information/status in respect of Power & Industry Sectors and International Operations division on quarterly basis.
- Significant Capital Investment proposals.
- Changes in significant accounting policies and practices and reasons for the same.
- Detailed presentation on performance of various units/functions.
- Any other information required to be presented to the Board either for information or approval.

viii. Selection of new directors

As per Articles of Association of BHEL, the President of India through Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises, appoints Chairman & Managing Director, Functional Directors and Part-time Official Directors on the Board of BHEL and also nominates Part-time Non-official Directors (Independent Directors) on the Board of BHEL.

The Independent Directors are selected by the Department of Heavy Industry in consultation with the Search Committee of the Department of Public Enterprises who maintains a panel of eminent personalities having wide experience of Management, Finance, Engineering, Administration and Industry.

ix. Membership term & Retirement policy

The appointment of Chairman & Managing Director, Functional Directors shall be on such terms and conditions, remuneration and tenure as the President may from time to time determine.

Two Part-time Official Directors i.e. the Joint Secretary of Department of Heavy Industry and Additional Secretary & Financial Advisor to the Ministry of Heavy Industries & Public Enterprises are nominated by the Government of India on the Board of BHEL. They continue to be on the Board of BHEL at the discretion of Government of India.

The tenure of Part-time Non-official (Independent) Directors is decided by the Department of Heavy Industry. Normally, an Independent Director is appointed for a period of three years. All such appointees are liable to retire by rotation in terms of the provisions of the Articles of Association of BHEL.

x. Code of Conduct

As part of BHEL's persisting endeavour to set a high standard of conduct, a 'Code of Business Conduct and Ethics' has been laid down for all Board Members and Senior Management personnel.

The Code encompasses:

- General Moral Imperatives;
- Specific Professional Responsibilities; and
- Additional Duties / Imperatives for Board members and Senior Management personnel.

A copy of the said Code has been placed on the company's website 'www.bhel.com'. Additional suggestions / ideas to improve upon the said Code are gladly invited.

xi . CEO/CFO certification

CEO / CFO certification pursuant to clause 49(V) of the Listing Agreement is enclosed at the end of this section.

3. Audit Committee

i. Brief description of terms of reference:

The terms of reference of the Audit Committee specified by the Board are in conformity with the requirements of revised Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956. They are as follows:



1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
6. (i) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
(ii) To ensure compliance of internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. (i) Discussion with Statutory Auditors / Internal Auditors periodically about internal control systems.
(ii) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern including observations of the Auditors.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing
13. To review the Audit paras referred to BLAC by the Internal Audit / Board and / or Govt. of India and to provide its suggestions / guidance / comments on the issues referred to it.
14. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Explanation (i): The term "related party transactions" shall have the same meaning as contained in the Accounting Standard 18, Related Party Transactions, issued by The Institute of Chartered Accountants of India.

Explanation (ii): If the company has set up an audit committee pursuant to provision of the Companies Act, the said audit committee shall have such additional functions / features as is contained in this clause.

ii. Composition of Committee, name of members and Chairman:

The Audit Committee comprises of a majority of Independent directors as mandated by the Listing Agreement. The member directors comprise of professionals of repute and standing with background in commerce, finance, administration and governance, both national and international.

The Audit Committee was last reconstituted on 7th December, 2005 and presently comprises of the following directors:

Name of the DirectorS/ Shri	Position
Vineet Nayyar	Chairman
Naresh Chaturvedi	Member
Manish Gupta	Member
Shekhar Datta	Member

The Company Secretary acts as the Secretary to the Committee.

iii. Meetings & attendance of Audit Committee during 2005-06

The Audit Committee could meet only once on the 30th of January, in the previous year 2005-06 on account of completion of tenure / resignation of Independent Directors. Matters with respect to appointment of independent directors lie at the end of Govt. of India. All the members except Shri Naresh Chaturvedi attended the meeting. General Manager (Internal Audit) and Director (Finance) attended the meeting by special invitation. The Statutory Auditor of the Company also attended the meeting.

4. Remuneration Committee

i. Remuneration policy

BHEL being a Public Sector Undertaking, the appointment and fixation of remuneration of CMD / Functional Directors are decided by the Govt. of India; whereas the part-time non-executive directors are not paid any remuneration except sitting fees for attending meetings of the Board or Committee thereof. Moreover, the terms of appointment of CMD / Directors, as approved by the President of India, provide for fixation of certain perks and benefits like leased accommodation, payment of HRA, furnished accommodation, productivity linked incentive, etc., as per rules of BHEL. The Board has constituted a Remuneration Committee in its meeting held on 7th December 2005 with the following terms of reference in line with Clause 49 of the Listing Agreement.

ii. Terms of reference

- Oversight of the company's policy on specific remuneration packages perquisites for Whole-time Directors including pension rights and any compensation payment, which are not fixed by the President of India.
- Approve certain perquisites for whole-time directors which are within the powers of Board. Review of the elements of remuneration package of individual directors summarized under major groups, such as incentives / benefits, bonus, stock options, pension etc
- Finalization of policies on perks and benefits and other related matters which are not fixed by the President of India but within the powers of Board
- Approval of fixed component and performance linked incentives based on the performance criteria.
- Finalization of the criteria of making payments to Non Executive Directors.
- Recommendation of fees / compensation / stock options, if any, to be paid / granted, to non-executive directors, including independent directors, to the Board of Directors / Shareholders
- Carrying out any other function related to the terms of reference of the Remuneration Committee.

iii. Composition, names of members and Chairperson

The details of names of members & Chairman of the Remuneration Committee are as under:

Name of the DirectorS/ Shri	Position
Ashok K. Aggarwal	Chairman
Naresh Chaturvedi	Member
Vineet Nayyar	Member
Director (HR) / BHEL	Member
Director (Fin.) / BHEL	Member



iv. Attendance during the year

No meeting of Remuneration Committee took place during the year.

v. Details of remuneration of functional Directors during the year 2005-06 are given below:-

SI No.	Name of the Director	Salary	Benefits	Arrears if	Performance Linked	Total	Service Contract / Notice Period
1.	A. K. Puri	6,02,402	6,21,430	0	19,947	12,43,779	Not liable to retirement by rotation
2.	C Srinivasan (Upto 31.05.2005)	96,234	8,60,615	0	19,947	9,76,796	Retired on attaining the age of super annuation on 31/05/2005.
3.	Ramji Rai	5,77,812	3,58,380	0	19,947	9,56,139	Liable to retirement by Rotation.
4.	S. K. Jain	5,69,226	6,72,113	0	19,947	12,61,286	Liable to retirement by Rotation.
5.	K. Ravi kumar	5,00,511	2,95,233	0	19,947	8,15,691	Liable to retirement by Rotation.
6.	A.K. Mathur	5,14,153	4,23,335	0	19,947	9,57,435	Liable to retirement by Rotation.
7.	C S Verma	2,96,998	2,84,130	0	0	5,81,128	Liable to retirement by Rotation.

vi. Details of payments made to Non- Executive Directors during the year 2005-06 are given below: -

(in Rs.)

Name of the Non-Executive Directors	Sitting Fees		Total
	Board Meeting	Committee Meeting	
Vineet Nayyar	45,000/-	10,000/-	55,000/-
Sanjay M. Dadlika	15000/-	5,000/-	20,000/-
Ashok K Aggarwal	15000/-	5,000/-	20,000/-
Manish Gupta	10000/-	5,000/-	15,000/-
Shekhar Datta	15000/-	5,000/-	20,000/-
Raman Singh Sidhu	10000/-	5,000/-	15,000/-

Independent Directors are entitled for sitting fee @ Rs.5000/- per meeting of Board or Committee thereof.

vii. Equity Shares held by Directors

Except as stated hereunder, none of the Directors, hold any Equity Shares in BHEL (as on 31st March 2006):

Name of the DirectorS/Shri	No. of shares held
Ashok K. Puri	200
A. K. Mathur	200
Sanjay M. Dadlika	10
Dr. Surajit Mitra	100

The Company has not issued any stock options during the year 2005-06.

5. Shareholders' Committees

5.1 Share Transfer Committee

The Board constituted a Share Transfer Committee long ago, which comprises the Chairman & Managing Director, Director (Power) and Director (Finance) of the Company.

The Share Transfer Committee considers and approves all share-related issues, transfer / transmission of shares, issue of duplicate share certificate etc., in physical mode besides taking note of beneficiary position under demat mode.

Meetings during 2005-06

The Share Transfer Committee met 23 times during the year. The minutes of the Share Transfer Committee meetings are periodically placed before the Board of Directors.

5.2 Shareholders/Investors' Grievance Committee

The SIGC Committee has been set up specifically to look into matters related to redressal of shareholder and investors complaints like transfer of shares, non-receipt of Balance Sheet, dividend and any other relevant grievance that the shareholder may have.

The Committee comprises of the following directors:

Name of the Director S/ Shri	Position
Shri Sanjay M. Dadlika Part-time Non-official (Independent) Director	Chairman
Shri Ashok K Aggarwal Part-time Non-official (Independent) Director	Member
S. K. Jain Functional Director	Member
C S Verma Functional Director	Member

Shri N.K. Sinha, Company Secretary is the Compliance Officer in terms of Clause 47 of the Listing Agreement.

Meetings during 2005-06

The Committee met once on 17th February 2006 during the year under review. All the members of the Committee except Shri S.K. Jain attended the said meeting.

Number of shareholders' complaints received so far

As reported by Karvy Computershare Private Limited (RTA) to SEBI; 160 complaints were received from shareholders during the year under review and all of which were redressed up to March 31, 2006. No complaint was pending at the end of the period under report.

6. General Meetings

i. Location and time of last three AGMs

Year	Location	Date	Time
FY 2002-03 (39th AGM)	FICCI Auditorium, Barakhamba Road (Tansen Marg) New Delhi-110001	30th September, 2003	10.00 a.m.
FY 2003-04 (40th AGM)	-do-	28th September, 2004	10.00 a.m.
FY 2004- 05 (41st AGM)	-do-	29th September, 2005	10.00 a.m.

ii. Details of Special resolutions passed in previous three AGMs

The Company passed a special resolution in the 40th AGM held on 28.09.2004, for delisting of its equity shares from the Stock Exchanges of Ahmedabad, Chennai, Delhi and Kolkata.



iii. Postal Ballot

No special resolutions were passed through postal ballot in the previous year. No such resolutions are proposed through postal ballot during the year.

7. Disclosures

i. Disclosures on materially significant related party transactions that may have potential conflict with the interests of Company at large

The Company has not entered into any materially significant related party transactions that may have potential conflict with the interests of the company at large. Nonetheless, transactions with related parties have been disclosed in Note no. 13 of Schedule 19 to the Accounts in the Annual Report.

ii. Non-compliances / penalties & strictures imposed on the company with respect to capital markets in the last three years

No such non-compliance has occurred nor any penalty or stricture been imposed on the company in the last three years. The company has set the highest standards with respect to observance and conformity with laws and all compliances are made much before the deadlines stipulated by statute.

iii. Whistle Blower policy

BHEL has not yet established a Whistle Blower Policy for the employees. Nonetheless, no personnel have been denied access to the audit committee.

iv. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause

All mandatory requirements as indicated in Clause 49 of the listing agreement have been duly complied with by the company. Details of the same have been given in appropriate places in this report.

Clause 49 further states that the non-mandatory requirements may be implemented as per our discretion. The company has already set up a Remuneration Committee to approve specific aspects of the remuneration of directors. Other non-mandatory requirements would be gradually complied with on need basis by the company.

v. Auditor's certificate on Corporate Governance

Auditor's certificate on Corporate Governance is enclosed.

8. Communication of financial and other information

As required under clause 41, company issues notice of at least 7 days in advance to the stock exchanges of the Board Meetings in which the unaudited / audited financial results are due for consideration. Further, the said results are intimated immediately after they are taken on record / approved to the Stock Exchanges.

These financial results are normally published in the Economic Times and Indian Express (English) and Navbharat Times and Jansatta (Hindi) and also displayed on the company's website www.bhel.com within 48 hours of the conclusion of the said meeting.

The said information is also posted on the the SEBI EDIFAR (Electronic Data Information Filing and Retrieval) website - www.sebiedifar.nic.in where they are freely accessible by any person.

Official news releases including important events like receipt of major orders as well as presentations made to the investors and financial analysts at periodic investors' meets are also displayed on the Company's website.

9. General Shareholder Information

i. AGM (Date, Time and Venue)

Date	Time	Venue
15th September, 2006	10.00 A.M.	FICCI Auditorium, Barakhamba Road, (Tansen Marg), New Delhi-110 001.

ii. Financial year - 1st April 2005 to 31st March 2006

iii. Dates of Book Closure - 5th September, 2006 to 15th September, 2006 (Both days inclusive)

iv. Dividend payment date - On or before 14th October 2006.

v. Dividend History :

BHEL has been following **“Stability cum Growth”** policy with regard to dividend payment. The details of dividend paid by BHEL during the last ten years and the amount of unclaimed dividend as on 31.03.2006 are summarized as under:

Year	Rate of Dividend	No. of Shares	Total Amount of Dividend Paid (Rs.)	Date of AGM in which Dividend was declared	Date of Payment	Unclaimed Dividend as on 31.03.2006 (Rs.)	Proposed date for transfer to IEPF
1995-1996	20%	244760000	489520000	30.09.1996	11.11.1996	Already transferred to Investor Education & Protection Fund	
1996-1997	20%	244760000	489520000	29.09.1997	10.11.1997	Already transferred to Investor Education & Protection Fund	
1997-1998	25%	244760000	611900000	30.09.1998	11.11.1998	Already transferred to Investor Education & Protection Fund	
1998-1999	25%	244760000	611900000	30.09.1999	11.11.1999	2,73,416	17.11.2006
1999-2000 (Interim)	15%	244760000	367140000	19.05.2000*	31.05.2000	7,80,652	06.07.2007
1999-2000 (Final)	15%	244760000	367140000	29.09.2000	10.11.2000	7,41,953	16.11.2007
2000-2001	30%	244760000	734280000	28.09.2001	03.10.2001	5,33,451	03.11.2008
2001-2002	40%	244760000	979040000	30.09.2002	07.10.2002	6,46,727	05.11.2009
2002-2003	40%	244760000	979040000	30.09.2003	06.10.2003	4,90,548	05.11.2010
2003-2004 (Interim)	30%	244760000	734280000	01.03.2004*	22.03.2004	2,93,670	06.04.2011
2003-2004 (Final)	30%	244760000	734280000	28.09.2004	04.10.2004	2,41,848	03.11.2011
2004-2005 (Interim)	35%	244760000	856660000	10.12.2004*	26.12.2004	3,02,412	15.01.2012
2004-2005 (Final)	45%	244760000	1101420000	29.09.2005	04.10.2005	3,99,778	12.10.2012
2005- 2006 (Interim)	40%	244760000	979040000	07.12.2005*	26.12.2005	3,21,900	15.01.2013
2005- 2006 (Spl. Interim)	85%	244760000	2080460000	07.03.2006*	27.03.2006	69,06,530	01.04.2013

* Date of Board of Directors meeting in which interim dividend was declared.

vi. Listing on Stock Exchanges and Stock Code

BHEL's shares are listed on the following Stock Exchanges for which listing fees for 2006-07, has been paid:

Name of the Stock Exchange

Stock Code

1. Bombay Stock Exchange Limited

500103

Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400 001.

2. National Stock Exchange of India Limited

BHEL

Exchange Plaza, Plot No.C/1, G Block,
Bandra-Kurla Complex, Bandra(E),
Mumbai – 400051.



VII. Delisting of Equity shares

The equity shares of the Company have been delisted from The Delhi Stock Exchange Association Limited, Madras Stock Exchange Limited and The Stock Exchange, Ahmedabad w.e.f. 10.12.2004, 19.01.2005 and 28.01.2005 respectively.

The Company has complied with all the requirements required for delisting of equity shares of the Company from the Calcutta Stock Exchange Association Limited and the approval for delisting is awaited from this Stock Exchange. Company has neither paid listing fee for 2006-07 nor sending any returns / reports / documents etc. required to be sent as per Listing Agreement to the Calcutta Stock Exchange with effect from 01.04.2005.

VIII. Market Price Data & performance in comparison to broad-based indices such as BSE Sensex, BSE PSU Index and S&P CNX Nifty Index

Market capitalization of BHEL is included in the computation of BSE-30 Sensitive Index (Sensex), BSE PSU Index and S&P CNX NIFTY Index.

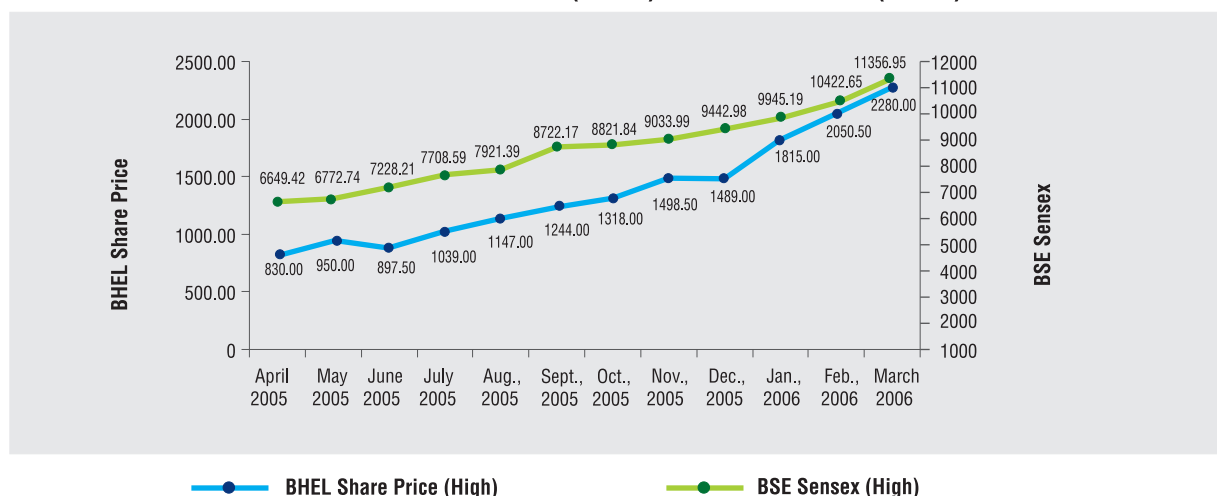
BHEL Vs. BSE Sensex

High and low of BHEL market share price on **the Bombay Stock Exchange (BSE)** vis-à-vis BSE Sensex, No. of shares traded and Net turnover, during each month in last financial year ended March 31, 2006 are summarized as under:

Month	BHEL Share Prices (Rs.)		BSE Sensex		No. of shares traded	Net turnover (Rs. in Lakhs)
	High	Low	High	Low		
April 2005	830.00	783.00	6,649.42	6,506.60	1410536	11219.47
May 2005	950.00	807.00	6,772.74	6,183.07	1387296	12086.56
June 2005	897.50	883.00	7,228.21	6,729.39	808986	7029.23
July 2005	1,039.00	845.00	7,708.59	7,165.45	1183812	11112.10
August 2005	1,147.00	1,008.00	7,921.39	7,632.01	1341333	14397.78
September 2005	1,244.00	1,062.10	8,722.17	7,818.90	970856	10953.32
October 2005	1,318.00	1,226.00	8,821.84	8,662.99	1972837	23413.96
November 2005	1,498.50	1,148.70	9,033.99	7,989.86	1586379	21015.26
December 2005	1,489.00	1,434.70	9,442.98	8,813.82	1674850	23560.77
January 2006	1,815.00	1,394.00	9,945.19	9,422.49	1549550	23982.42
February 2006	2,050.50	1,800.00	10,422.65	9,959.24	1786695	33577.50
March 2006	2,280.00	2,035.00	11,356.95	10,368.75	2361183	50672.77

*Source: www.bseindia.com

PERFORMANCE OF BHEL SHARE PRICE (HIGH) vs BSE SENSEX (HIGH) DURING 2005-06



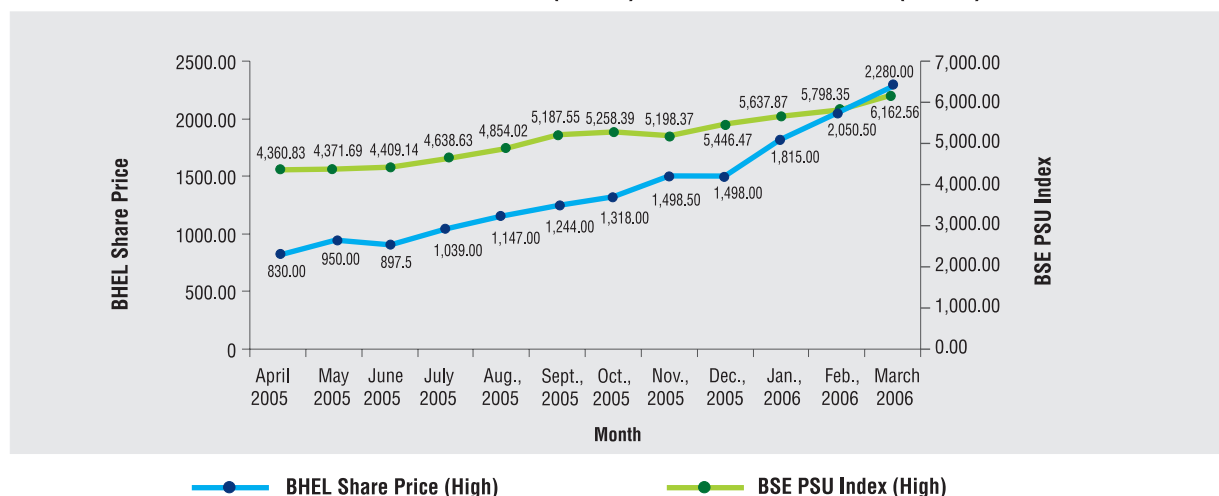
BHEL Vs. BSE PSU Index

High and low of BHEL market share price on **the Bombay Stock Exchange Limited (BSE)** vis-à-vis BSE PSU Index, during each month in last financial year ended March 31, 2006 are summarized as under:

Month	BHEL Share Price (Rs.)		BSE PSU Index	
	High	Low	High	Low
April 2005	830.00	783.00	4,360.83	3,978.48
May 2005	950.00	807.00	4,371.69	3,987.85
June 2005	897.50	883.00	4,409.14	4,249.75
July 2005	1,039.00	845.00	4,638.63	4,296.45
August 2005	1,147.00	1,008.00	4,854.02	4,516.06
September 2005	1,244.00	1,062.10	5,187.55	4,717.80
October 2005	1,318.00	1,226.00	5,258.39	4,455.63
November 2005	1,498.50	1,148.70	5,198.37	4,554.93
December 2005	1,489.00	1,434.70	5,446.47	5,005.20
January 2006	1,815.00	1,394.00	5,637.87	5,362.77
February 2006	2,050.50	1,800.00	5,798.35	5,438.59
March 2006	2,280.00	2,035.00	6,162.56	5,630.02

* Source: www.bseindia.com

PERFORMANCE OF BHEL SHARE PRICE (HIGH) vs BSE PSU INDEX (HIGH) DURING 2005-06





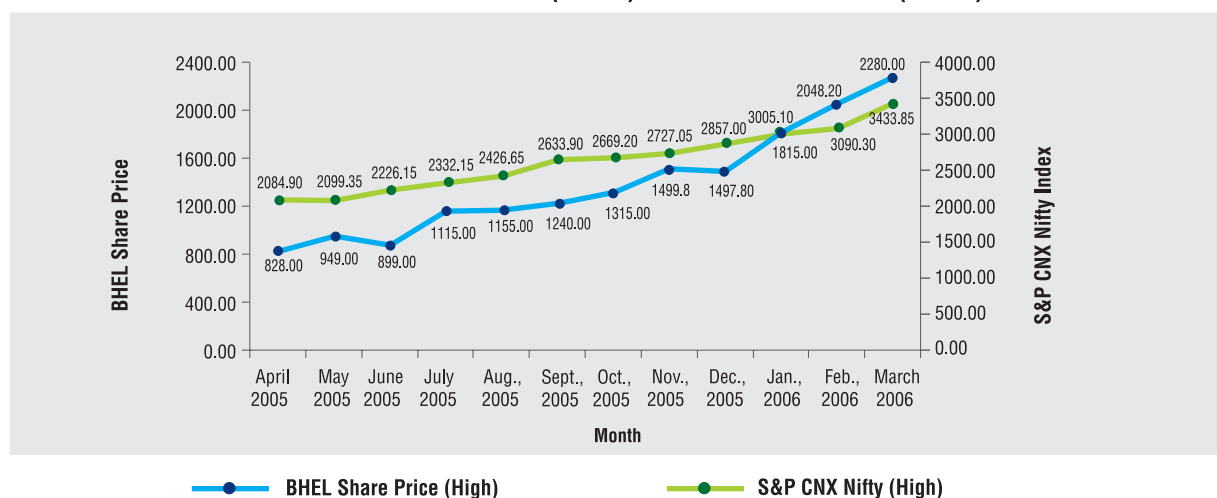
BHEL Vs. S&P CNX Nifty

High and low of BHEL market share price on **the National Stock Exchange of India Limited (NSE)** vis-à-vis S&P CNX Nifty, No. of shares traded and Net turnover, during each month in last financial year ended March 31, 2006 are summarized as under:

Month	BHEL Share Price (Rs.)		NSE Nifty		No. of shares traded	Net Turnover (Rs. in Lakhs)
	High	Low	High	Low		
April 2005	828.00	759.05	2084.90	1896.3	5551589	44087.67
May 2005	949.00	789.05	2099.35	1898.15	5384630	46778.35
June 2005	899.00	811.15	2226.15	2189.45	3276445	28458.14
July 2005	1155.00	845.00	2332.55	2280.85	4594503	42934.05
August 2005	1155.00	976.85	2426.65	2294.25	5226923	56115.31
September 2005	1240.00	1,050.05	2633.90	2382.9	3568493	40546.74
October 2005	1315.00	1,080.00	2669.20	2307.45	5782921	68264.17
November 2005	1499.80	1,110.00	2727.05	2366.8	5714390	75754.76
December 2005	1497.80	1,315.00	2857.00	2641.95	6352231	89511.77
January 2006	1815.00	1,370.10	3005.10	2783.85	5627451	87475.38
February 2006	2048.20	1,770.00	3090.30	2928.1	5972293	112175.1
March 2006	2280.00	1,995.05	3433.85	3381.9	8417054	143373.9

* Source: www.nseindia.com

PERFORMANCE OF BHEL SHARE PRICE (HIGH) vs S&P CNX NIFTY (HIGH) DURING 2005-06



ix. Policy on Insider Trading

BHEL has adopted the Code of Conduct for prevention of Insider Trading in accordance with the guidelines specified under the SEBI (Prohibition of Insider Trading) Regulations, 1992 and amended from time to time. The objective of the Code is to prevent purchase and / or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information. Under this Code, Insiders (Directors, Designated Employees and other concerned persons) are prevented to deal in the Company's shares beyond specified limits and are required to disclose related information periodically as defined in the code. The Board has appointed Director (Finance) as the Compliance Officer under the Code.

x. Registrar & Share Transfer Agent (RTA)

Delhi Address

M/s. Karvy Computershare Private Ltd.

UNIT: BHEL

105-108, Arunachal Building,

19, Barakhamba Road,

New Delhi – 110 001

Tel. : 011-23324401 / 09

Fax: 011-23730743

www. karvycomputershare.com

Hyderabad Address

M/s. Karvy Computershare Private Ltd.

UNIT: BHEL

Karvy House, 46, Avenue 4,

Street No. 1, Banjara Hills,

Hyderabad – 500 034

Tel.: 040-23420815-20

Fax : 040-23420814

Email: mailmanager@karvy.com

RTA's performance in servicing shareholders has been satisfactory. All the investor grievances have been promptly attended to.

xi. Share Transfer System

Entire Share Transfer activities under physical segment are being carried out by Karvy Computershare Private Limited. The share transfer system consists of activities like receipt of shares along with transfer deed from transferees, its verification, preparation of Memorandum of Transfers, its approval by the Share Transfer Committee and dispatch of transferred certificates to the respective transferees within the prescribed time as per the Listing Agreement.

xii. Distribution of Shareholding

(i) Distribution of shares according to size, of holding as on 31st March 2006

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares	% of shareholding
1 – 5000	33287	95.98	19508940	0.80%
5001 - 10000	559	1.61	4303040	0.18%
10001 - 20000	239	0.69	3486760	0.14%
20001 - 30000	68	0.2	1696210	0.07%
30001 - 40000	50	0.14	1802470	0.07%
40001 - 50000	25	0.07	1178540	0.05%
50001 - 100000	64	0.18	4689100	0.19%
100001 & Above	389	1.12	2410934940	98.50%
Total	34681	100	2447600000	100.00%

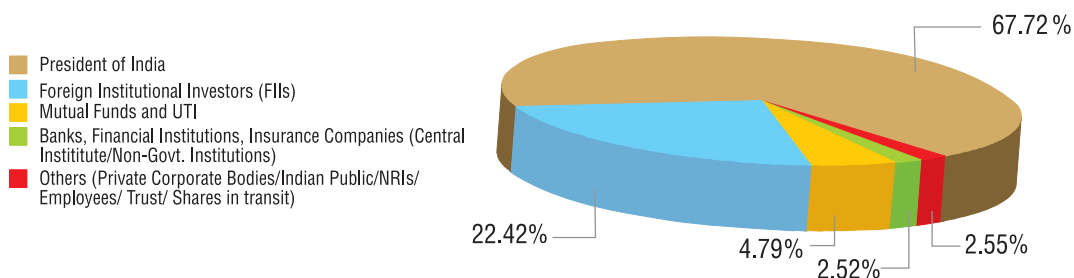


(ii) Shareholding Pattern as on 31st March

Category	2006		2005	
	Voting strength (%)	No. of shares held	Voting strength (%)	No. of shares held
Promoters Holding				
Indian Promoters-				
President of India (POI)	67.72	165755000	67.72	165755000
- Nominees of POI	0.00	200	0.00	200
Persons acting in concert				
- Directors & relatives	0.00	1310	0.00	1100
Total Promoter holding	67.72	165756510	67.72	165756300
Non-promoters Holding				
Institutional Investors				
Mutual Funds and UTI	4.79	11732542	4.49	10982375
Banks, Financial Institutions, Insurance Companies	2.52	6160550	3.06	7498260
Foreign Institutional Investors	22.42	54874330	22.74	55658902
Others				
Private Corporate Bodies	1.37	3354519	0.92	2240772
Indian Public	1.09	2670383	0.89	2179865
NRIs/OCBs	0.06	136036	0.05	121275
Trust	0.00	8203	0.00	10239
Shares in Transit (NSDL/CDSL)	0.03	66927	0.01	20357
Total Non-promoter holding	32.28	79003490	32.28	79003700
Grand Total	100.00	244760000	100.00	244760000

SHAREHOLDING PATTERN

As on 31st March 2006



(iii) List of shareholders who are holding more than 1% of the shares of the Company as on 31st March

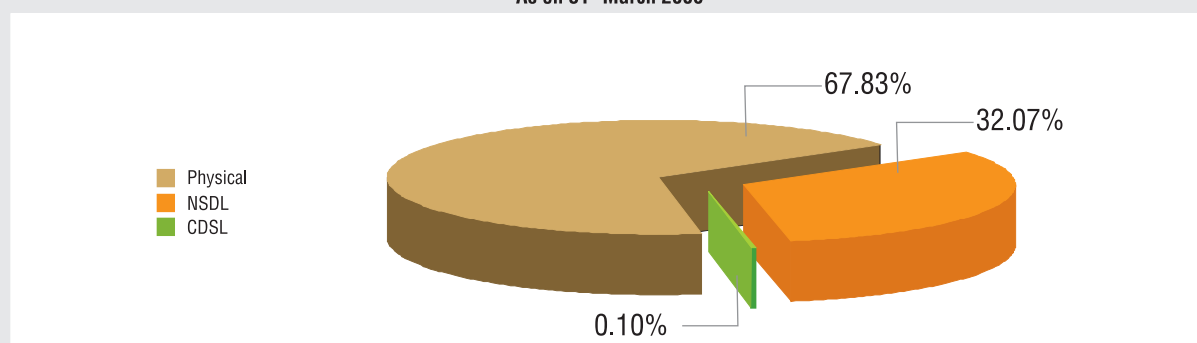
Category & Shareholder's Name	2006		2005	
	Voting strength (%)	No. of shares held	Voting strength (%)	No. of shares held
<u>Promoters</u>				
1. President of India	67.72	165755000	67.72	165755000
<u>Non-promoters</u>				
1. Life Insurance Corporation of India	1.49	3647192	1.66	4074795
<u>FIs</u>				
1. J.P.Morgan Fleming Asset Management.	1.64	4009194	1.25	3050000

xiii. **Dematerialisation of shares and liquidity**

In accordance with the directions of the Securities & Exchange Board of India (SEBI) trading in BHEL shares by all categories of investors in demat form has been made compulsory w.e.f. 5th April 1999. BHEL has executed agreement with both the depositories of the country i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for admission of its securities under demat mode. As on 31st March, 2006, 32.17% of the total equity share capital of BHEL has been dematerialised by the shareholders and held in the name of the NSDL / CDSL. International Securities Identification Number (ISIN) allotted to Company is **INE 257 A01018**.

SHARE HELD BY DEPOSITORIES

As on 31st March 2006



xiii. **Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity**

Nil



xiv. Plant locations

- Heavy Electrical Equipment Plant, Hardwar
- Central Foundry Forge Plant, Hardwar
- Heavy Power Equipment Plant, Hyderabad
- High Pressure Boiler Plant, Trichy
- Heavy Electricals Plant, Bhopal
- Transformer Plant, Jhansi
- Electronics Division, Bangalore
- Boiler Auxiliaries Plant, Ranipet
- Industrial Valves Plant, Goindwal
- Electro-Porcelains Division, Bangalore
- Insulator Plant, Jagdishpur
- Component Fabrication Plant, Rudrapur
- Heavy Equipment Repair Plant, Varanasi
- Electrical Machine Repair Plant, Mumbai

xv. Address for correspondence

Shareholders can send their queries regarding Transfer / Dematerialisation of shares, Non-receipt of dividend, Revalidation of Dividend Warrants and any other correspondence relating to the shares of the Company either to:

N. K. Sinha
Company Secretary
BHEL
Regd. Office: BHEL House, Siri Fort
New Delhi – 110 049
Phone : 91-11-26001046
Fax : 91-11-26001102
Email : csynks@bhel.co.in

OR

KARVY COMPUTERSHARE PVT. LTD.
UNIT: BHEL
Delhi Office : 105-108, Arunachal Building
19, Barakhamba Road
New Delhi – 110 001
Phone : 23324401 / 09
Fax : 011-23730743
Hyderabad : Karvy House, 46, Avenue 4,
Office Street No. 1, Banjara Hills
Hyderabad – 500 034
Phone : 040-23420815 - 20
Fax : 040- 23420814
Email : mailmanager@karvy.com
madhusudhan@karvy.com
Website : www.karvycomputershare.com

Note: Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants.

Declaration

Pursuant to Clause 49(D) of the Listing Agreement with Stock Exchanges, it is hereby declared that all Board members and Senior Management personnel have affirmed compliance with BHEL's Code of "Business Conduct and Ethics" for the financial year 2005-06.

(Ashok K. Puri)
 Chairman and Managing Director

Place : New Delhi
 Date : 08.08.2006

CERTIFICATE TO THE BOARD BY DIRECTOR (FINANCE) & CHAIRMAN & MANAGING DIRECTOR OF THE COMPANY

(in terms of Clause 49 (V) of Listing Agreement)

To,

The Board of Directors
Bharat Heavy Electricals Ltd.,
New Delhi.

- (a) We have reviewed financial statements and the cash flow statement of Bharat Heavy Electricals Limited for the year ended 31st March, 2006 and that to the best of our knowledge and belief:
- (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2005-06 which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee.
- (i) significant changes in internal control during the year 2005-06;
 - (ii) significant change in accounting policies during the year 2005-06 and the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

(C.S. Verma)
Director (Finance)

(Ashok K. Puri)
Chairman & Managing Director

Place : New Delhi
Date : 31.05.2006



AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

The Members

Bharat Heavy Electricals Limited

BHEL House, Siri Fort,

New Delhi.

We have examined the compliance of conditions of corporate governance by Bharat Heavy Electricals Limited, for the year ended on March 31, 2006 as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, subject to the following:

- (i) Clause 49.I(A) of the listing agreement requires that not less than fifty percent of the Board of Directors of the company should comprise of non-executive directors being independent. The company had complied with the condition of composition of Board of Directors as laid down under the condition of Corporate Governance. However due to casual vacancy in the Board either on account of expiry of the term of Independent Directors or resignation from the Board, the company could not meet the condition. Accordingly, the company did not have an optimum combination of executive and non-executive directors being independent on its Board of Directors during the year.
- (ii) The company did not have an audit committee for the period 1.4.2005 to 6.12.2005 as required under Clause 49.II(A) of the Listing Agreement.
- (iii) The company is in the process of laying down procedure to inform Board members about risk assessment and minimization procedures as required by clause 49.IV(C) of the Listing Agreement.

We certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For and on behalf of
J.C. BHALLA & COMPANY
CHARTERED ACCOUNTANTS

(SUDHIR MALLICK)
PARTNER
M.No. 80051

Place: New Delhi
Date: 08.08.2006

CONSERVATION OF ENERGY

Energy conservation is an important thrust area in BHEL. During the year, the savings due to implementation of improvement projects in the area of Energy Conservation was Rs. 55 million as against Rs. 28 million in the previous year.

Continuous steps are taken to reduce energy consumption in view of rising energy cost. Various thrust areas for conservation of energy as follows:

1. Load planning for reduction in maximum demand of power.
2. Maximising use of daylight.
3. Modification of lighting system using energy efficient lamps etc.
4. Optimum utilisation of furnaces.
5. Arresting leakage in compressed air, steam piping and electrical system.
6. Use of alternate fuel.
7. Providing variable speed drives for motors on machines.
8. Creating awareness generation about energy conservation and energy efficiency.

Energy Cost as a percentage of Gross Turnover, net of excise, for the year has declined to 1.49% as against about 2.28% in the previous year.

TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT

Research & Development

- | | | |
|---|---|--|
| <ol style="list-style-type: none"> 1. Specific areas in which R&D carried out by the Company 2. Benefits derived as a result of the above R&D | } | <p>Given in the Directors' Report under "R&D and Technology"</p> |
|---|---|--|

3. Future plan of action:

The following are the major thrust areas for R&D and technology:

- Advanced control and instrumentation platform for thermal power plant and industrial application
- Performance Analysis, Diagnostics and Optimisation (PADO) systems for thermal power plant application
- More efficient conventional thermal power plants using supercritical parameters
- Integrated Gasification Combined Cycle (IGCC) power plants
- Atmospheric and Circulating Fluidised Bed Combustion (CFBC) boilers
- Hydro power plants with higher efficiency and longer life
- HVDC transmission systems
- Flexible AC Transmission systems, including devices such as Thyristor Controlled Series Compensation, phase shifting transformer, static synchronised compensator (STATCOM), controlled shunt reactor, etc.
- Gas insulated switchgear
- 765 kV Transmission systems
- Industrial steam turbines
- Pulverisers
- Compressors
- High efficiency boiler feed pumps
- Reduction of emissions



- Efficient, reliable and cost effective transportation systems like three-phase AC drive system for diesel electric locos
- Non-conventional energy systems
- Simulators
- Welding technologies
- Surface coatings
- Vibration and noise reduction
- Residual life assessment studies
- Cycle time and cost reduction
- Specialized engineering software applications
- Specialized software for Utilities
- IGBT – based applications
- Underground Coal Gasification
- Knowledge Management
- Intelligent machines & robotics
- Nano-technology applications
- Hydrogen energy and fuel cells

4. **Expenditure on R&D**

Total	....	Rs. 1517 million
a) Recurring	....	Rs.1449 million
b) Capital	....	Rs. 68 million
Expenditure as a percentage of total turnover	....	1.05%

TECHNOLOGY ABSORPTION AND ADOPTION

Details of technology imported during the last 5 years:

Technology	Year of import	Absorption status
New generation C&I automation platform	2000	Technology absorption in progress. Orders executed.
Axial Fans	2002	Technology absorption in progress. Orders executed.
Once through boilers	2005	Technology absorption in progress.

FOREIGN EXCHANGE EARNINGS AND OUTGOINGS

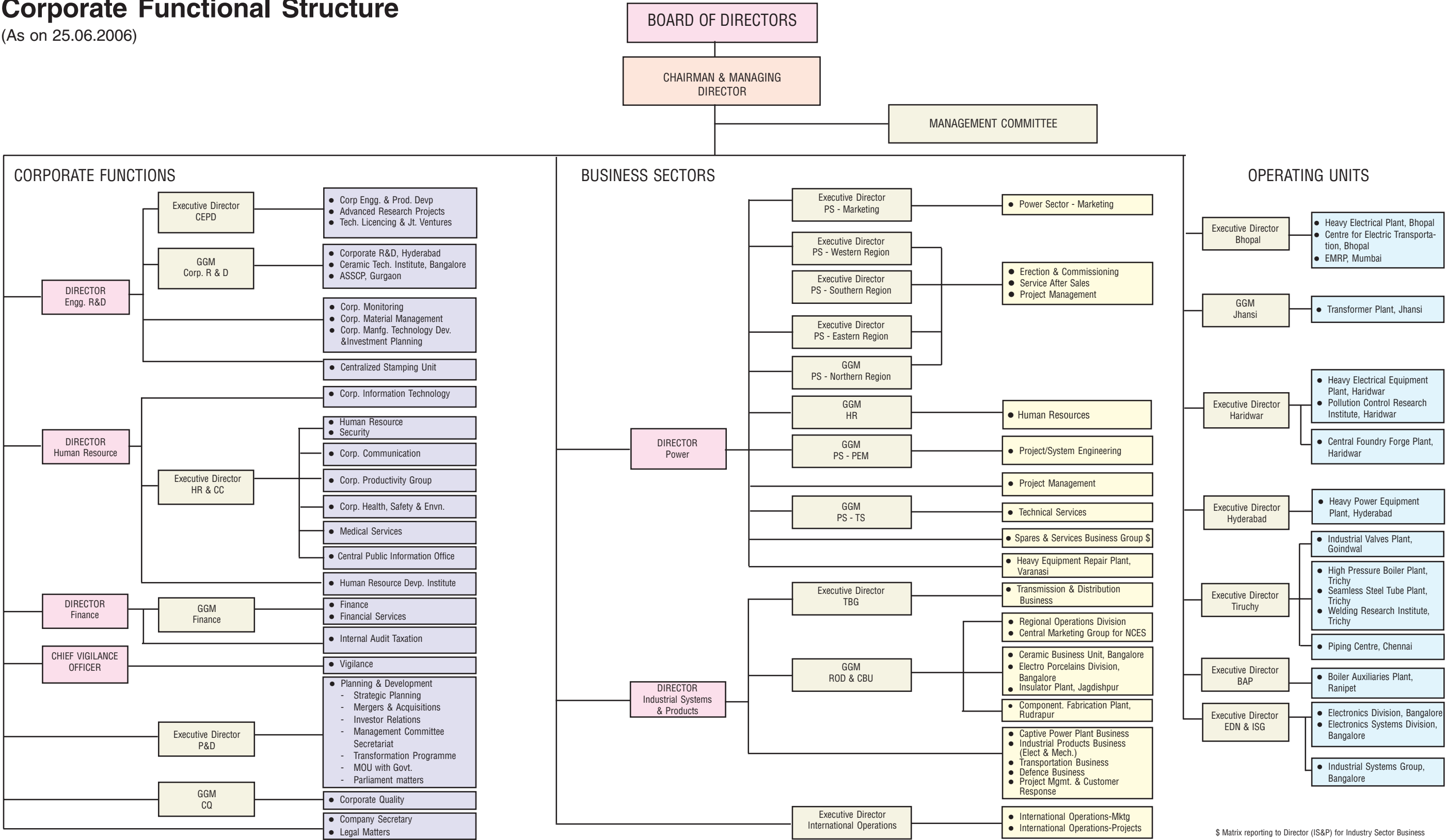
- a) Activities relating to export information are given in the Directors' Report under the heading 'International Business'.
b) Total foreign exchange used and earned:

	<u>2005-06</u>	<u>2004-05</u>
(i) Foreign Exchange Used	24431	17721
(ii) Foreign Exchange Earned	19294	16082

(Rupees in million)

Corporate Functional Structure

(As on 25.06.2006)



\$ Matrix reporting to Director (IS&P) for Industry Sector Business

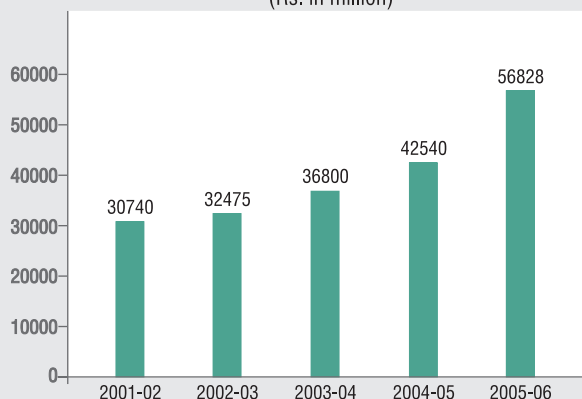
Value Addition Statement

(Rs. in Million)

Description	2005-06	2004-05	2003-04	2002-03	2001-02
A. Generation of Value Addition					
Value of Production (less excise duty)	136753	100309	78844	68554	67482
Less- Direct Material, Power & Fuel and Payments to Contractors	79925	57767	42044	36079	36742
Value Added	56828	42540	36800	32475	30740
Less - Other Operating Exp (Net of income)	9353	7039	5406	5466	4983
Net Value Addition	47475	35503	31394	27009	25757
% to value of production	34.72%	35.39%	39.82%	39.40%	38.17%
B. Application of Value Addition					
Employees payments	18785	16504	16395	15046	14446
% to net value addition	39.57%	46.49%	52.22%	55.71%	56.09%
Depreciation	2459	2189	1980	1853	1692
% to net value addition	5.18%	6.17%	6.31%	6.86%	6.57%
Financing charges :					
- Interest & Exchange Variation on borrowings	587	814	574	548	991
% to net value addition	1.24%	2.29%	1.83%	2.03%	3.85%
DRE of VRS charged off	0	180	2298	1538	2000
% to net value addition	0.00%	0.51%	7.32%	5.69%	7.76%
Income tax (inc. def. tax & prior period tax)	8852	6282	3566	3579	1949
% to net value addition	18.65%	17.69%	11.36%	13.25%	7.57%
Dividend (incl. dividend tax)	4047	2224	1658	1104	979
% to net value addition	8.52%	6.26%	5.28%	4.09%	3.80%
Retained Profit	12745	7310	4923	3341	3700
% to net value addition	26.85%	20.59%	15.68%	12.37%	14.37%

VALUE ADDED

(Rs. in million)





Performance vis-à-vis Annual Plan 2005-06

(Rs. in million)

Category of Investment	Target	Actual
Schemes	1596	1586
Modernisation & Rationalisation	416	377
Science & Technology	81	39
Township & Welfare	16	20
TOTAL	2109	2022
Further Rs.710 million was spent for modernizing and upgrading equipment at various power plant sites towards capability building for the enhanced erection load & shorter commissioning schedules.		

Contribution to Exchequer

(Rs. In Million)

	2004-05	2005-06
Excise Duty and Service Tax	7116	7008
Customs Duty	2036	2382
Sales Tax	2701	3994
Income Tax	6030	9920
Dividend	1077	2820
Dividend Tax	206	580
TOTAL	19166	26704

Corporate Profile

Bharat Heavy Electricals Ltd. (BHEL) is the largest engineering and manufacturing enterprise of its kind in India and is one of the leading international companies in the field of power equipment manufacture. The first plant of BHEL, set up at Bhopal in 1956, signalled the dawn of the Heavy Electrical Industry in India. In the sixties, three more major plants were set up at Haridwar, Hyderabad and Tiruchirapalli that form the core of the diversified product range, systems and services that BHEL offers today. BHEL's range of services extends from project feasibility studies to after-sales-service, successfully meeting diverse needs through turnkey capability. The company has 14 manufacturing units, 4 power sector regions, 8 service centers and 18 regional offices, besides project sites spread all over India and abroad. BHEL has a well recognised track record of performance, making profits continuously since 1971-72 and paying dividends since 1976-77.

BHEL manufactures over 180 products under 30 major product groups and caters to core sectors of the Indian economy viz., Power Generation and Transmission, Industry, Transportation, Renewable Energy, Defence, etc. The quality and reliability of its products is due to the emphasis on design, engineering and manufacturing to international standards by acquiring and adapting some of the best technologies from leading companies in the world, together with technologies developed in its own R&D centers. The Company has been constantly adapting itself to face the challenges thrown-up by the new business environment.

BHEL has already attained ISO 9000 certification for quality management and all the manufacturing units /divisions have been upgraded to the latest ISO 9001-2000 version. BHEL has also secured ISO 14001 certification for environmental management systems & OHSAS -18001 certification for occupational health and safety management systems for all its major units/divisions. BHEL is continuing its journey towards Business Excellence.

BHEL has committed to support the Global Compact & the set of core values enshrined in its ten principles in the areas of human rights, labour standards and environment.

BHEL's VISION

BHEL's vision is to become "a world-class engineering enterprise committed to enhancing stakeholder value" and the company is striving to achieve this visualization.

BUSINESS SECTORS

BHEL's operations are organised around three business sectors, namely Power, Industry including Transmission, Transportation & Renewable Energy, and International Operations. This enables BHEL to have a strong customer orientation and respond quickly to the changes in the market.

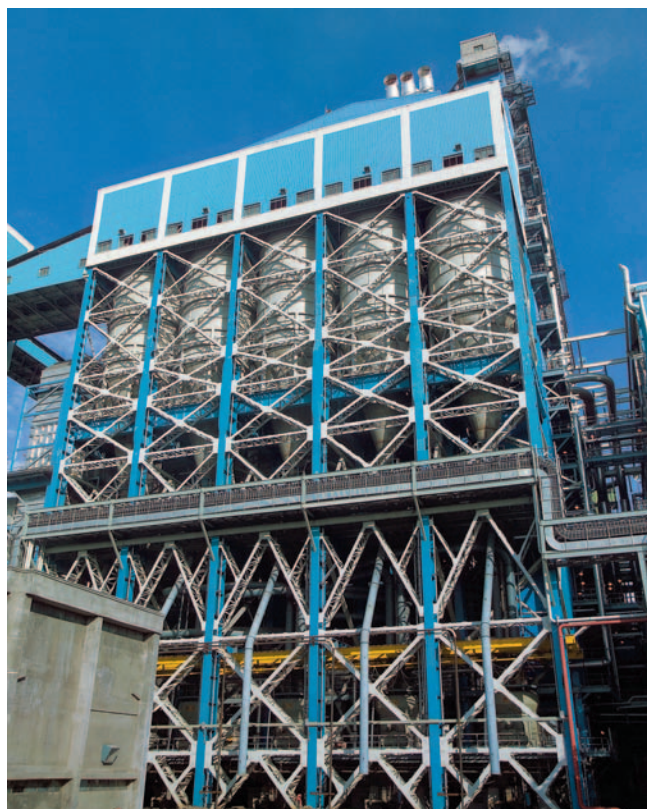


3x210 Bakreshwar Thermal Power Station

POWER SECTOR

Power is the focal area for BHEL and comprises thermal, nuclear, gas, diesel and hydro businesses. BHEL has taken India from a position of total dependence on overseas sources to complete self-reliance in power plant equipment. Today, BHEL Sets account for nearly 65% of the total installed capacity in the country.

BHEL has contracted for boilers and auxiliaries, turbo generator sets and associated controls, piping and station Control &



500 MW Boiler at Ramagundem Super Thermal Power Station



350 MW Kayamkulam Combined Cycle Power Plant, executed on turnkey basis for NTPC

Instrumentation of up to 500 MW unit rating and has the technology and capability to produce thermal sets up higher unit ratings including 1000 MW.

BHEL has access to technology for higher size gas turbines and can supply gas turbines up to 270 MW unit size. It engineers and constructs custom built combined cycle power plants, Hydro sets of Francis, Pelton, Kaplan and bulb types for different head - discharge combinations, with matching generators, are also designed and manufactured by BHEL.

To give a thrust to refurbishing and modernisation for plant performance improvement of old fossil fuel power plants and repair and service of GE design gas turbines, two joint venture companies have been floated with Siemens and GE respectively, which have completed eight full financial years of successful commercial operation.

With a focus to provide a single window facility to the customers for services & spares of power generation equipments, a 'Spares & Services Business Group' has been created.

INDUSTRY SECTOR INDUSTRIES

BHEL manufactures and supplies major capital equipment and systems like captive power plants, centrifugal compressors, drive turbines, industrial boilers and auxiliaries, waste heat recovery boilers, gas turbines, pumps, heat exchangers, electric machines, valves, heavy castings and forgings, electrostatic precipitators, ID/FD fans, seamless pipes etc. These serve a number of industries like metallurgical, mining, cement, paper, fertilizers, refineries and petro-chemicals, etc. in addition to power utilities. BHEL has also emerged as a major supplier of controls and instrumentation systems, especially distributed digital control systems for various power plants and industries.

OIL & GAS

BHEL is supplying equipment for onshore drilling rigs viz. drawworks, rotary-table, travelling block, swivel, mast & sub structure, mud systems and rig electrics and X'mas tree valves & well heads up to a rating of 10,000 psi. BHEL has also supplied Casing Support System, Mudline Suspension System & Block Valves for offshore applications. It has the capability to supply complete on-shore drilling rigs, super deep drilling rigs, desert rigs, mobile rig, workover rigs and sub sea well



Turbine hall of Almatti Hydro Power Station



400 kV substation at Kaithal for PGCIL

heads.

TRANSMISSION

BHEL supplies a wide range of products and systems for transmission & distribution applications. The products manufactured by BHEL include power transformers, instrument transformers, dry type transformers, shunt reactors, capacitors, vacuum and SF6 switchgear, gas insulated switchgear, ceramic insulators, etc. BHEL has developed and commercialized the country's first indigenous 36 kV Gas Insulated Substation (GIS) and has also developed 145 kV GIS which has undergone successful field trials at Hyderabad.

For enhancing the power transfer capability and reducing transmission losses in 400 kV lines, BHEL has indigenously developed and executed fixed series compensation schemes and has developed thyristor controlled series compensation scheme, involving thyristor controlled reactors, popularly known as Flexible AC Transmission System (FACTS). BHEL has indigenously developed state of the art controlled shunt reactor for reactive power management of long transmission lines. With a strong engineering base, the company undertakes turnkey execution of substations upto 400 kV and has capability to execute 765 kV substations. High Voltage Direct Current (HVDC) systems have been supplied for economic transmission of bulk power over long distances.

TRANSPORTATION

Most of the trains in the Indian Railways, whether electric or diesel powered are equipped with BHEL's traction propulsion systems and controls. The systems supplied are both with conventional DC drives and state of the art AC drives. India's first underground metro at Kolkata runs on drives and controls supplied by BHEL. The company also manufactures complete rolling stock i.e. electric locomotives up to 5000 HP, diesel electric locomotives from 350 HP to 3100 HP for both mainline and shunting duty applications. Further BHEL undertakes

retrofitting and overhauling of rolling stock. In the area of Urban transportation, BHEL is geared up for turnkey execution of electric trolley bus systems, light rail systems and metro systems. BHEL is contributing to the supply of electrics for EMUs for 1500V DC & 25 kV AC to Indian Railways. Almost all the EMUs in service are with electrics manufactured and supplied by BHEL. BHEL has also diversified into the area of track maintenance machines for Indian Railways.

RENEWABLE ENERGY

BHEL has been manufacturing & supplying various Renewable Energy systems and products. It includes Solar Energy systems namely PV modules, PV power plants, solar lanterns, street lighting, solar pumps and solar water heating systems. A large number of small hydro sets have also been supplied. The Wind power generation business based on higher rating WEGs is being explored.

INTERNATIONAL OPERATIONS

BHEL has over the years established its references in over 65 countries of the world. These references encompass almost the entire range of BHEL products and services covering turnkey Power projects of Thermal, Hydro and Gas-based, Transmission Substation projects, Rehabilitation projects for Boilers, Power Stations etc., besides a wide variety of products, like Transformers, Compressors, Valves and Oil field equipment, Electrostatic Precipitators, Photo Voltaic equipments, Insulators, Switchgears, heat exchangers, Castings & Forgings. Some of the major successes achieved by BHEL have been in Gas based power projects in Oman, Saudi Arabia, Iraq, Libya, Bangladesh, Malaysia, Sri Lanka, China, Kazakhstan; Thermal power projects in Cyprus, Malta, Egypt, Malaysia, Sudan, Indonesia, Thailand; Hydro power plants in New Zealand, Azerbaijan, Bhutan, Nepal, Taiwan, Malaysia, Afghanistan and Substation Projects & equipment in various countries of Africa, Europe, South & South East



Solar Powered Water Pumping System installed in Punjab

Asia.

The company is taking a number of strategic business initiatives to fuel further growth in overseas business. This includes firmly establishing itself in target export markets, positioning of BHEL as a regular EPC Contractor in the global market and, exploring various opportunities for setting up overseas joint ventures etc.

RESEARCH & DEVELOPMENT

The Corporate R&D Division at Hyderabad leads BHEL's research and development efforts, ably supported by engineering and R&D groups at the manufacturing divisions. BHEL's technology policy advocates a judicious mix of indigenous efforts and selective collaboration in essential areas. The company is thus able to continuously upgrade its technology and product designs to contemporary standards. BHEL is one of the few companies worldwide involved in the development of Integrated Gasification Combined Cycle (IGCC) technology which would usher in clean coal technology. BHEL has set up Asia's first 6.2 MW IGCC power plant with a indigenously designed pressurised fluidised bed gasifier. Presently, there are development efforts underway to set up a 125 MW IGCC power plant.

BHEL's R&D efforts have produced several new products. To optimize power plant operations during varying operating conditions, BHEL has developed an advanced software package for Performance Analysis, Diagnostics and Optimisation of power plants.

Three Centres of Excellence for Computational Fluid Dynamics, Simulators and Permanent Magnet Machines have been established at BHEL's Corporate R&D Centre, Hyderabad, which will enhance BHEL's design and analysis capability and also lead to development of new products.

Some of the other recent successful R&D products are: High Velocity Oxy Fuel coating process to increase life of hydro

turbine components, and other industrial products prone to erosion; an indigenously designed Bowl Mill of 91 tons per hour capacity for pulverising coal in thermal power stations; the largest size 60 MWe Bubbling Fluidised Bed Boiler for power generation; a new eco- friendly, cost effective and less hazardous chemical cleaning system process for boilers using an organic chemical 'Ethylene Diamine Tetra Acetic Acid'; a six jet Pelton hydro turbine with a head of 789 metres for the 4x200 Parbati hydro electric project; the first total impregnated turbo generator stator for a 250 MW turbo generator; a 260 MW steam turbine designed to suit combined cycle power plant application; Sonic system for detecting tube leaks in boilers; a By-pass Over Fire Air (BOFA) system which reduces NOx emission from coal fired power stations by upto 50%.

HUMAN RESOURCE DEVELOPMENT

The greatest strength of BHEL is its highly skilled and committed people. Every employee is given an equal opportunity to develop himself and improve his position. Continuous training & retraining, career planning, a positive work culture and participative style of management have engendered development of a committed and motivated work force ready to take up the challenge of making BHEL a competitive and world-class organization.

As a process of linking HRM to market forces / stakeholder driven policies, an e-enabled Performance Management System has been established for executives - a new benchmark in promoting performance-led growth. To encourage individuals for capability building and for continuous improvement through creativity & innovation in every sphere of activity, an e-network based 'Improvement Projects Rewards Scheme' (IMPRESS) has been introduced company wide.

Significant Accounting Policies

1 The financial statements have been prepared as of a going concern on historical cost convention and on accrual method of accounting in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

2 **Fixed Assets**

Fixed assets (other than land acquired free from State Government) are carried at the cost of acquisition or construction or book value less accumulated depreciation.

Cost includes value of internal transfers for capital works, taken at actual / estimated factory cost or market price, whichever is lower. Effect of extraordinary events such as devaluation / revaluation in respect of long term liabilities / loans utilised for acquisition of fixed assets is added to / reduced from the cost.

Land acquired free of cost from the State Government is valued at Re.1/- except for that acquired after 16th July 1969, in which case the same is valued at the acquisition price of the State Government concerned, by corresponding credit to capital reserve.

3 **Borrowing Costs**

Borrowing costs that are attributable to the manufacture, acquisition or construction of qualifying assets, are included as part of the cost of such assets.

A qualifying asset is one that necessarily takes more than twelve months to get ready for intended use or sale.

Other borrowing costs are recognised as expense in the period in which they are incurred.

4 **Investments**

(i) Long-term investments are carried at cost. Decline, other than temporary, in the value of such investments, is recognised and provided for.

(ii) Current investments are carried at cost or quoted/fair value whichever is lower.

(iii) The cost of investment includes acquisition charges such as brokerage, fees and duties. Any reduction in the carrying amount & any reversals of such reductions are charged or credited to the Profit & Loss Account.

5 **Revenue Recognition**

Sales are recorded based on significant risks and rewards of ownership being transferred in favour of the customer. Sales include goods dispatched to customers by partial shipment.

A. For construction contracts entered into on or after 1.4.2003

Revenue is recognized on percentage completion method based on the percentage of actual cost incurred upto the reporting date to the total estimated cost of the contract.

B. For all other contracts

(i) Recognition of sales revenue in respect of long production cycle items (Hydro and Thermal sets including gas-based power plants, boilers, boiler auxiliaries, compressors and industrial turbo sets) is made on technical estimates. When the aggregate value of shipments represents 30% or more of the realizable value, they are considered at 97.5% of the realizable value or in its absence, quoted price. Otherwise, they are considered at actual/estimated factory cost or 97.5% of the realizable value, whichever is lower. The balance 2.5% is recognized as revenue on completion of supplies under the contract.

(ii) Income from erection and project management services is recognized on work done based on: Percentage of completion; or

The intrinsic value, reckoned at 97.5% of contract value, the balance 2.5% is recognized as income when the contract is completed.

(iii) Income from engineering services rendered is recognized at realizable value based on percentage of work completed.



- (iv) Income from supply/erection of non-BHEL equipment/systems and civil works is recognized based on dispatches to customer/work done at project site.

6. Leases

FINANCE LEASE

A) i) Assets Given on Lease Prior to 1st April 2001

Assets manufactured and given on finance lease are capitalised at the normal sale price/fair value/contracted price and treated as sales. Depreciation on the same is charged at the rate applicable to similar type of fixed assets as per Accounting Policy on 'Depreciation'. Against lease rentals, matching charge is made through Lease Equalisation Account. Finance income is recognised over the lease period.

(ii) Assets Given on Lease on or after 1st April 2001

Assets manufactured and given on finance lease are recognised as sales at normal sale price / fair value / NPV. Finance income is recognised over the lease period. Initial direct costs are expensed at the commencement of lease.

B) Assets Taken on Lease on or after 1st April 2001

Assets taken on lease are capitalised at fair value / NPV / contracted price.

Depreciation on the same is charged at the rate applicable to similar type of fixed assets as per Accounting Policy on 'Depreciation'. If the lease assets are returnable to the lessor on expiry of lease period, the same is depreciated over its useful life or lease period, whichever is shorter.

Lease payments made are apportioned between finance charges and reduction of outstanding liability in relation to assets taken on lease.

OPERATING LEASE

Assets Given on Lease:

Assets manufactured and given on operating lease are capitalised. Lease income arising therefrom is recognised as income over the lease period.

Assets Taken on Lease:

Lease payments made for assets taken on operating lease are recognised as expense over the lease period.

7 Inventory Valuation

- (i) Inventory is valued at actual/estimated cost or net realisable value, whichever is lower.
- (ii) Finished goods in Plant and work in progress involving Hydro and Thermal sets including gas based power plants, boilers, boiler auxiliaries, compressors and industrial turbo sets are valued at actual/estimated factory cost or at 97.5% of the realisable value, whichever is lower.
- (iii) In respect of valuation of finished goods in plant and work-in-progress, cost means factory cost; actual/estimated factory cost includes excise duty payable on manufactured goods.
- (iv) In respect of raw material, components, loose tools, stores and spares cost means weighted average cost.
- (v) a) For Construction contracts entered into on or after 01.04.2003:
Where current estimates of cost and selling price of a contract indicates loss, the anticipated loss in respect of such contract is recognised immediately irrespective of whether or not work has commenced.
- b) For all other contracts:
Where current estimates of cost and selling price of an individually identified project forming part of a contract indicates loss, the anticipated loss in respect of such project on which the work had commenced, is recognised.
- c) In arriving at the anticipated loss, total income including incentives on exports/deemed exports is taken into consideration.

- (vi) The components and other materials purchased / manufactured against production orders but declared surplus are charged off to revenue retaining residual value based on technical estimates.

8 **Terminal Benefits**

- A) Provident Fund and Employees' Family Pension Scheme contributions are accounted for on accrual basis. Liability for gratuity, half pay leave, leave encashable at the time of retirement, travel claims on retirement and post retirement medical benefits are accounted for in accordance with actuarial valuation. The actuarial liability is determined with reference to employees at the beginning of each calendar year.
- B. Compensation under Voluntary Retirement Scheme before 1.4.2003 are treated as Deferred Revenue Expenditure and amortised over the period during which the benefits are expected to be derived by the Company.
- Compensation under VRS after 1.4.2003 is charged off in the year of incurrence on a pro-rata monthly basis.

9 **Depreciation**

- (i) Depreciation on fixed assets (other than those used abroad under contract) is charged upto the total cost of the assets on straight-line method as per the rates prescribed in Schedule XIV of the Companies Act, 1956, except where depreciation is charged at rates determined on the basis of the technically assessed estimated useful lives shown hereunder:-

	<u>Single</u>	<u>Double</u>	<u>Triple</u>
	<u>Shift</u>	<u>Shift</u>	<u>Shift</u>
General Plant & Machinery	8%	12%	16%
Automatic/Semi-Automatic Machines	10%	15%	20%
Erection Equipment, Capital Tools & Tackles	20%		
Township Buildings			
-Second Class	2.5%		
-Third Class	3.5%		
Railway Sidings	8%		
Locomotives & Wagons	8%		
Electrical Installations	8%		
Office & Other Equipments	8%		
Drainage, Sewerage & Water supply	3.34%		
Electronic Data Processing Equipment	20%		

In respect of additions to/deductions from the fixed assets, depreciation is charged on pro-rata monthly basis.

- (ii) Fixed assets used outside India pursuant to long term contracts are depreciated over the duration of the initial contract.
- (iii) Fixed assets costing Rs.10,000/- or less and those whose written down value as at the beginning of the year is Rs.10,000/- or less, are depreciated fully. In so far as township buildings are concerned, the cost per tenement is the basis for the limit of Rs.10,000/-.
- (iv) At erection/project sites: The cost of roads, bridges and culverts is fully amortized over the tenure of the contract, while sheds, railway sidings, electrical installations and other similar enabling works (other than purely temporary erections, wooden structures) are so depreciated after retaining 10% as residual value.
- (v) Purely Temporary Erection such as wooden structures are fully depreciated in the year of construction.
- (vi) Leasehold Land and Buildings are amortised over the period of lease. Buildings constructed on land taken on lease are depreciated over their useful life or the lease period, whichever is earlier.
- (vii) Where the carrying amount on any fixed assets has undergone a change in accordance with the policy for Foreign Currency Transactions, the depreciation on the unamortised depreciable asset is spread over the residual useful life of the asset.



10 Intangible Assets

- A. Intangible assets are capitalised at cost if
 - a. it is probable that the future economic benefits that are attributable to the asset will flow to the company, and
 - b. the company will have control over the assets, and
 - c. the cost of these assets can be measured reliably and is more than Rs.10,000/-Intangible assets are amortised over their estimated useful lives not exceeding three years in case of software and not exceeding ten years in case of others on a straight line pro-rata monthly basis.
- B.
 - a. Expenditure on research including the expenditure during the research phase of Research & Development Projects is charged to profit and loss account in the year of incurrence.
 - b. Expenditure incurred on Development including the expenditure during the development phase of Research & Development Project meeting the criteria as per Accounting Standard on Intangible Assets, is treated as intangible asset.
 - c. Fixed assets acquired for purposes of research and development are capitalised.

11 Claims by/against the Company

- (i) Claims for liquidated damages against the Company are recognised in accounts based on management's assessment of the probable outcome with reference to the available information supplemented by experience of similar transactions.
- (ii) Claims for export subsidy, duty draw back, refund of customs duty and insurance are taken into account on accrual.
- (iii) Amounts due in respect of price escalation claims and/or variations in contract work are recognised as revenue only when there are conditions in the contracts for such claims or variations and/or evidence of the acceptability of the same from customers. However, escalation is restricted to intrinsic value.

12 Accounting for Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities are translated at year end exchange rates. Exchange difference arising on settlement of transactions and translation of monetary items are recognized as income or expense in the year in which they arise, except in respect of the liabilities for the acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of fixed assets.

13 Translation of Financial Statements of Integral Foreign Operations

- (i) Items of income and expenditure are translated at average rate except depreciation, which is converted at the rates adopted for the corresponding fixed assets.
- (ii) Monetary items are translated at the closing rate; non-monetary items carried at historical cost are translated at the rates in force on the date of the transaction; non-monetary items carried at fair value are translated at exchange rates that existed when the value were determined.
- (iii) All translation variances except in relation to fixed assets are taken to Profit & Loss Account.

14 Provision for Warranties

- i) **For construction contracts entered into on or after 01.04.2003:**
Provision for contractual obligations is maintained at 2.5% of the contract value on completion of trial operation.
- ii) **For all other contracts:**
Provision for contractual obligations in respect of contracts under warranty at the year end is maintained at 2.5% of the value of contract. In the case of contracts for supply of more than a single product 2.5% of the value of each completed product is provided.
- (iii) Warranty claims/ expenses on rectification work are accounted for against natural heads as and when incurred and charged to provisions in the year end.

15 Government Grants

Government Grants are accounted when there is reasonable certainty of their realisation.Grants related to fixed depreciable assets are adjusted against the gross cost of the relevant assets while those related to non-depreciable assets are credited to capital reserve. Grants related to revenue, unless received as compensation for expenses/losses, are recognised as revenue over the period to which these are related on the principle of matching costs to revenue. Grants in the form of non-monetary assets are accounted for at the acquisition cost, or at nominal value if received free.

Balance Sheet

As at March 31, 2006

	Schedule	AS AT 31.3.2006		(Rs. in lakhs) AS AT 31.3.2005	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	24476.00		24476.00	
Reserves & Surplus	2	705661.76	730137.76	578213.38	602689.38
Loans Funds					
Secured Loans	3	50000.00		50000.00	
Unsecured Loans	4	5824.04	55824.04	3698.29	53698.29
			785961.80		656387.67
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block		382206.17		362893.72	
Less: Depreciation/Amortisation to-date		285276.45		261934.71	
		96929.72		100959.01	
Add : Lease Adjustment Account		1297.93		3465.14	
Net Block	5	98227.65		104424.15	
Capital Work-in-Progress	6	18457.18	116684.83	9531.80	113955.95
Investments	7		829.26		895.26
Deferred Tax Assets (Refer note no. 16 of Schedule 19)			67372.04		51827.90
Current Assets, Loans and Advances					
Current Assets	8				
Inventories		374437.06		291610.73	
Sundry Debtors		716806.49		597214.22	
Cash & Bank Balances		413397.54		317786.21	
Other current assets		8449.51		4717.63	
Loans and advances	9	119987.30		122969.20	
		1633077.90		1334297.99	
Less:					
Current Liabilities & Provisions					
Current Liabilities	10	880774.80		712044.68	
Provisions	11	151227.43		132544.75	
		1032002.23		844589.43	
Net current assets			601075.67		489708.56
			785961.80		656387.67

Notes to Accounts

19

Schedules 1 to 19 & Significant accounting policies form an integral part of the Accounts.

For and on behalf of Board of Directors

Sd/-
(N K Sinha)
Secretary

Sd/-
(C. S. Verma)
Director(Finance)

Sd/-
(Ashok K. Puri)
Chairman and Managing Director

As per our report of even date
For J C Bhalla & Company
Chartered Accountants

Sd/-
Sudhir Mallick
Partner

Date : 31.05.2006
Place : New Delhi



Profit & Loss Account

For the year ended 31st March 2006

		For the year ended 31.03.2006	(Rs. In lakhs) For the year ended 31.03.2005
EARNINGS	Schedule		
Turnover (Gross)	12	1452549.39	1033639.72
Less Excise Duty & Service Tax		115146.12	80926.18
Turnover (Net)		1337403.27	952713.54
Other operational income	13A	27689.44	42004.31
Other income	13B	10977.08	10172.14
Interest Income	13C	16025.85	13393.45
Exchange Variation		970.47	0.00
Accretion (Decretion) to Work-in-progress & Finished Goods	14	38600.68	53977.49
		1431666.79	1072260.93
OUTGOINGS			
Consumption of Raw material & components		686554.93	489178.66
Consumption of stores & spares		23385.40	20589.10
Erection and Engineering expenses			
- payment to subcontractors		104712.52	77361.82
Employees' remuneration & benefits	15	187850.86	165037.98
Other expenses of manufacture,	16	117975.76	115995.42
Administration, selling and distribution			
Interest & other borrowing costs	17	5874.69	8140.65
Exchange variation		0.00	3194.03
Depreciation and amortisation	5	24593.02	21886.56
Provisions	18	28275.00	12624.50
Less: Cost of jobs done for internal use		3638.64	1913.46
		1175583.54	912095.26
Profit before prior period and extra ordinary items		256083.25	160165.67
Less : Extra-ordinary items	18A	0.19	1799.03
Profit before prior period items		256083.06	158366.64
Add/-less: Prior period items (Net)	18B	352.14	-203.08
Profit before tax:		256435.20	158163.56
Less: Provision for taxation	18C	88519.12	62823.09
Profit after tax		167916.08	95340.47
Add: Balance of profit brought forward from last year		23763.81	10345.25
Foreign project reserve written back		693.35	323.18
Profit available for appropriation		192373.24	106008.90
Less: Appropriation-			
-Bonds Redemption Reserve		10000.00	10000.00
-General Reserve		120000.00	50000.00
-Dividend (Incl. Interim Dividend Rs.30595.00 lakhs, Prev. year Rs.8566.62 lakhs)		35490.20	19580.80
-Corporate Dividend tax (incl. Rs.4290.95 lakhs on interim dividend, Prev. year Rs. 1119.55 lakhs)		4977.50	2664.29
Balance carried to Balance Sheet		21905.54	23763.81
Basic and Diluted Earning per share (in Rs.)		68.60	38.95
Basic and Diluted Earning per share excluding Extra Ordinary items (in Rs.)		68.60	39.42

Notes to Accounts

19

Schedules 1 to 19 & Significant accounting policies form an integral part of the Accounts.

For and on behalf of Board of Directors

Sd/-
(N K Sinha)
Secretary

Sd/-
(C. S. Verma)
Director(Finance)

Sd/-
(Ashok K. Puri)
Chairman and Managing Director

As per our report of even date
For J C Bhalla & Company
Chartered Accountants

Sd/-
Sudhir Mallick
Partner

Date : 31.05.2006
Place : New Delhi

Cash Flow Statement for the Year ended 31.03.2006

	(Rs. in Lakhs)	
	<u>2005-06</u>	<u>2004-05</u>
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax as per Profit and Loss Account	256435.20	158163.56
Adjustment for		
Extraordinary items	0.19	1799.03
Depreciation/Amortisation	24592.21	21886.56
Lease Equalisation	2167.21	1139.33
Profit on sale of Fixed assets	-330.16	-146.56
Provision for loss on investment	66.00	3.00
Interest paid	5874.69	8140.65
Interest/Dividend Income	-17037.37	-14274.17
Operating Profit before Working Capital changes	271767.97	176711.40
Adjustment for		
Trade & Other Receivables	-116812.31	-155549.84
Inventories	-82826.33	-81222.37
Trade Payable & Advances	191829.96	207230.79
Cash generated from operations	263959.29	147169.98
Direct Taxes Paid	-101576.05	-65334.33
Cash flow before Extra-Ordinary items	162383.24	81835.65
Extra-Ordinary Items	-0.19	-6.97
NET CASH INFLOW FROM OPERATING ACTIVITIES	162383.05	81828.68
B. CASH FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-30149.32	-19158.62
Sale and Disposal of Fixed Assets	601.29	2414.65
Sale of Investments	0.00	2000.00
Interest & Dividend Receipts	13897.32	11219.16
NET CASH USED IN INVESTING ACTIVITIES	15650.71	3524.81
C. CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Borrowings	2082.19	-286.33
Dividend Paid (including tax on dividend)	-47372.93	-18012.64
Interest paid	-5830.27	-8182.58
NET CASH USED IN FINANCING ACTIVITIES	51121.01	26481.55
D. NET INCREASE IN CASH AND CASH EQUIVALENTS	95611.33	51822.32
Opening Balance of Cash and Cash Equivalents	317786.21	265963.89
Closing Balance of Cash and Cash Equivalents	413397.54	317786.21

For and on behalf of Board of Directors

Sd/-
(N K Sinha)
Secretary

Sd/-
(C. S. Verma)
Director(Finance)

Sd/-
(Ashok K. Puri)
Chairman and Managing Director

As per our report of even date
For J C Bhalla & Company
Chartered Accountants

Sd/-
Sudhir Mallick
Partner

Date : 31.05.2006
Place : New Delhi



SCHEDULE-1 SHARE CAPITAL

	AS AT 31.3.2006	(Rs. in lakhs) AS AT 31.3.2005
Authorised		
32,50,00,000 (Previous Year 32,50,00,000) equity shares of Rs. 10/- each	32500.00	32500.00
Issued, Subscribed & Paid up		
24,47,60,000 (Previous Year 24,47,60,000) Equity shares of Rs. 10/- each fully paid up, of which 7,41,11,200 (Previous Year 7,41,11,200) shares allotted for consideration other than cash	24476.00	24476.00
	24476.00	24476.00

SCHEDULE-2 RESERVES & SURPLUS

Capital Reserve				
Opening Balance		274.81		274.81
Foreign Project Reserve				
Opening Balance	1195.52		1518.70	
Less: Transferred to Profit & Loss Account	<u>693.35</u>	502.17	<u>323.18</u>	1195.52
Bonds Redemption Reserve Account				
Opening Balance	40000.00		30000.00	
Add: Transferred from Profit & Loss Account	<u>10000.00</u>	50000.00	<u>10000.00</u>	40000.00
General Reserve				
Opening Balance	512979.24		462979.24	
Add: Transferred from Profit & Loss Account	<u>120000.00</u>	632979.24	<u>50000.00</u>	512979.24
Profit & Loss Account		21905.54		23763.81
		705661.76		578213.38

SCHEDULE-3 SECURED LOANS

	AS AT 31.3.2006	(Rs. in lakhs) AS AT 31.3.2005
8.85% Non-convertible, secured, Redeemable Taxable Bonds	50000.00	50000.00
	<u>50000.00</u>	<u>50000.00</u>

SCHEDULE-4 UNSECURED LOANS

Credits for Assets taken on lease (Due within one year Rs.1966.03 lakhs (Previous year Rs. 1328.35 lakhs))	5532.17	3449.98
Interest accrued and due on:		
-- State Government Loans	233.29	233.29
-- Credits for Assets taken on lease	58.58	15.02
	<u>5824.04</u>	<u>3698.29</u>



SCHEDULE-5 FIXED ASSETS

(Rs. in lakhs)

	Gross Block				Depreciation		Net Block		
	Cost as at 01.04.2005	Additions/ adjustments during the year	Deductions/ adjustments during the year	Cost As at 31.03.2006	Lease adjustment Account	Depreciation/ Amortisation upto 31.03.2006	As at 31.03.2006	As at 31.03.2005	Depreciation/ Amortisation for the year
Factory/ Office Complex									
Tangible Assets									
Freehold land (incl. development exp.)	444.45		12.21	432.24			432.24	444.45	
Leasehold land (incl. development exp.)	615.28			615.28		40.55	574.73	576.04	1.31
Roads, bridges and culverts	717.37	48.38		765.75		282.83	482.92	453.93	19.39
Buildings	27155.72	1856.41	-36.20	29048.33		17762.63	11285.70	10889.85	1544.39
Leashold buildings	300.66			300.66		97.21	203.45	208.45	5.00
Drainage, sewerage and water supply	1261.40			1261.40		903.32	358.08	391.78	33.68
Railway siding	764.51			764.51		752.42	12.09	13.86	1.77
Plant & Machinery	207803.09	7536.24	504.95	214834.38		177812.97	37021.41	42340.35	12729.97
Construction equipment	14989.37	5105.31	118.52	19976.16		13686.71	6289.45	2478.60	1298.18
Electronic data processing equipments	8838.02	439.20	361.73	8915.49		7231.96	1683.53	1973.20	676.37
Electrical installations	8167.28	245.46	188.76	8223.98		6324.89	1899.09	2063.27	300.04
Locomotives and wagons	1600.67			1600.67		1429.18	171.49	212.10	40.62
Vehicles	1806.75	36.25	43.12	1799.88		1455.67	344.21	414.07	101.60
Furniture & fixtures	775.08	60.54	9.89	825.73		461.41	364.32	345.07	41.37
Office & other equipments	5901.16	334.51	57.17	6178.50		4515.35	1663.15	1629.80	287.30
Fixed assets costing upto Rs.10000/-	4124.87	429.80	16.08	4538.59		4538.59			429.83
Locomotives given on lease	49714.88			49714.88	1297.93	32693.38	18319.43	24463.83	3977.19
Capital expenditure	44.05			44.05		44.05			
EDP Equipment taken on lease	5078.28	3518.96	200.40	8396.84		3448.46	4948.38	2919.58	1450.45
Office & other equipment taken on lease	706.21	2.11	40.39	667.93		311.50	356.43	429.11	74.79
Intangible Assets									
-Internally developed									
-Patents and Trade Marks									
-Others	18.43	35.53		53.96		5.21	48.75	17.50	4.28
-Others									
-Software	1708.75	509.74		2218.49		1170.83	1047.66	1206.97	669.06
-Technical Know-how	561.97			561.97		455.07	106.90	395.80	288.90
-Others	425.69	127.80		553.49		301.43	252.06	283.81	159.55
	343523.94	20286.24	1517.02	362293.16	1297.93	275725.62	87865.47	94151.42	24135.04
Township/ Residential									
Tangible Assets									
Freehold land (incl. development exp.)	215.02			215.02			215.02	215.02	
Leasehold land (incl. development exp.)	203.53			203.53		45.94	157.59	159.67	2.08
Roads, bridges and culverts	487.52			487.52		243.64	243.88	251.98	8.10
Buildings	12967.05	36.87		13003.92		5030.14	7973.78	8189.20	252.29
Leasehold buildings	41.28			41.28		22.09	19.19	20.43	1.24
Drainage, sewerage and water supply	1660.24	1.81		1662.05		1177.40	484.65	522.11	39.27
Plant and Machinery	906.93	58.57	2.16	963.34		717.66	245.68	227.33	40.22
Electrical installations	1250.45	357.79		1608.24		1217.70	390.54	51.45	18.70
Vehicles	108.62		1.62	107.00		95.99	11.01	15.48	4.57
Furniture & fixtures	8.22	3.93		12.15		4.76	7.39	4.11	0.55
Office & other equipments	1347.69	77.60	0.87	1424.42		810.97	613.45	615.95	79.73
Fixed assets costing upto Rs. 10000/-	173.23	11.24	-0.07	184.54		184.54			11.23
	19369.78	547.81	4.58	19913.01		9550.83	10362.18	10272.73	457.98
Total of Factory & Township	362893.72	20834.05	1521.60	382206.17	1297.93	285276.45	98227.65	104424.15	24593.02
Previous year	345960.40	20304.05	3370.73	362893.72	3465.14	261934.71	104424.15	109414.09	21886.56

Gross Block excludes cost of assets purchased out of grant received from Government of India Rs. 3080.74 lakhs (Previous Year Rs. 3046.27 lakhs) for research and assets as executing agency since the property does not vest with the Company.

The Company's contribution or expenditure towards construction, development of assets not owned by the Company is capitalised under the general head 'Capital Expenditure' and written off to revenue in five years.

There is no impairment loss in Intangible assets during the year.

SCHEDULE-6

CAPITAL WORK- IN- PROGRESS (AT COST)

	AS AT 31.3.2006	(Rs. in lakhs) AS AT 31.3.2005
Construction work-in-progress-Civil	4473.74	1406.71
Construction Stores (including in transit)	460.78	197.33
Plant & Machinery and other equipments		
-Under Erection/ Fabrication/awaiting erection	8526.60	3181.14
-In transit	4570.27	4544.44
Intangible Assets under development	425.79	202.18
	18457.18	9531.80

SCHEDULE-7

INVESTMENTS

LONG TERM

Shares:

UNQUOTED (Fully Paid up)

TRADE:

360 (previous year 360) Equity shares of Rs. 38.95 each of Engineering Projects (India) Ltd.

0.14

0.14

728960 (previous year 728960) Equity shares of Rs. 10/- each of AP Gas Power Corporation Ltd.

91.12

91.12

5000000 (Previous year 5000000) Equity shares of Rs.10/- each of Neelachal Ispat Nigam Ltd.(Refer Note No.19 of Schedule-19)

500.00

500.00

Shares in Joint Ventures Companies

--1999999 (previous year 1999999) Equity Shares of Rs. 10/- each of Powerplant Performance Improvement Ltd.

200.00

200.00

Less: Provision for dimunition in value

200.00

134.00

0.00

66.00

--2379999 (previous year 2379999) Equity Shares of Rs. 10/- each of BHEL-GE Gas Turbine Services Pvt. Ltd.

238.00

238.00

238.00

304.00

OTHER THAN TRADE :

3 (Previous year 3) shares of Rs.100/- each of BHEL House Building Cooperative Society Ltd., Hyderabad

*

*

829.26

895.26

* Value less than Rs. 1000/-

Aggregate value of Unquoted Investments

829.26

895.26



SCHEDULE-8 CURRENT ASSETS

	AS AT 31.3.2006		(Rs. in lakhs) AS AT 31.3.2005	
Inventories @ (As certified by the management)				
Stores & Spare parts				
-Production	9100.26		7249.45	
-Fuel stores	1334.06		820.38	
-Miscellaneous	841.90	11276.22	640.83	8710.66
Raw Material & Components		112958.12		81135.59
Material-in-transit		30066.91		23480.93
Materials with Fabricators/Contractors		10528.25		6310.93
Loose Tools		1047.22		910.31
Scrap (at estimated realisable value)		2018.65		2406.54
Finished Goods	32958.00		26216.22	
Inter division transfers in transit	5004.01		4688.00	
Includes:				
-Rs.140.25 lakhs (previous year Rs.140.25 lakhs) towards non -BHEL spares held on behalf of various SEBs/NTPC (pool members) monitored by CEA				
-Rs. 55.94 lakhs (previous year Rs. 41.45 lakhs) Finished Goods in transit.		37962.01		30904.22
Work-in-progress (including items with sub-contractors)		172085.43		140567.38
		377942.81		294426.56
Less : Provision for non-moving stock		3505.75		2815.83
		374437.06		291610.73
@ Valued as per Significant Accounting Policy No. 7				
Sundry Debtors*				
-Debts outstanding for a period exceeding six months		322343.86		277763.86
-Other debts		488598.56		394907.45
		810942.42		672671.31
Less : Provision for Doubtful debts		94135.93		75457.09
		716806.49		597214.22
*Includes deferred debts Rs.237651.32 lakhs (Previous year Rs.178114.75 lakhs)				
Particulars of Sundry debtors :				
Debts considered good for which the Company holds no security other than the debtors' personal security		716806.49		597214.22
Debts considered doubtful and provided for		94135.93		75457.09
		810942.42		672671.31

SCHEDULE-8 (Contd.)

CURRENT ASSETS

			AS AT 31.3.2006	(Rs. in lakhs) AS AT 31.3.2005
Cash and Bank Balances				
Cash & stamps in hand			72.48	68.30
Cheques, Demand Drafts in hand			8099.58	3951.31
Remittances in transit			10088.19	972.80
Balances with Scheduled Banks				
Current Account			124735.72	133268.87
Deposit Account			265000.74	178500.70
Balance with non-scheduled Banks				
	Maximum Balance (Rs. In lakhs) during the year			
	2005-06	2004-05		
Current Accounts				
-Arab Bank ,Jordan	0	0.29	0.00	0.00
-Standard Chartered Bank, Libya	53.13	28.12	14.72	0.00
-Bank Muskat, Oman	8642.40	2963.70	4787.60	403.38
-Barclays Bank Ltd., Zambia	0.68	0.68	0.68	0.68
-Bhumiputra Commerce (Bank of Commerce) Malaysia	96.54	113.93	30.88	79.99
-Indo Jambia Bank, Lusaka	275.49	227.67	275.49	227.67
-Commercial Bank of Ethiopia	62.01	0.00	50.87	0.00
-Bank of Bhutan, Bhutan	8.12	0.00	1.26	0.00
-Jamahouria Bank, Libya	522.63	504.50	228.74	302.18
-National Bank of Egypt	10.59	11.33	10.59	10.33
			413397.54	317786.21
Other Current Assets				
Interest Accrued on Banks Deposits and investments			8449.51	4717.63
			8449.51	4717.63
Summary of Current Assets				
Inventories			374437.06	291610.73
Sundry Debtors			716806.49	597214.22
Cash & Bank Balances			413397.54	317786.21
Other Current Assets			8449.51	4717.63
			1513090.60	1211328.79



SCHEDULE-9 LOANS AND ADVANCES

	AS AT		(Rs. in lakhs)	
	31.3.2006		AS AT	
	31.3.2005			
Loans				
To Employees	158.53		260.16	
Loans to others	21.62		29.66	
Interest accrued and or due on loans	1335.34	1515.49	1635.33	1925.15
Advances				
(Recoverable in cash or in kind or for value to be received)				
To employees	2712.78		1412.16	
For purchases	10791.62		10733.85	
To others	53909.99		58328.24	
For capital expenditure	625.70	68040.09	235.81	70710.06
Deposits				
Balance with customs, Port Trust and other Govt. Authorities [includes Rs.3.67 lakhs (Previous Year Rs. 534.99 lakhs) by pledge of Post Office pass book with Central Excise Authorities]	16037.74		14399.52	
Inter Corporate Deposits/Loans	0.00		7500.00	
Interest accrued on inter-corporate Deposits/Loans	0.00		291.84	
Others	37095.87	53133.61	30832.28	53023.64
		122689.19		125658.85
Less: Provision for doubtful loans & advances		2701.89		2689.65
		119987.30		122969.20
Particulars of Loans & Advances :				
Loans & Advances considered good in respect of which the Company is fully secured		321.04		672.77
Loans & Advances considered good for which the Company holds no security other than the Debtors' personal security		119666.26		122296.43
Loans & Advances considered doubtful & provided for		2701.89		2689.65
		122689.19		125658.85

	Maximum Balance		
	(Rs. in lakhs)		
	during the year		
	2005-06	2004-05	
Due from Directors of the Company	0.23	0.71	0.08
Due from Officers of the Company	25.18	22.01	16.31

SCHEDULE-10 CURRENT LIABILITIES

	AS AT		(Rs. in lakhs)
	31.3.2006		AS AT
			31.3.2005
Acceptances	4813.88		3411.24
Sundry Creditors			
-Total outstanding dues of SSI undertakings (incl. interest)	17590.74	12624.34	
-Other Sundry Creditors	<u>262817.96</u>	<u>197343.70</u>	209968.04
Advances received from customers	547915.98		458498.91
Deposits from Contractors	14058.86		8905.93
Investor Education & Protection Fund shall be credited by the following amount:			
-Unclaimed dividend *	119.33		47.39
Other liabilities	31768.57		29524.55
Interest accrued but not due	1689.48		1688.62
	<u>880774.80</u>		<u>712044.68</u>

*There is no amount due & outstanding as at Balance Sheet date to be transferred to Investor Education & Protection Fund.

SCHEDULE 11 PROVISIONS

Provision for Taxation (Net of Income Tax payments Rs.213704.68 lakhs (Previous year Rs. 147546.41 lakhs))	14771.71	12284.50
Dividend	4895.20	11014.18
Corporate Dividend Tax	686.55	1544.74
Contractual Obligation	50649.67	47515.56
Retirement benefits	58903.62	43884.43
Others	21320.68	16301.34
	<u>151227.43</u>	<u>132544.75</u>



SCHEDULE-12 TURNOVER (Gross)

	For the year ended 31.3.2006	(Rs. in lakhs) For the year ended 31.3.2005
Sales less returns (incl. Despatches made to customers Rs.652415.69 lakhs (Previous year Rs. 405437.64 lakhs))	1249005.78	885253.62
Income from external erection & other services	161689.39	138021.81
Revenue from Works Contract	41854.22	10364.29
	<u>1452549.39</u>	<u>1033639.72</u>

SCHEDULE-13 A OTHER OPERATIONAL INCOME

Export Incentives	6179.75	19700.92
Rental income on leased assets	8600.18	8528.81
Less: Lease equalisation account	<u>2167.21</u>	<u>1139.33</u>
Scrap	7521.15	7389.48
Receipt from sale/transfer of surplus stock	36.97	8117.17
Others	7518.60	46.51
	<u>27689.44</u>	<u>6750.23</u>
		<u>42004.31</u>

SCHEDULE-13 B OTHER INCOME

Profit from sale of fixed assets (net)	330.16	146.56
Dividend on Investment (Long term-Trade)	1011.52	975.82
Others (including grants of Rs. 176.72 lakhs (previous year Rs. 6.60 lakhs) from Government of India for Research & Development Projects)	9635.40	9049.76
	<u>10977.08</u>	<u>10172.14</u>

SCHEDULE-13 C INTEREST INCOME*

From customers	8.26	8.18
From employees	26.66	62.52
From banks	15420.22	12601.03
From Investments (Current- Other than trade)	0.00	45.08
Others	570.71	676.64
*Tax deducted at source Rs.3570.54 lakhs (previous year Rs. 2576.09 lakhs)	<u>16025.85</u>	<u>13393.45</u>

SCHEDULE-14

ACCRETION / (DECRETION) TO WORK-IN-PROGRESS & FINISHED GOODS

	For the year ended 31.3.2006		(Rs. in lakhs) For the year ended 31.3.2005	
Work -in -progress				
Closing Balance	172085.43		140567.38	
Opening Balance	140567.38	31518.05	94396.14	46171.24
Finished Goods				
Closing Balance	32958.00		26216.22	
Opening Balance	26216.22	6741.78	19051.84	7164.38
Inter-division transfer in transit		340.85		641.87
		38600.68		53977.49

SCHEDULE-15

EMPLOYEES REMUNERATION & BENEFITS

Salaries, Wages, Bonus, Allowances & other benefits	141865.26	124840.23
Contribution to gratuity fund	9366.19	9926.68
Contribution to Provident and other funds	12373.68	10485.27
Group Insurance	194.88	200.31
Staff Welfare Expenses	24050.85	19585.49
	187850.86	165037.98
Directors (including Chairman & Managing Director)*		
-Salaries & Allowances	41.65	36.36
-CPF	4.00	3.13
-Contribution to gratuity Fund	3.08	2.88
-Others	19.24	8.73

*The above amount includes leave encashment on payment basis and excludes group insurance premium.

Notes :

The Chairman & Managing Director and Functional Directors have been allowed the use of staff car for both duty and non-duty journeys. The ceiling of the non-duty journey is 1000 Kms per month against recovery of prescribed amount in accordance with their terms & conditions of appointment. The monetary value of the above perquisite for the use of car if calculated in accordance with the erstwhile provisions of Income Tax Rules, 1962 would amount to Rs. 0.79 lakhs (Previous year Rs.0.71 lakhs)



SCHEDULE-16

OTHER EXPENSES OF MANUFACTURE, ADMINISTRATION, SELLING & DISTRIBUTION

	For the year ended 31.3.2006	(Rs. in lakhs) For the year ended 31.3.2005
Resident Consultant's Charges	75.27	105.83
Royalty, technical documentation & other consultancy charges	2110.70	1344.02
Rent (includes Rs.2244.98 lakhs for rent-residential Previous year Rs. 2248.91 lakhs)	3118.76	3042.24
Excise Duty *	14654.59	23368.42
Power & Fuel	22901.47	22053.85
Rates & Taxes	2614.47	2034.77
Insurance	4733.79	4285.11
Repairs:		
Buildings	2347.11	2073.46
Plant & Machinery	2282.59	1551.18
Others	5757.98	4184.07
Other expenses in connection with exports	2538.46	2559.34
Bad debts and amount written off	361.41	1282.79
Carriage outward	15519.95	13355.78
Travelling & conveyance	12854.04	10958.65
Miscellaneous Expenses	25227.15	22767.08
Cash discount	40.54	42.27
Liquidated damages charged off	464.70	773.88
Donations	309.30	197.83
Village development & social expenses	63.48	14.85
	117975.76	115995.42
Notes:		
Repairs do not include expenditure on departmental maintenance which are as under:		
Plant & Machinery	9232.23	7658.47
Buildings	2106.86	1975.21
Others	1481.36	1394.98
	12820.45	11028.66
Agency Commission on exports included in expenses in connection with exports	1485.11	2274.27
Expenditure on Research & Development	11590.35	8960.08
Payment to Auditors (Net of service tax credit claimed)		
----Fees (includes Rs. 3.18 lakhs (previous year Rs. 3.37 lakhs) to auditors abroad)	26.05	23.57
----Expenses	7.45	8.59
----Income tax matters (incl Rs.0.34 lakhs (Previous year Rs. 0.85 lakhs) to auditors abroad)	4.74	4.65
----Certification work (includes Rs.1.68 lakhs (Previous year Rs. Nil lakhs) to auditors abroad)	13.57	11.13

SCHEDULE-16 (Contd.)

	For the year ended 31.3.2006	(Rs. in lakhs) For the year ended 31.3.2005
----Other Professional services includes Rs. Nil lakhs (Previous year Rs.Nil lakhs) to auditors abroad	0.20	0.06
Payment to Cost Auditors	0.95	0.96
**Expenditure on entertainment	495.56	410.52
**Expenditure on foreign travel (for 599 tours (previous year 517 tours))	743.10	574.84
Expenditure on Publicity and Public relations		
Salaries allowances & other benefits	419.73	360.96
Other expenses	708.87	564.42
Director's Fees	1.45	3.75
* Excise duty includes provision in respect of duty payable on Closing Stock of Finished Goods		
**As certified by the management		

SCHEDULE-17

INTEREST AND OTHER BORROWING COSTS

Interest on:

Bonds	4425.00	4425.00
Banks/financial Institutions borrowings	156.22	135.28
Others	1292.47	3579.27
Other Borrowing Costs	1.00	1.10
	<u>5874.69</u>	<u>8140.65</u>

SCHEDULE-18

PROVISIONS

Doubtful debts, Liquidated Damages and Loans & advances

-Created during the year	28677.83	17743.29
-Less written back during the year	8864.52	14680.75
Contractual Obligations		
-Created during the year	19495.55	19127.37
-Less written back during the year	16398.35	12096.24
Others		
-Created during the year*	10093.11	7809.80
-Less written back during the year	4728.62	5278.97
	<u>28275.00</u>	<u>12624.50</u>

*Includes Rs. 66.00 lakhs (Previous year Rs. 3.00 lakhs) towards dimunition in the value of long term trade investment.

SCHEDULE-18A

EXTRA-ORDINARY ITEMS

Expenditure		
Amortisation of Lump sum payment under Voluntary Retirement Scheme	0.19	1799.03
	<u>0.19</u>	<u>1799.03</u>



SCHEDULE-18B PRIOR PERIOD ITEMS

	For the year ended 31.03.2006		(Rs. in lakhs) For the year ended 31.03.2005	
INCOME				
Sales less returns	218.92		-66.93	
Income from external erection & other services	56.06		0.00	
Operational income (others)	0.00		166.67	
Other Income (others)	231.69		151.98	
Interest Income (others)	0.00	506.67	-95.10	156.62
EXPENDITURE				
Consumption of Raw material & components	85.82		0.00	
Provision for contractual obligation	10.01		0.00	
Depreciation	-0.81		0.00	
Payment to Sub-contractors	22.82		2.06	
Rates & Taxes	16.15		0.00	
Misc. Expenses	20.54	154.53	357.64	359.70
Prior period items (Net)		352.14		-203.08

SCHEDULE-18C PROVISION FOR TAXATION

Current Tax				
-Current Year	101905.31		63606.15	
(incl. wealth tax Rs. 5.31 lakhs (Previous year Rs. 6.15 lakhs)				
-Earlier Years	357.95	102263.26	1192.96	64799.11
-(incl wealth tax Rs. 0.75 Lakhs (Previous years Rs. Nil Lakhs)				
Deferred Tax		-15544.14		-1976.02
Fringe Benefit Tax		1800.00		0.00
		88519.12		62823.09

Disclosure as per Accounting Standard-29 issued by the Institute of Chartered Accountants of India

Particulars:	Opening Balance	Additions	Usage Write off	Withdrawal/ Adjustments	Closing Balance
Liquidated Damages (Note 1, 3 & 4)	34963.73	17217.60	464.70	2641.93	49074.70
	(34466.22)	(7879.23)	(773.88)	(6607.84)	(34963.73)
Contractual Obligation (Note 2)	47515.56	19495.55	3453.76	12907.68	50649.67
	(40491.12)	(21039.49)	(1912.12)	(12120.93)	(47515.56)

Notes :

- As per the terms and conditions of the contract, with the customer, liquidated damages are provided for in line with the Accounting Policy of the company and the same is dealt suitably in the accounts on settlement or otherwise.
- The provisions for contractual obligation is made on a conservative basis at the rate of 2.5% of the contract value in line with significant Accounting policy No. 14 to meet the warranty obligations as per the terms and conditions of the contract. The same is retained till the completion of the warranty obligations of the contract. The actual warranty obligation may vary from contract to contract and on year to year depending upon the terms and conditions of the respective contract. Adjustment figure includes Rs. 10.01 lakhs (previous year Rs. Nil lakhs) for earlier year and Rs. 26.93 lakhs (previous year Rs. Nil lakhs) towards exchange variation.
- Contingent liability relating to Liquidated Damages is shown in Note No.5 of Schedule-19.
- Additions Includes Rs. 1237.00 lakhs (previous year Rs. 2461.70 lakhs) for earlier years and Rs. 34.93 Lakhs (Previous year Rs. 30.58 Lakhs) towards exchange variation.

SCHEDULE – 19

NOTES TO ACCOUNTS

1. Estimated amount of contracts, net of advances, remaining to be executed on capital account and not provided for is Rs. 29128.72 lakhs (previous year Rs. 14093.68 lakhs) including Rs. 2034.37 (previous year Rs. Nil Lakhs) for acquisition of intangible assets.
2. Land and buildings include:
 - a) 13882.180 acres of land (previous year 13882.180 acres), 52 flats (previous year 52 flats) and one building (previous year one building) for which formal transfer/lease deeds have not been executed including for 51.520 acres of land (previous year 51.520 acres) for which the cost paid is provisional; registration charges and stamp duty net of provision already made thereon, would be accounted for on payment.
 - b) 79.936 acres of land (previous year 79.936 acres) leased to Ministry of Defence, Government Departments and others.
 - c) 180 acres of land (previous year 180 acres) being used by the Ministry of Defence and for which further approval of the competent authority for continuance of licensing of the land is awaited.
 - d) 106.858 acres (previous year 106.858 acres) of land is under adverse possession.
3. The impact on the profit of providing 100 percent depreciation on fixed assets upto Rs.10000/- each, without considering such impact of earlier years, is as under:

(Rs. in lakhs)

	2005-2006	2004-2005
100% depreciation on assets upto Rs.10,000/- charged off in the accounting year	566.07	392.28
Normal depreciation on above	181.91	129.18
Excess amount charged off	384.16	263.10

4. Sales and despatches to customers :
 - (a) Includes Rs. 20704.00 lakhs (previous year Rs. 21169.99 Lakhs) based on provisional prices.
 - (b) Includes Rs. 66426.39 lakhs (previous year Rs. 37449.54 lakhs) for escalation claims raised in accordance with the sales contracts, inclusive of escalation claims on accrual basis to the extent latest indices were available;
 - (c) Includes despatches of equipment valued at Rs. 6964.52 lakhs (previous year Rs. 5233.17 lakhs) held on behalf of customers at their request for which payment has been received by the Company; and
 - (d) Excludes Rs. 3237.99 lakhs (previous year Rs.1375.00 lakhs) for price reduction due to delay in delivery as per terms of the contract.
5. Contingent Liabilities :
 - (a) Claims against the company not acknowledged as debt :
 - (i) Income Tax pending appeals (net of provisions) Rs. 35635.09 lakhs (previous year Rs. 18173.12 lakhs) against which Rs 32779.24 lakhs (previous year Rs 26287.65 lakhs) has been paid under protest and included under the head deposits- others.
 - (ii) Sales Tax demands Rs. 33066.15 lakhs (previous year Rs. 31800.18 lakhs) against which Rs. 9348.71 lakhs (previous year Rs. 8121.55 lakhs) has been paid under protest/court orders and included under the head advances recoverable.
 - (iii) Excise Duty demands Rs.6336.84 lakhs (previous year Rs. 6534.32 lakhs), against which Rs.1295.47 lakhs (previous year Rs. 992.62 lakhs) has been paid under protest/court orders and included under the head advances recoverable.
 - (iv) Custom Duty demands Rs. 110.94 Lakhs (previous year Rs. Nil Lakhs).
 - (iv) Court / Arbitration cases Rs. 6184.60 lakhs (previous year Rs. 5946.56 lakhs)
 - (v) Liquidated Damages Rs.10665.07 lakhs (previous year Rs. 1025.27 lakhs).
 - (vi) Counter claim by contractors Rs. 4133.03 lakhs (previous year Rs. 4077.88 lakhs).
 - (vii) Others Rs. 4162.33 lakhs (previous year Rs. 1941.26 lakhs).

In view of the various court cases / litigations and claims disputed by the company financial impact as to outflow of resources is not ascertainable at this stage.
 - (b) Bills discounted under IDBI scheme outstanding at the close of the year amount to Rs. 626.43 lakhs (previous year Rs. 1580.76 lakhs).
 - (c) Bank Guarantees outstanding at the close of the year amount Rs. 21231.59 lakhs (previous year Rs. 29027.94 lakhs).
 - (d) Corporate Guarantees issued on behalf of joint ventures outstanding at the close of the year amounting to Rs 1034.77 lakhs (previous year Rs.3082.33 lakhs)



6. Cash credit limit from banks aggregating to Rs. 10000 lakhs (previous year Rs 10000 lakhs), company's bill discounting limit in respect of IDBI scheme aggregating to Rs 4000 lakhs (previous year Rs 4000 lakhs) and company's counter guarantee/ indemnity obligations in regard to banks guarantee/ letter of credit limits aggregating to Rs 1200000 lakhs (previous year Rs 1200000 lakhs) sanctioned by consortium of banks are secured by first charge by way of hypothecation of raw materials, components, work in progress, finished goods. Stores, book debts and other current assets both present and future.
7. 8.85% Non convertible, secured, redeemable taxable Long Term Bonds of face value of Rs. 100 lakhs each amounting to Rs. 50000 lakhs were issued on 15.11.2001 for a period of 7 years with put/call option at the end of 5 years. These are secured by way of a legal mortgage and charge in favour of trustees on the immovable properties of the company situated at Apartment No.A/T-1 on 3rd Floor in Shrikrishna Apartments, Nr.Gowan Square, Nagpur, by equitable mortgage by deposit of title deeds in respect of the Company's immovable properties situated at Hardwar and Ramachandrapuram, Hyderabad Units and by hypothecation of the whole of the movable properties of the company of these units including its movable plant & machinery, machinery spares, tools and accessories and other movables both present and future (except specific assets on which exclusive first charge had already been created and book debts).
8. The company had filed an appeal in Income Tax Appellate Tribunal (ITAT) contesting the non-acceptance of claim of normal and extra ordinary exchange variation loss of Rs.37745 lakhs (previous year Rs.37745 lakhs) on accrual basis relating to the assessment year 1992-93. The demand of Rs.24974.61 lakhs (previous year Rs.24974.61 lakhs) raised by the Income Tax Department (Deptt.) in respect of the said income tax liability had been adjusted by the Deptt. against the refunds due to the company and the same is shown as "other deposits" in Schedule-9 – Loans and Advances in the balance sheet. The said appeal has been allowed by the ITAT in company's favour during the year. However, the Deptt has filed an appeal before the High Court against the order of ITAT. Pending determination of the refund due to the company and disposal of appeal filed by the Deptt, refund due has not been recognized in the accounts and necessary adjustments will be made in the year in which the effect of ITAT order is given by the Deptt.

Further the above claim disallowed in the A.Y. 1992-93 was allowed in the subsequent years by the Deptt on payment basis for which provision of Rs.14039.44 lakhs for possible tax liability was created in the earlier year. Any adjustment on this account will also be carried in the year in which the effect, as explained in above para is given by the department.

9. a) Amorphous Silicon Solar Cell Plant (ASSCP), Gurgaon was taken from Ministry of Non-conventional Energy Sources on lease for a period of 30 years. The lease agreement with the Government is yet to be finalised.
b) As per the agreement for transfer of manufacturing facilities of Aviation Project (including land) at Haridwar Unit entered with Govt. of Uttaranchal, in the earlier year, the full consideration of Rs. 486.95 lakhs has been received during the current year. Out of the said amount received Rs. 245.72 lakhs (equivalent to the net block of Aviation Project assets as on 31.03.2006), has been kept in the liabilities pending formal transfer and balance amount of Rs. 241.23 lakhs has been considered as income of the company.
10. Other liabilities include a sum of Rs.10051.51 lakhs (previous year Rs.10051.51 lakhs) towards guarantee fee demanded by the Government of India in respect of foreign currency loans taken by the company at the instance of the Government upto 1990-91. The matter for its waiver has been taken up with the Government since there was no stipulation for payment of such guarantee fee at the time the loans (guaranteed by Government) were taken.
11. Liability due to Small Scale Industrial Undertakings (SSIs) shown in Schedule-10 has been determined from database maintained at units/divisions of the company, and updated to the extent responses received from such undertakings as to their SSI status. Name of SSIs to whom company owes sum for more than 30 days are included in Annexure.
12. The amount of exchange differences adjusted in the carrying amount of fixed assets acquired from outside India during the year is Rs. 13.37 lakhs (Previous year Rs. 91.74 lakhs).
13. Related Party Transactions:
 - i) Related Parties where control exists (Joint Ventures):
Powerplant Performance Improvement Ltd
BHEL-GE Gas Turbine Services Pvt Ltd.
 - ii) Other related parties (Key Management Personnel- Functional Directors: existing & retired):
S/Shri A.K. Puri, Ramji Rai, K. Ravi Kumar, S K Jain, A.K. Mathur, C.S. Verma and C. Srinivasan

iii) Details of transactions:

(Rs. in lakhs)

Particulars	Joint Ventures		Key Management Personnel(KMP)		Relatives of KMP	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Purchase of Goods and Services	32.57	9.47				
Sales of Goods and services	2627.93	2456.01				
Rendering of Services	7.25	48.74				
Receiving of Services	11.39	424.38				
Dividend income	1011.50	975.80				
Royalty income	34.49	34.78				
Amounts due to BHEL at end of the year	683.83	682.01	0.08	0.23		
Amounts due from BHEL at end of the year	1.40	57.92				
Provision for Doubtful debts	24.78	14.49				
Amount written back	-	4.24				
Guarantees given on behalf of	1034.77	3082.33				
Payment of Salaries			67.97	51.10		

14. Lease:

a. Details of assets taken on finance lease after 1st April, 2001 are as under:

(Rs. in lakhs)

		As on 31-3-2006	As on 31-3-2005
a.	Outstanding balance of Minimum Lease payments		
	–not later than one year	2387.33	1623.93
	–later than one year and not later than five years	4068.75	2667.97
	–later than five years	-	4.57
	Total minimum lease payments at the balance sheet date	6456.08	4296.47
b.	Present Value of (a) above		
	–not later than one year	1944.83	1193.01
	–later than one year and not later than five years	3587.34	2253.18
	–later than five years	-	4.46
	Total minimum lease payments at the balance sheet date	5532.17	3450.65
c.	Finance charges	923.91	845.82
	Present value of Residual value, if any	2.72	3.87

b. The company is in the practice of taking Office & Other Equipment, houses for employees, office buildings and EDP equipment on operating lease both as cancellable and non-cancellable.

c. The future minimum lease payments under non-cancellable operating lease are as under:

(Rs. in lakhs)

	As on 31-3-2006	As on 31-3-2005
– not later than one year	788.05	851.87
– later than one year and not later than five years	741.78	1329.51
– later than five years	26.68	-



d. Details regarding rentals in respect of assets taken on lease prior to 1.4.2001 is as given below:

(Rs. in lakhs)

Assets	Cost of Assets		Rentals payable over unexpired period of lease	
	2005-2006	2004-2005	2005-2006	2004-2005
Computers & Peripherals	2560.07	4125.92	1.04	144.91
Land & Buildings	0.26	4.56	1.21	1.47
Office equipments	111.13	250.70	-	42.26
Others	3.52	2.30	-	1.22
TOTAL	2674.98	4383.48	2.25	189.86

15. Earnings per Share:

			2005-06	2004-05
Weighted average number of Equity Shares outstanding during the year	(A)	Nos. in Lakhs	2447.60	2447.60
Nominal Value of Equity Share		(Rs.)	10.00	10.00
Net Profit for the year	(B)	(Rs. in Lakhs)	167916.08	95340.47
Add: Extra Ordinary Items		(Rs. in Lakhs)	0.19	1799.03
Less: Tax on Extra Ordinary Items		(Rs. in Lakhs)	0.06	658.31
Net Profit for the year excl. Extra Ordinary Items	(C)	(Rs. in Lakhs)	167916.21	96481.19
Basic and Diluted Earnings Per Share	(B)/(A)	(Rs.)	68.60	38.95
Basic and Diluted Earnings Per Share before Extra Ordinary Items	(C)/(A)	(Rs.)	68.60	39.42

16. The break up of net deferred tax asset on account of timing differences are as under:

(Rs. in lakhs)

	As on 31.3.2006	As on 31.3.2005
Deferred Tax Assets		
Provisions	58000.87	48703.77
Deferred Revenue Expenditure of Voluntary Retirement Schemes	2051.17	4560.24
Statutory dues	11991.09	8784.50
Modvat Adjustments	3174.39	952.73
Others	1893.30	1680.98
	77110.82	64682.22
Deferred Tax Liabilities		
Depreciation	9738.78	12854.32
Net Deferred Tax Assets	67372.04	51827.90

17. Disclosures relating to Joint ventures are as follows:

a) Names of joint ventures

Powerplant Performance Improvement Ltd
BHEL-GE Gas Turbine Services Pvt Ltd

Country of
Incorporation
India}
India}

Proportion of
Ownership
One share less than
50%

- b) (i) company's share of the contingent liabilities of the joint ventures themselves is Rs. 660.17 lakhs (previous year Rs. 586.37 lakhs)
- (ii) company's share of the capital commitments of the joint ventures themselves is Rs. 4.69 lakhs (previous year Rs. 14.65 lakhs)
- (iii) Guarantees given on behalf of Joint Venture outstanding at the close of the year amounting to Rs.1034.77 lakhs (Previous year Rs 3082.33 lakhs)
- (iv) Aggregate amount of company's interest in the joint ventures as per accounts is as under:

	(Rs. in lakhs)	
	2005-2006	2004-2005
Fixed Assets	530.66	527.80
Net Current Assets	1556.71	820.72
Secured loans	15.42	44.04
Deferred Tax Liability	15.64	41.95
Shareholders Funds	2056.31	1262.53
Income	13715.42	12429.17
Expenses	12307.66	11133.04

(v) Information for 2005-06 is based on the unaudited accounts of the joint ventures.

18. The disclosure relating to derivative instruments:

- a) The derivative instruments that are hedged and outstanding as on 31.03.2006 in US \$ is NIL [previous year US \$ 40.50 Lakhs (Indian Rs. 1784.84 Lakhs) and in Euro is NIL [previous year Euro 32.30 Lakhs (Indian Rs. 1840.45 Lakhs)]. Any gain or loss arising there from is recognized in the year of settlement in accordance with the terms of respective contracts.
- b) The foreign currency exposure that are not hedged by derivative instruments or otherwise are as under:

	2005-06		2004-05	
	In foreign currency	In Indian Rs.	In foreign currency	In Indian Rs.
a) Assets / Receivables (i.e. Debtors)				
In US \$	1602.03	70945.14	1167.48	50975.61
In Euro	232.21	12508.68	220.56	12111.80
In LYD	223.15	7456.18	1325.27	44981.96
In Others		2908.82		1201.21
b) Liabilities (i.e. Advance from customers / creditors)				
In US \$	946.73	42547.69	519.03	22430.07
In Euro	230.23	12487.82	242.21	14261.01
In LYD	185.23	6282.97	234.59	8056.59
In Others		3025.15		4900.15

19. The company invested a sum of Rs. 500 lakhs towards equity shares of Rs. 10/- each (at par) in erstwhile Konark Met Coke Ltd. (KMCL) Bhubneshwar, to secure orders for equipment being supplied by the company to erstwhile KMCL and Neelachal Ispat Nigam Ltd (NINL). Pursuant to Order passed by Hon'ble Orissa High Court, KMCL was amalgamated with NINL u/s 391 read with section 394 of the Companies Act, 1956 & in terms of the scheme of amalgamation sanctioned by the Hon'ble High Court, Orissa, NINL allotted equity shares aggregating to Rs. 500 lakhs to the company in the previous year. The equity participation in NINL is restricted to 7.5% of the value of the orders received with a maximum of Rs. 1732 lakhs. Government approval for investment in equity shares is under process.



20. (i) The company has revised its accounting practice relating to Machinery Spares of capital nature / insurance spares covered under Accounting Standard (AS) 10 issued by the ICAI, procured subsequent to the purchase of Plant & Machinery. Hitherto, such spares purchased subsequent to the purchase of the machinery, were charged off to revenue at the time of issue. From this year, machinery spares, which are specific and are of irregular use, are capitalized and depreciated over the remaining useful life of the concerned assets as per Accounting Standard Interpretation (ASI) 2 issued by the ICAI. The effect of this change on Profit before tax is decrease of Rs. 207.38 lakhs.
- (ii) The company has revised its accounting practice relating to provision for contractual obligation on spares turnover. Hitherto provision was made on case to case basis. From this year provision for contractual obligation on spares turnover is made on 18 months turnover and withdrawal will be made accordingly. The effect on Profit before tax due to this change is a decrease of Rs. 225.85 lakhs.
21. Service Tax relating to Commissioning and Installation including insurance of equipments transported for commissioning and installation have been accounted in accordance with opinion obtained from legal expert and in line with Tribunal / Supreme Court judgements and no demand on this account has arisen. Further claims, if any, under normal contract terms and as confirmed by legal opinion is recoverable from the customers.
- With effect from 10.9.04 by an amendment 'erection' has also been included as taxable services alongwith commissioning and installation. Accordingly service tax expenses have been accounted and income recognized based on the terms and conditions of the contracts with customer.
- As per the legal opinion obtained, the amount collected by the company towards freight & insurance from the customers will not fall under 'business auxiliary service' or under any other service attracting service Tax as the company is neither providing services as a 'goods transport company' nor as an 'insurer'.
22. An independent Audit Committee was set up with the terms of reference framed in accordance with the provision of Listing Agreement and the Companies Act, 1956. However, during the year 2005-06 the Audit Committee could not meet upto December 2005 on account of completion of tenure vis-à-vis resignation of the Independent Directors who were members of the said Committee. The Audit Committee was reconstituted in the month of December 2005 and thereafter one meeting of the Audit Committee was held on 30th January, 2006.
23. Balances with Scheduled Banks under the head "Cash and Bank Balances" as on 31.03.06 in Schedule 8 includes amounts received in various bank accounts maintained by the Company in its Units/Regions/Sites and are under transfer to the Centralised Cash Credit account maintained with banks in Delhi.
24. Expenditure on leave travel concession / leave travel allowance to employees is recognized in the year of availment / encashment.
25. (a) The disclosures relating to Construction Contracts entered on or after 01.04.2003 as per the requirement of Accounting Standard AS-7(Revised) are as follows:

	(Rs. In lakhs)	
	2005-06	2004-05
Contract revenue recognized during the year	892131.34	345017.76
In respect of Contract in progress as on 31.03.2006:		
– Cost incurred and recognised profits (less recognized losses)	1197926.29	378805.75
– Amount of advance received	244668.01	194665.84
– Amount of retentions (deferred debts)	116534.76	46106.75
In respect of dues from customers after appropriate netting off		
– Gross amount due from customer for the contract work as an asset	81953.02	36191.33
– Gross amount due to customer for the contract work as a liability	61469.03	18400.85
– Contingencies	—	—

- (b) The estimates of total costs and total revenue in respect of construction contracts entered on or after 1st April 2003 in accordance with Accounting Standard (AS) -7 (R) Construction Contracts are reviewed and up dated periodically during the year by the management and necessary adjustments are made in the current year's account.
26. Responses to confirmation of outstanding balances and stocks held by sub-contractors/ fabricators were received only in a few cases, some of them seeking details.

27. SEGMENT INFORMATION

(Rs. in lakhs)

A. PRIMARY SEGMENT - BUSINESS SEGMENTS

I. SEGMENT REVENUE

	For the year ended 31.3.2006			For the year ended 31.3.2005		
	Power	Industry	Total	Power	Industry	Total
a. Segment Revenue	1089389.30	406795.84	1496185.14	750386.38	334705.26	1085091.64
b. Inter-Segment Revenue	0.00	37456.00	37456.00	0.00	31751.00	31751.00
c. Operating Revenue-External (a) - (b)	1089389.30	369339.84	1458729.14	750386.38	302954.26	1053340.64

II. SEGMENT RESULTS

	For the year ended 31.3.2006			For the year ended 31.3.2005		
	Power	Industry	Total	Power	Industry	Total
a. Segment Results	236929.26	64628.53	301557.79	160813.57	38623.37	199436.94
b. Unallocated expenses (Net of income)			39247.72			31333.70
c. Profit before Interest, DRE & Income tax (a)-(b)			262310.07			168103.24
d. Interest			5874.69			8140.65
e. Deferred Revenue Expenditure Written Off			0.19			1799.03
f. Net Profit before Income Tax (c)-(d)-(e)			256435.19			158163.56
g. Income Tax			88519.12			62823.09
h. Net Profit after Income Tax			167916.07			95340.47

III ASSETS & LIABILITIES

	For the year ended 31.3.2006			For the year ended 31.3.2005		
	Power	Industry	Total	Power	Industry	Total
a. Segment Assets	914494.55	372105.07	1286599.62	745801.22	304171.81	1049973.03
b. Unallocated Assets			531364.41			451004.07
c. Total Assets			1817964.03			1500977.10
d. Segment Liabilities	761277.05	233112.45	994389.50	617277.59	179494.90	796772.49
e. Unallocated Liabilities			93436.77			101515.23
f. Total Liabilities			1087826.27			898287.72

IV OTHER INFORMATION

	For the year ended 31.3.2006		For the year ended 31.3.2005	
	Power	Industry	Power	Industry
a. Cost incurred during the period to acquire fixed assets	20520.23	5762.83	11398.68	4657.62
b. Depreciation	12394.99	6128.42	10267.21	5807.18
c. Non Cash Expenses (other than depreciation)	23335.41	3535.63	10328.42	3842.03

B. SECONDARY SEGMENT-GEOGRAPHICAL SEGMENTS

	For the year ended 31.3.2006			For the year ended 31.3.2005		
	Within India	Outside India	Total	Within India	Outside India	Total
1 Net Sales / Income from Operations	1388297.99	70431.15	1458729.14	973218.51	80122.13	1053340.64
2 Total Assets	1779554.82	38409.21	1817964.03	1434095.77	66881.33	1500977.10
3 Cost incurred during the period to acquire Fixed Assets	28927.56	1.25	28928.81	17350.23	1.15	17351.38

Notes:

- The products and services of the company have been grouped under 'Power' and 'Industry' segments depending upon the sector to which they are predominantly identified in the market.
- Power sector includes products and services relating to various power generating sets and its auxiliaries.
- Industry sector includes products and services relating to transportation and transmission, electric machines, industrial sets and DG sets and telecommunications and other industrial products and systems.
- Inter segment transfers have been carried out at mutually agreed prices.
28. Previous year's figures have been regrouped/reclassified wherever practicable to conform to current year's presentation.



29. Other information required by Schedule VI of the Companies Act, 1956

A. Sales, Opening Stocks & Closing Stocks

(Rs. in lakhs)

Product	Unit	Sales during the year 2005-2006		Op. Stock of Fin. Goods 1.4.2005		Cl. Stock of Fin. Goods 31.3.2006	
		Qty.	Value	Qty.	Value	Qty.	Value
BHOPAL							
SWITCHGEAR, CONTROLGEAR, RECTIFIER, CAPACITORS							
Switchgear-11 kv to 220 kv high speed air blast circuit breakers	Nos	3761 (2940)	12977.37 (6273.90)	206 (140)	508.73 (251.98)	466 (206)	1031.55 (508.73)
Control Panels	Nos	434 (848)	2618.24 (1697.14)	11 (6)	7.15 (3.50)	0 (11)	0.00 (7.15)
Industrial controlgear	Nos	0 (0)	1137.28 (1612.14)	0 (0)	14.30 (0.00)	0 (0)	64.90 (14.30)
Traction controlgear for AC, DC & diesel system	Set	276 (200)	8792.92 (8557.03)	0 (0)	79.19 (205.59)	0 (0)	0.00 (79.19)
Rectifiers with Electronics	Nos	625 (482)	10629.18 (16612.67)	72 (5)	75.55 (15.50)	0 (72)	19.51 (75.55)
Capacitors	MVAR	2967 (2197)	2300.35 (1780.88)	253 (125)	229.96 (185.71)	0 (253)	30.78 (229.96)
Bushings		0 (0.00)	1312.28 (901.38)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
TRANSFORMERS							
Power transformers (upto 400 kv)	MVA/Nos	10672/106 (10361/65)	25085.27 (17354.90)	0 (995/7)	6.94 (1017.72)	0/11 (0)	539.88 (6.94)
Instrument, welding, transformers and reactors	MVA/Nos	770 (0/703)	1858.88 (1418.30)	0 (130)	0.00 (168.09)	0 (0)	0.00 (0.00)
INDUSTRIAL AND TRACTION MACHINES							
Traction Motors for AC, DC & diesel system, main/auxiliary generators	Nos	2476 (2185)	32952.30 (30775.39)	29 (9)	134.40 (49.74)	(49) (29)	127.47 (134.40)
Industrial machines, AC motors upto 1000 HP, DC motors & generators of all types	Nos	556 (527)	11059.12 (7037.41)	20 (31)	441.93 (267.00)	(47) (20)	624.49 (441.93)
	-						
HEAVY ROTATING PLANT & TURBINES							
Large electrical machines above 1000 HP	Nos	152 (140)	12358.00 (9805.03)	4 (6)	164.09 (255.36)	14 (4)	788.80 (164.09)
Water wheel alternators & water turbines & Mini micro turbines & generators	Nos/ MW	7/T 606	16766.99		155.48		782.58
	Nos/ MW	10/G 546	11594.19		698.33		1159.76
		(4/T) (83)	(15124.08)	0 (0)	(49.89)	0 (0)	(155.48)
		(10/G) (745)	(9558.76)	(0)	(160.46)		(698.33)
Turbo Alternators & Steam turbines & Heat Exchangers	Nos	18 (15 H.Ex)	17024.40 (7792.63)		0.00 (10.80)	0 (0)	481.99 (0.00)

29. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

A. Sales, Opening Stocks & Closing Stocks

(Rs. in lakhs)

Product	Unit	Sales during the year 2005-2006		Op. Stock of Fin. Goods 1.4.2005		Cl. Stock of Fin. Goods 31.3.2006	
		Qty.	Value	Qty.	Value	Qty.	Value
Hydro Sets			0.00 (862.97)		0.00 (0.00)		0.00 (0.00)
Others			4855.90 (4334.42)		0.00 (2.69)	0 (0)	2.20 (0.00)
TOTAL			173322.67		2516.05		5653.91

JHANSI

Power transformers and special transformers	Nos	71 (65)	11338.40 (12389.68)	4 (0)	438.99 (0.00)	0 (4)	0.00 (438.99)
ESP Transformer	Nos	549 (275)	5454.12 (2680.02)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
ACEMU Transformer	Nos	0 (0)	0.00 (0.00)	4 (0)	66.96 (0.00)	0 (4)	0.00 (66.96)
Freight Loco transformers	Nos	45 (22)	2445.75 (935.61)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
Instrument transformers	Nos	882 (753)	1806.26 (1540.09)	45 (7)	92.04 (7.10)	13 (45)	28.45 (92.04)
Bus Duct	Nos/Set	0 (0)	6395.18 (3200.16)	0 (0)	203.75 (0.00)	0 (0)	0.00 (203.75)
Dry Type Transformer	Nos.	110 (33)	1915.90 (583.35)	0 (20)	0.00 (147.19)	2 (0)	7.46 (0.00)
Diesel Shunters	Nos	12 (5)	2483.75 (594.00)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
New Product Loco	Nos	0 (0)	1498.38 (3980.31)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
Others/Misc.	Nos	0 (0)	1331.90 (1090.71)	0 (0)	4.04 (33.40)	0 (0)	0.00 (4.04)
TOTAL			34669.64		805.78		35.91

HEEP, HARDWAR

Electrical Machines	MW/Nos	75/25 (72/46)	2289.24 (1908.67)	10/14 (15/26)	324.11 (442.56)	8/5 (10/14)	119.41 (324.11)
Industrial controls panels	Nos.	0 (6)	0.00 (12.74)	3 (9)	19.30 (31.67)	3 (3)	19.30 (19.30)
Turbo Sets	MW/Nos	1880/6 (1210/3)	106391.72 (55152.41)	0 (0)	1185.75 (1357.25)	0 (0)	970.41 (1185.75)
Hydro sets	MW/Nos	0 (152/2)	6908.11 (9280.72)	0 (0)	5.02 (209.38)	0 (0)	17.45 (5.02)
Super Rapid Gun Mount	Nos.	2 (3)	4123.46 (5838.02)	0 (0)	0.00 (89.25)	0 (0)	0.00 (0.00)
Gas Turbine	MW/Nos	0 (0)	0.00 (0.00)	0 (0)	220.50 (0.00)	0 (0)	0.00 (220.50)



29. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

A. Sales, Opening Stocks & Closing Stocks

(Rs. in lakhs)

Product	Unit	Sales during the year 2005-2006		Op. Stock of Fin. Goods 1.4.2005		Cl. Stock of Fin. Goods 31.3.2006	
		Qty.	Value	Qty.	Value	Qty.	Value
Others		0 (0)	23429.76 (18720.39)	0 (0)	426.44 (472.99)	0 (0)	643.30 (426.44)
		TOTAL	143142.29		2181.12		1769.87

CFFP, HARDWAR

Steel Castings	MT	50.65 (0)	107.22 (27.45)	0 (28.43)	0.00 (79.20)	0 (0)	0.00 (0.00)
Steel forgings	MT	40.89 (33.26)	106.58 (89.33)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
NF Casting	MT	0 (0)	0.00 (0.00)	0 (0.21)	0.00 (0.53)	0 (0)	0.00 (0.00)
		TOTAL	213.80		0.00		0.00

BOILER PLANT & SSTP TRICHY

Boilers	MT	+ 300252 + (192531)	324690.40 (196390.17)	6293 (1749)	5036.29 (2341.19)	5264 (6293)	7544.02 (5036.29)
Valves	Nos*	32259 (30823)	17956.56 (13545.18)	2531@ (1441)	247.62 (402.75)	3072 (2531) @	714.32 (247.62)
Income from testing & other services		0 (0)	806.35 (918.62)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
Seamless steel tubes	MT	20 (197)	25.58 (148.65)	(7)**	(2.93)**		
		TOTAL	343478.89		5283.91		8258.34

BAP, RANIPET

Boiler auxiliaries	MT	9103 (5678)	8271.93 (5038.81)	2993 (2008)	1777.00 (1100.15)	3881 (2993)	2602.19 (1777.00)
Wind Mill	MT	0 (0)	26.59 (23.54)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
Income from testing & other services		0 (0)	152.19 (174.32)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
Income from external erection & other services		0 (0)	353.22 (167.47)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
		TOTAL	8803.93		1777.00		2602.19

HYDERABAD

60 MW Sets	MW	P (4+P)	9891.01 (8118.53)	1+P (0)	1391.92 (0.00)	0 (1+P)	0.00 (1391.92)
110/120 MW Sets	MW	2+P	9759.83 (5758.02)	0 (0)	0.00 (0.00)	P (0)	150.00 (0.00)
Small & Medium Sets	MW	17+P (14+P)	34608.50 (24809.71)	0 (2+P)	0.00 (525.93)	P (0)	1078.79 (0.00)

29. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

A. Sales, Opening Stocks & Closing Stocks

(Rs. in lakhs)

Product	Unit	Sales during the year 2005-2006		Op. Stock of Fin. Goods 1.4.2005		Cl. Stock of Fin. Goods 31.3.2006	
		Qty.	Value	Qty.	Value	Qty.	Value
Pumps and heaters	Nos	153+P (7+P)	40975.18 (18066.18)	4 (7P)	87.65 (468.84)	12+P (4)	905.61 (87.65)
Compressors	Nos	4+P (3+P)	5210.36 (2272.36)	2 (1P)	791.84 (368.45)	7+P (2)	4140.78 (791.84)
Oil Rigs		0 (0)	0.00 (3793.67)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
Gas Turbine	Nos	5+P (3+P)	61803.10 (55558.71)	1+P (1+P)	7930.06 (5586.66)	1+P (1+P)	6429.27 (7930.06)
Aux. Prodn. Breakers	Nos	76 (91)	1807.49 (1857.00)	18 (33)	125.03 (176.60)	6 (18)	28.90 (125.03)
Bowl Mills		84+P (11+P)	32761.58 (18858.24)		0.00 (345.71)	P	246.25 (0.00)
Heat Exchangers			0.77 (81.66)	(P)	(491.35)		(0.00)
Erection Income			564.55 (0.00)		0.00 (0.00)		0.00 (0.00)
Castings			1005.03 (1026.35)		265.47 (315.92)		37.40 (265.47)
Others (serv.)			3575.02 (6112.25)		0.00 (0.00)		0.00 (0.00)
Breakers Spares			716.76 (800.03)		0.00 (0.00)		0.00 (0.00)
Spares Other than breakers			36840.73 (24509.09)		87.20 (0.00)		0.00 (87.20)
TOTAL			239519.91		10679.17		13017.00

INDUSTRIAL SYSTEMS GROUP

Control panels	Nos	55 (21)	1065.86 (285.27)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
Motors & spares	Nos	6 (94)	66.77 (211.75)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
Other Equipments		0 (0)	26891.96 (16708.93)	0 (0)	0.00 (0.00)	0 (0)	0.00 (0.00)
TOTAL			28024.59		0.00		0.00

ELECTRONICS DIVISION

Energy meters							
a/ Single Phase	Nos	68500 (36076)	451.69 (213.55)	1207 (13969)	6.72 (79.19)	607 (1207)	3.56 (6.72)
b/ Poly Phase	Nos			3471 (368)	30.81 (3.73)	197 (3471)	3.07 (30.81)



29. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

A. Sales, Opening Stocks & Closing Stocks

(Rs. in lakhs)

Product	Unit	Sales during the year 2005-2006		Op. Stock of Fin. Goods 1.4.2005		Cl. Stock of Fin. Goods 31.3.2006	
		Qty.	Value	Qty.	Value	Qty.	Value
Capacitors-Electrolytic	Nos			7674	0.00	7674	0.00
				(7674)	0.00	(7674)	0.00
Power devices	Nos	876	77.58	0	0.00	490	30.30
		(1559)	(113.70)	(34)	(2.36)	(0)	(0.00)
Photovoltaics	KWs	1045	2633.53	10	41.94	10	18.15
		(2910)	(4909.62)	(9)	(12.38)	(10)	(41.94)
Simulators(Defence Electronics)	Sets	0	10.42	0	0.00	0	0.00
		(0)	(165.95)	(0)	(0.00)	(0)	(0.00)
Control Equipments	Cubicles	2036	66512.79	31	517.51	14	134.61
		(1287)	(44639.01)	(0)	(0.00)	(31)	(517.51)
Others			0.00				
			(54.57)				
TOTAL			69686.01		596.98		189.69

ELECTRO PORCELAINS DIVISION

Insulators & bushings	MT	8014	7184.71	1089	801.48	598	407.27
		(7348)	(6209.14)	(535)	(350.77)	(1089)	(801.48)
Ceralin	MT	1770	1878.72	55	40.00	154	250.92
		(2073)	(2185.06)	(20)	(0.13)	(55)	(40.00)
Income from testing & other services		0	57.96	0	0.00	0	0.00
		(0)	(62.79)	(0)	(0.00)	(0)	(0.00)
TOTAL			9121.39		841.48		658.19

POWER GROUP

Income from erection & other services & spares			287559.52		847.52		140.25
			(199323.10)		(140.25)		(847.52)
TOTAL			287559.52		847.52		140.25

IO PROJECTS

Supply Exports			56148.70	0	0.00	0	0.00
			(74880.50)	(0)	(0.00)	(0)	(0.00)
Service Exports			14084.98	0	0.00	0	0.00
			(3477.64)	(0)	(0.00)	(0)	(0.00)
TOTAL			70233.68		0.00		0.00

JAGDISHPUR

Insulators	CMT	6463.13	5853.75	604.90	556.05	645.90	752.85
		(6453.52)	(5557.27)	(807.08)	(693.73)	(604.90)	(556.05)
Ceralin	MT	1523.52	1678.45	110.30	140.44	116.58	99.77
		(1218.08)	(1231.16)	(8.94)	(9.72)	(110.30)	(140.44)
TOTAL			7532.20		696.49		852.62

29. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

A. Sales, Opening Stocks & Closing Stocks

(Rs. in lakhs)

Product	Unit	Sales during the year 2005-2006		Op. Stock of Fin. Goods 1.4.2005		Cl. Stock of Fin. Goods 31.3.2006	
		Qty.	Value	Qty.	Value	Qty.	Value
<u>IVP GOINDWAL</u>							
Industrial Valves	Nos	0	0.00	126	25.35	134	32.28
		(0)	(0.00)	(48)	(9.62)	(126)	(25.35)
		TOTAL	0.00		25.35		32.28
<u>CENTRE OF TECHNOLOGY TRANSFER, HYDERABAD</u>							
Income from testing & services			135.71		0.00		0.00
			(174.65)		(0.00)		(0.00)
Software	Lot		2.50		0.00		0.00
		(0.00)	(21.54)		(0.00)		(0.00)
ASRS for Modernisation of Cod Kanpur	Lot	0	2677.29		2.27		0.27
		(0.00)	(1291.00)		(0.00)		(2.27)
Solar Gyesers	Nos.	0	0.00		0.00		0.00
		(195)	(34.72)		(0.00)		(0.00)
Microwave Sintering System	Nos.	0	0.00		0.00		0.00
		(4)	(10.85)		(0.00)		(0.00)
4 Cell PEM Fuel Cell	Set	1	0.48		0.00		0.00
		(0)	0.00		(0.00)		(0.00)
		TOTAL	2815.98		2.27		0.27
<u>CFP RUDRAPUR</u>							
SWHS	Nos.	1754	186.33	27	1.19	144	9.10
		(2119)	(216.94)	(353)	(18.62)	(27)	(1.19)
Solar Lantern	Nos.	6323	290.53	172	1.83	5	0.06
		(6248)	(193.82)	(1472)	(17.22)	(172)	(1.83)
		TOTAL	476.86		3.02		9.16
<u>HERP/VARANASI</u>							
Spares & Repairs for Boiler/ Turbine & Auxiliaries			3894.61		16.42		26.25
			(2950.45)		(81.36)		(16.42)
		TOTAL	3894.61		16.42		26.25
<u>ADVANCE RESEARCH PROJECT</u>							
Others (Services)			0.00		0.00		0.00
			(123.54)		(0.00)		(0.00)
		TOTAL	0.00		0.00		0.00
<u>TPG BHOPAL</u>							
Spares(Including Services)			29694.89		0.00		0.00
			(19113.20)		(0.00)		(0.00)
		TOTAL	29694.89		0.00		0.00



29. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

A. Sales, Opening Stocks & Closing Stocks

Product	Unit	(Rs. in lakhs)					
		Sales during the year		Op. Stock of Fin. Goods		Cl. Stock of Fin. Goods	
		2005-2006		1.4.2005		31.3.2006	
		Qty.	Value	Qty.	Value	Qty.	Value
<u>OSBG & EMRP</u>							
Repair & Project work			420.91		0.00		0.00
			(1716.03)		(0.00)		(0.00)
		TOTAL	420.91		0.00		0.00
<u>International Operations</u>							
Income from Sales			-403.79		0.00		0.00
(Revenue Recognition Adjustment)			(12.37)		(0.00)		(0.00)
		TOTAL	-403.79		0.00		0.00
<u>Industry Sector</u>							
Income from Sales							
(Revenue Recognition Adjustment)			341.41		-34.10		0.00
			(-47.49)		(0.00)		(-34.10)
		TOTAL	341.41		-34.10		0.00
Adjustment for profit element on inventory					-22.24		-287.93
					(-8.27)		(-22.24)
		GRAND TOTAL	1452549.39		26216.22		32958.00

1. Figures in brackets represent previous year's figures

2. * Correct weight particulars in terms of tonnage could not be ascertained

	Nos.	Rs. in Lakhs
3. @ This excludes closing stock meant for Boiler treated as WIP	4513	390.99
	(1140)	(142.57)
4. Valves drawn for Boilers	15560	3563.59
	(15263)	(2143.89)

5. **This excludes opening stock of 20 MT of Rs. 7.50 lakhs and closing stock of 55 MT of Rs. 33.47 lakhs meant for Boiler Plant treated as WIP.

6. + This includes 95719 MTs of BAP, Ranipet, composite turnover for Fossil Boiler (Prev. year 64824 MTs)

7. 24228 MTs of SS tubes transferred to Boiler Plant for captive consumption

29. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

B. Licensed Capacity, Installed Capacity and Actual Production

SL NO.	PRODUCT	UNIT	INSTALLED CAPACITY		ACTUAL PRODUCTION	
			2005-06	2004-05	2005-06	2004-05
<u>BHOPAL</u>						
1	Turbo Sets					
	-Steam Turbine	Nos.	3	3	0	0
		MW	360	360	0	0
	-Marine Turbine	Nos.	2	2	0	0
		MW	24	24	0	0
	-Nuclear Turbine	Nos.	1	1	0	0
		MW	236	236	0	0
	- Industrial Turbine	Nos.	0	0	0	0
		MW	0	0	0	0
2	Hydro Sets					
	-Hydro Turbine	Nos.	12	12	7	4
		MW	720	720	606	83
	-Hydro Generator	Nos.	12	12	10	10
		MW	720	720	546	745
3	Large Electrical Machine	Nos.	100	100	164	138
4	Traction Machines	Nos.	2850	2850	2608	2269
	(Incl.TG/AG,Blower Motors,BPRV etc.)					
5	Power Transformers	Nos.	65	65	117	58
		MVA	12000	12000	10672	9366
6	Instrument Transformer	Nos.	200	200	770	573
7	Electrical Machines	Nos.	550	550	605	527
8	Switchgear	Nos.	3000	3000	4201	3400
9	Capacitor	MVAR	3200	3200	2714	2325
10	Industrial Controlgear	Nos.	250	250	0	0
11	Traction Controlgear	Set	220	220	276	200
12	Control Equipment	Nos.	600	600	1160	832
13	Heat Exchangers	Nos.	52	52	18	15
		MT	1100	1100	0	0
14	Control Panels	Nos.	600	600	576	907
15	Cathodic Protection System	Tonne	2700	2700	0	0
<u>JHANSI</u>						
1	Power Transformers 33kv/ 132kv	Nos./MVA	65/4000	65/4000	85/4175	79/5559
2	<u>Other Transformer</u>					
	-Special Purpose Transformer	Nos.	180	180	131	35
	(Dry Type Trfr. etc.)					
	-Traction Transformer	Nos.	140	140	131	90
	(Frt. Loco & ACEMU)					
	-Instrument Transformer	Nos.	1960	1960	1005	967
	-ESP Transformer	Nos.	*	*	549	275
3	Bus Duct	Set	@	@		
4	Diesel Shunters	Nos.	10	10	12	5



29. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

B. Licensed Capacity, Installed Capacity and Actual Production

SL NO.	PRODUCT	UNIT	INSTALLED CAPACITY		ACTUAL PRODUCTION	
			2005-06	2004-05	2005-06	2004-05

5	AC Locomotives (Upto 6500 HP)	Nos.	30	30	0	0
---	----------------------------------	------	----	----	---	---

* ESP Trfr. are being manufactured by using the installed capacity of instrument Trfs.

@ Bus duct manufacturing is being done within the existing capacity of Transformers.

Actual production for 2005-2006 includes job done for internal use for the following Products :

Dry Type Trfr. : 10 Nos.

Instrument Trfr : 23 Nos.

Power Trfr : 4 Nos.

HEEP - HARDWAR

1	Turbo Sets	MW	3500	3500	1880	1210
2	Hydro Sets	MW	625	625	-	152
3	Electrical Machines	MW	450	450	74	68
4	Gas Turbine @@	MW	0	0	300	300
5	Super Rapid Gun Mounts	NOS	3	3	2	3

@@ Capacity installed for manufacture of gas turbines components like rotor equivalent to 600 MW Gas Turbines.

Balance Components for Gas Turbines from existing thermal sets facilities.

Note: Installed Capacity are as certified by management.

CFFP HARDWAR

1	Steel Castings	MT	6000	6000	3998	3171
2	Steel Forging					
	(a) Steel Forgings (Heavy)	MT	2410	2410	740	630
	(b) Medium Forgings (Medium)	MT	3000	3000	2087	2285
3	Billets and Blooms	MT	4000	4000	785	553
4	N F Casting	MT	250	250	56	53

Note: 1. Licensed capacity not shown as the same is not required in terms of new industrial policy

2. Installed capacity is as certified by the management.

HYDERABAD

1	Thermal Sets	MW		770	272	394
2	Industrial Turbines	MW	835	65	449.9	418.5
3	Gas Turbine & Accessories	MW			485.4	133.86
4	Compressors	Nos			10	4
5	Drive Turbines	Nos	12	12	11	6
6	Pumps	Nos	137	137	161	100
7	Breakers	Nos	1050	1050	64	75
	132 kv EQU		1035xx	1035xx	306.5	343.5
8	Bowl Mills	Nos	80	80	85	56
9	HP Heaters	Nos	20	20	44#	29#
10	De-aerators	Nos			15	2

Includes LP Heaters, Gas Coolers, Spl. H Ex. manufactured using the capacity of H.P. Heaters

xx 132 kv Equivalent no. of Breakers.

Note: (a) Installed capacity for Sl.No.(1), (2) & (3) TG sets are to be taken together as 835 MW since the facilities are common.

(b) Installed Capacity for Sl. No. (1), (2),(3), (4) & (10) can not be stated separately since BHEL Hyderabad had diversified into these products without any additional / with addition of marginal facilities.

29. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

B. Licensed Capacity, Installed Capacity and Actual Production

SL NO.	PRODUCT	UNIT	INSTALLED CAPACITY		ACTUAL PRODUCTION	
			2005-06	2004-05	2005-06	2004-05

b.1. Sl. No. (3) Gas Turbine & Accessories is manufactured using facilities of Sl.No.(1) & (2).

b.2. Sl. No. (4) Compressor is manufactured using facilities of Sl.No.(5).

b.3. Sl. No. (10) De-aerators is manufactured using facilities of Sl.No.(9).

EDN - BANGALORE

1	Energy Meters	Nos.	600000	600000	68266	32438
2	Control Equipments	CUBICLE	1200	1200	2118	1413
3	Power Devices	Nos.	30000	30000	11779	6695
4	Photovoltaics	KWS	2000	2000	1800	3106
5	Simulators (Defence Electronics)	SETS	*	*	*	*

* Not ascertainable as it varies in quantity depending upon product mix.

TIRUCHY

1	Boilers	MT	108000+*	108000+*	208732	136450+*
2	Valves	MT	2712*A	2712*A	4414	4513
		Nos			61059	54769
3	Nuclear Steam Generating Equipments	MW	382/500**	382/500**	XX	XXX
4	Seamless Steel Tubes	MT	40000	40000	25136	24018
5	Armoured Recovery Vehicles	Nos.	25	25	0	0

+ Including 5000 MT for manufacture of equipments for Process Industries.

* Includes Sub-Contracting and Sub-Delivery.

A Excludes 788 MT of IVP/Goindwal

** Corresponding to 6.5 Steam Generators and 6.5 Reactor Headers for 235 MW (or) 4 Steam Generators and 4 Reactor Headers for 500 MW. Corresponding to the licensed capacity of 50 Nos.

XX The capacity was utilised for manufacturing components for Nuclear Projects and other Heat Exchangers, Pressure Vessels. 1 No. Reactor pressure - P4, 5 Nos. Reheater Tube Bank, 1No. LPSC Heat Exchangers for manufacture during 2005-06.

XXX The capacity was utilised for manufacturing components for nuclear Projects & other Heat Exchangers, Pressure Vessels. 1 Pressure vessel and 1 heat exchanger were manufactured during 2004-05.

BAP - RANIPET

1	Boiler Auxiliaries	MT	57000	57000	106792	73919
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I V P GOINDWAL

1	Industrial Valves	MT	788	788	835	704
		Nos.			7887	5684

EPD - BANGALORE

1	Insulators & Bushings	CMT	6250	6250	5695	6260
2	Assembled Production	MT			9781	10230
3	Ceralin	CMT	745	745	1000	1000
4	Ceralin (Assembled)	MT			2622	2571

IP - JAGDISHPUR

1	Insulators	CMT	6000	6000	6658	6295
2	Ceralin	MT	330	330	780	670
3	Ceralin(Assembled)	MT			1690	1455

CFP - RUDRAPUR

1	S W H S	Nos.	4000	4000	1871	1793
2	Solar Lanterns	Nos.	4000	4000	6156	4948



29. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

(Rs. in lakhs)

	For the year ended 31.03.2006	For the year ended 31.03.2005
C. Value of imports		
CIF basis		
Raw materials	128186.59	68606.93
Components and spare parts	100521.00	99944.88
Capital goods	7009.51	4044.72
D. Expenditure in foreign currency		
Royalty	1893.17	1230.06
Know-how	117.76	427.65
Professional & Consultation fees	63.61	12.03
Interest and others (incl. on foreign sites)	6517.12	2964.52
Dividend :@		
a) number of non-resident shareholders	691	435
b) number of shares held	54941214	54536041
c) gross amount of dividend	2472.36	1636.08
d) year to which dividend relates	2004-2005 (Final Dividend)	2003-2004 (Final Dividend)
Interim Dividend : @		
a) number of non-resident shareholders	784	513
b) number of shares held	54165105	56509305
c) gross amount of dividend	2166.60	1977.83
d) year to which dividend relates	2005-2006 (Interim Dividend)	2004-2005 (Interim Dividend)
Interim Dividend : @		
a) number of non-resident shareholders	1036	—
b) number of shares held	54802130	—
c) gross amount of dividend	4658.18	—
d) year to which dividend relates	2005-2006 (Special Interim)	—
E. Value of consumption of raw materials, components, stores & spare parts.		
# Imported (including custom duty)	203829.79	166112.89
Indigenous	506110.54	343654.87
Percentage of total consumption		
Imported	29	33
Indigenous	71	67
F. Earnings in foreign exchange		
Export of goods (FOB basis) **	56871.05	76124.96
Interest	2.34	0.84
Erection & other services **	14084.98	3477.64
Miscellaneous	4.92	46.74

** This does not include Rs. 121976.51 lakhs (previous year Rs. 80843.44 lakhs) on account of deemed exports.

Includes canalised items wherever ascertained.

29. Other information required by Schedule VI of the Companies Act, 1956 (Contd.)

G. Statement for raw materials and components consumed

(Rs. in lakhs)

Group of materials	Units	For the year ended 31.03.2006		For the year ended 31.03.2005	
		Quantity	Value	Quantity	Value
Ferrous materials					
	MT	400236		264308	
	Meters	3045915		3775037	
	Nos.	1781352		1689962	
	Sq.M	328		84	
	Kg.	48393513		36087600	
	Others	44		10	
			188893.76		120684.81
Non-ferrous materials					
	MT	3204		583	
	Meters	128334		162521	
	Nos.	170941		93765	
	Sq.M.	5		523	
	Kg.	4345905		3181488	
	RL	16522		16735	
			21287.81		13568.95
Insulating materials					
	Meters	38448045		30523444	
	MT	36548		3430	
	Nos.	311013		104381	
	Sq.M.	330933		688570	
	Kg	1181550		902974	
	LT	4856232		4030339	
	RL	226274		163819	
	M2	81443		65465	
	KL	110		80	
	ST	56		1614	
	Others	155		155	
			13835.85		9135.03
Insulated cables and Magnet wires					
	Meters	977101		252317	
	Nos.	103		99	
	Kg	6869		2747	
			1375.61		232.91
Components			424063.05		300491.17
Others			37098.85		45065.79
			<u>686554.93</u>		<u>489178.66</u>



Annexure to Note No. 11

Name of the Small Scale Industrial Undertaking to whom the Company Owes for more than 30 days within the agreed terms (in terms of Notification No. G.S.R. 129(e), Dated 22nd February, 1999

A BOND STRANDS PVT. LTD.	AMARA ENTERPRISES
A D INDUSTRIES	AMBIGAI ENGINEERING WORKS, TIRUCHIRAPALLI
A M ENGINEERING	AMBIKA FORGINGS, BANGALORE
A PAUL INSTRUMENT COMPANY	AMBIKA INDUSTRIES, TIRUCHIRAPALLI
A S K ENTERPRISES	AMCO INDUSTRIES HARDWAR
A. N. INSTRUMENTS PVT LTD.	AMIRTHALINGAM INDUSTRIES, TIRUCHIRAPALLI
A. B. METAL FORMERS (P) LTD.	AMISONS CORPORATION
A. F. NOMAN & CO	AMPCONTROL EQUIPMENTS PVT. LTD.
A. N. INSTRUMENTS PVT. LTD.	AMRUTA ENGINEERING
A. S. ENGINEERS	AM-TECH ENGINEERING SERVICES
A. V. ENGINEERS	ANAND AUTO ENGG WORKS
A. V. ALLOYS LIMITED	ANAND ENGG WORKS, TRICHIRAPPALLI
A. V. K. ENGINEERING WORKS	ANAND UDYOG, MUMBAI
A-1 INDUSTRIES	ANANDA FABRICATORS
AARTECH SOLONICS PVT. LTD.	ANBU SONS
AARTHI ENGINEERING INDUSTRIES	ANIL ENGG WORKS
AATHI LAKSHMI ENGINEERING	ANIL ENTERPRISES
ACCURATE ENGINEERING WORKS, ARYAMANGALAM, TRICHY	ANJANA ELECTRONICS PVT. LTD, CHENNAI
ACCURATE ENGINEERING IND	ANKIT EQUIPMENTS PVT. LTD.
ACCURATE INDUSTRIES, TIRUCHIRAPALLI	ANNAI ENGINEERING ENTERPRISES
ACCU-SIZE GAUGES & TOOLS P. LTD., PUNE	ANNAI VAILANKANNI FABRICATORS, TIRUCHIRAPALLI
ACME ENGINEERS & FABRICATORS	ANNAMALAI ASSOCIATES
ACME FORGINGS PRIVATE LTD, RAJKOT	ANNAPURNA ENGINEERING WORKS
ADARSH ELECTRO PLATING WORKS	ANOD TECH.PROCESS
ADARSH FABRICATORS	ANTONY INDUSTRIES, TIRUCHIRAPALLI
ADEPT FLUIDYNE (P) LTD.	ANUPAM INDUSTRIES
ADITHYA FERRO CAST INDIA PVT. LTD.	ANUPAM INDUSTRIES LIMITED
ADITYA INDUSTRIES	ANUPAM MUDRAN
ADVANCE COOLING SYSTEM PVT. LTD.	APEX ALLOY STEEL PVT. LTD.
ADVANCE STEEL TUBES LTD.	APOLLO SEALS CO
ADVANCE VALVES PVT. LTD.	APPLE REPROGRAPHICS
ADVANCED ELECTRONIC SYSTEMS	ARAMSONS INDUSTRIES, MATHUR
AE&E CHENNAI WORKS LTD., CHENNAI	ARAVALI MINERALS PVT.
AEROSPACE ENGG.(I)(P)	ARCO ELECTRO TECHNOLOGIES (P) LTD.
AEROVENT PROJECTS PVT. LTD.	ARCO INDUSTRIES
AFLON ENGINEERING CORPORATION	ARIHANT INDUSTRIES
AFLON ENGINEERING PVT LTD.	ARMATECH ASSOCIATES
AGILE HEAVY ENGG. (P) LTD.	ARMSEL MHE PVT. LTD.
AGNICE FIREPROTECTION	ARUN PLAST PVT. LTD.
AHSAN ALI ENGG. WORKS	ARUNA ANCILLARY INDUSTRIES
AISHU CASTINGS PVT. LTD.	ARUNN ENTERPRISE, TIRUCHIRAPALLI
AJAI GALVANISING WORKS	ARUNODAYA ENGG WORKS
AJANTHA FABRICATION WORKS, MATHUR	ARYA TRANSFORMERS PVT LTD.
AJMER MINERALS GRIND	ASBA INDUSTRIES, MATHUR
ALDEC CASTING, BANGALORE	ASHOKA ELECTRONICS
ALERT ENGINEERING ENTERPRISE	ASHRAF WOOD INDUSTRIES, PERUMBAVOOR
ALIASONS INDUSTRIES	ASIAN ELECTRONICS LTD.
ALLIED CASTING SERVICES, BANGALORE	ASIAN INDUSTRIAL VALVES&INSTRUMENTS
AMAR ENGINEERING WORKS	ASIAN STRUCTURALS, TIRUCHIRAPALLI
AMAR NATH & SONS/IND	ASPHA BOARD PVT. LTD.

ASSO.CYLINDERS ACCES. PVT. LTD.
 ASSOCIATED ENGINEERING CORPORATION
 ASSOCIATED ENGINEERS
 ASUTOSH CASTINGS LIMITED, NAGPUR
 ATLAS FASTENERS
 ATS CHEM EQUIPMENTS PVT. LTD.
 ATUL GRAM VIKAS SANSTHAN
 AUMA (INDIA) PRIVATE LIMITED, BANGALORE
 AUTO INDIA
 AUTOSHELL CASTS P LTD., COIMBATORE
 AVEE COMPUTDATA FORMS PVT. LTD.
 AZAD RUBBERS INDUSTRIES
 B FOUR TECH. INDUSTRIES
 B.K.ENTERPRISES
 B.M.ENGINEERING WORKS
 B.S.&SONS, TIRUCHIRAPALLI
 B.S.ENGINEERING WORKS, COIMBATORE
 B.V.K INDUSTRIES
 BABA MANUFACTURING COMPANY
 BABY INDUSTRIES
 BAJAJ CHEMICAL INDUSTRIES
 BALAJI ENGG WORKS
 BALAJI ENGINEERING ENTERPRISES
 BALAJI ENGINEERING WORKS
 BALAJI INDUSTRIAL PRODUCTS LTD.
 BALAJI INDUSTRIES
 BALAJI SUPER ALLOYS, COIMBATORE
 BALAMURUGAN ENGG WORKS
 BALIGA LIGHTING EQUIPMENTS PRIVATE LTD.
 BALZERS (INDIA) LTD.
 BANGALORE NONFERROUS CASTINGS
 BANNARI ENGG INDUSTRIES, TIRUCHIRAPALLI
 BANSAL FABWEL INDUSTRIES
 BARODA BUSHING & INSULATOS
 BAU FABS PVT. LTD.
 BAY-FORGE LTD.
 BCPL CONDUCTORS PVT. LIMITED
 BDK PROCESS CONTROLS PVT. LTD.
 BDS ELECTRONIC
 BE ESSAR ENTERPRISES
 BEND JOINTS PVT. LTD.
 BEST COIL SPRINGS
 BEST HARDWARE STORES
 BHANDARY POWERLINES PVT. LTD.
 BHANWARDEEP COPPER STRIPS(P) LTD.
 BHARAKATH METAL BUILDERS, TIRUCHIRAPALLI
 BHARAT ENGG ENTERPRISES
 BHARAT ENGG INDUSTRIES
 BHARAT FABRICATORS
 BHARAT MINERALS
 BHARAT STAMPING PRODUCTS
 BHARAT STEEL WIRE PRODUCTS
 BHARTIYA ELECMECH CORPORATION
 BHASKAR REFRACTORIES&SW PIPES P LTD., FARIDABAD
 BHAWANI & COMPANY
 BHOPAL ENGINEERING
 BHOPAL TIMBERS

BHUVANESSWARI ENGINEERING WORKS, TIRUCHIRAPALLI
 BINDA METALS PVT. LTD.
 BINDU ENTERPRISES
 BISHESHWAR GALVANISERS P. LTD.
 BISHNOI UDYOG
 BLUE MOUNT MACHINE WORKS, COIMBATORE
 BMC ELECTROPLAST PVT. LTD.
 BOLTMASTER (I) PVT. LTD.
 BOLTMASTER (IND) PVT. LTD.
 BOMBAY OIL SEAL CO.
 BOMBAY OIL SEALS CO.
 BORA BROTHERS
 BORA BROTHERS INDUSTRIES
 BOYS TOWN INDUSTRIAL TRAINING CENTRE
 BRIGHT INDIA
 BRIGHT ENGINEERING COMPANY
 BROWNS HITECH STRUCTURE PVT. LTD.
 BRUSH CENTRE
 BUNDEL KHAND INDUSTRIES
 C&C ENGG.SERVICES, TIRUCHIRAPALLI
 C.M INDUSTRIES, COIMBATORE
 CALMET INDUSTRIES
 CANARA BANK,BBHAG AC MIKROFLO FILTERS PVT. LTD.
 CANARA STANDARD KEYS, BANGALORE
 CANDS ELECTRICALS PVT. LTD.
 CAPSO ENGINEERS/FOUNDRY DIVISION
 CAPSULE INDUSTRIES PVT. LTD.
 CARLO DYNATECH INDUSTRIES
 CAST ALLOYS
 CAUVERY ENGINEERING WORKS, PUDUKKOTTAI
 CEE DEE INDUSTRIES
 CERATIZIT INDIA PVT.LTD., KOLKATA
 CHAMAN ENG. CORPN
 CHAMPAK MINERALS & CHEMICALS
 CHAMPAK MINERALS & CO.
 CHAMPION ENGINEERING INDUSTRIES
 CHANAKYA INDUSTRIES
 CHANDEL ENGG P LTD.
 CHANDRA INDUSTRIES
 CHAUDHARY & SONS (FORGINGS) P. LTD.
 CHAUDHURI HAMMERS WORKS
 CHAUHAN ENGINEERING &
 CHELLAM ENGINEERING WORKS
 CHEMTROLS ENGINEERING LIMITED
 CHETNA ENGINEERING CO.
 CHETTINAD STRU. & ENGG. LTD.
 CHHABI ELECTRICALS (P) LTD.
 CHINO LAXSONS (INDIA) PVT. LTD.
 CHITRANJAN INDUSTRIES
 CHLORO CONTROL EQUIPMENT CO.
 CINTHIYA INDUSTRIES, TIRUCHIRAPALLI
 COIMBATORE SUPER ALLOYS (P) LTD., POGALUR
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WELD-VEL ENGINEERS PVT. LTD.
WELLCUT INDUSTRIES
WESTERN EXTRUSION INDUSTRIES (1975)
WIN CRAFT
WIRE & WIRE PRODUCTS, CHENNAI
WISDOM ENTERPRISES, TIRUCHIRAPALLI
WOOD & INSULATION PRODUCTS
WOOD SPOT
WOOD WORLD
XIMAX TECHNOLOGIES
XL ENGINEERING, TIRUCHIRAPALLI
YASHMUN ENGINEERS LTD.
YOGASHRI HEAVY ENGINEERING (P) LTD.
YOGESHWAR ALLOY CASTING PVT. LTD.
YOGYA ENTERPRISES
Y-WAY INDUSTRIES
ZEBRA WEBLIFT PVT. LTD.
ZED INDUSTRIES
ZENTRONIC SYSTEMS

Balance Sheet Abstract and Company's General Business Profile

i) Registration details :

Registration No. 0 0 4 2 8 1

State Code 5 5

Balance Sheet

3 1

0 3

0 6

Date

Month

Year

ii) Capital raised during the year (Amount in Rs. Lakhs)

Public Issue

NIL

Bonus Issue

NIL

Right Issue

NIL

Private Placement

NIL

iii) Position of mobilisation and deployment of funds (Amount in Rs. Lakhs)

Total Liabilities

1 8 1 7 9 6 4 . 0 3

Sources of Funds

Paid Up Capital

2 4 4 7 6 . 0 0

Secured Loans

5 0 0 0 0 . 0 0

Application of Funds

Net Fixed Assets*

1 1 6 6 8 4 . 8 3

* It includes Capital WIP Rs. 18457.18 Lakhs

Net Current Assets

6 0 1 0 7 5 . 6 7

Accumulated Losses

Nil

iv) Performance of Company (Amount in Rs. Lakhs)

Turnover *

1 4 5 2 5 4 9 . 3 9

* Inclusive of Excise Duty & Service Tax Rs. 115146.12 lakhs

Total earnings including accretion/decretion in inventory, other operational income, other revenue and adjustment of excise duty on turnover for the year is Rs. 1431666.79 Lakhs as against total expenditure.

Profit Before Tax

2 5 6 4 3 5 . 2 0

Earning Per Share in Rs.

6 8 . 6 0

Total Assets

1 8 1 7 9 6 4 . 0 3

Reserves & Surplus

7 0 5 6 6 1 . 7 6

Unsecured Loans

5 8 2 4 . 0 4

Investments

8 2 9 . 2 6

Misc. Expenditure (Deferred Revenue Exp.)

N I L

Deferred Tax Assets

6 7 3 7 2 . 0 4

Total Expenditure

1 1 7 5 2 3 1 . 5 9

Profit After Tax

1 6 7 9 1 6 . 0 8

Dividend rate*

1 4 5 %

* incl interim dividend 125%.

v) Genetic names of three principal products/services of Company (as per monetary terms)

1. Item Code No. : 8 4 0 2 1 0
(ITC Code)

Product Description : Boilers other than parts

2. Item Code No. : 8 5 0 2 3 9 0 2
(ITC Code)

Product Description : Complete generating sets including hydro turbines

3. Item Code No. : 8 4 1 1 8 2 0 6
(ITC Code)

Product Description : Gas turbines of thrust exceeding 115000 KW

For and on behalf of Board of Directors

Sd/-

(N K Sinha)

Secretary

Sd/-

(C S. Verma)

Director(Finance)

Sd/-

(Ashok K. Puri)

Chairman & Managing Director

Date : 31.05.2006

Place : New Delhi



Reconciliation of Profit Determined under Indian GAAP with Net Income in Accordance with US GAAP for the Year 2005-06

	Notes	Rupees Crores	US \$ (Million)
Profit after tax determined under Indian GAAP		1,679.16	376.41
Adjustment to conform with US GAAP			
Rental Income (lease)	1	(39.77)	(8.92)
Income From investment in Joint Ventures	2	4.59	1.03
Employee Remuneration & Benefits	3	3.01	0.67
Research & Development Expenses	4	(10.89)	(2.44)
Depreciation	5	50.66	11.36
Prior period items	6	12.43	2.79
(incl. provision for taxation earlier years Rs. 3.58 crores)			
Deferred Income Tax	7	(1.01)	(0.23)
Net income in accordance with US GAAP		1,698.18	380.67

1US \$ = Rs. 44.61 (Exchange rate as on 31.03.2006)

The above US GAAP reconciliation is subject to the following adjustments:-

1(a). Revenue Recognition - In respect of long term construction contracts entered before 1.4.2003

Recognition of revenue in respect of long production cycle items is made on technical estimates. When the aggregate value of shipment represents 30% or more of the realizable value, they are considered at 97.5% of the realizable value or in its absence, quoted price. Otherwise, they are considered at actual/estimated factory cost or 97.5% of the realizable value, whichever is lower. The balance 2.5% is recognized as revenue on completion of supplies under contract. Income from erection and project management services is recognised on work done based on : Percentage of completion; or the intrinsic value, reckoned at 97.5% of contract value, the balance 2.5% is recognised as income when the contract is completed. Income from engineering services rendered is recognised at realisable value based on the percentage of work completed. Income from Supply/erection of non-BHEL equipment/systems and civil works is recognised based on dispatches to customer/work done at project site.

As per US GAAP, Revenue is recognised on percentage-of-completion method for Construction Contracts. Impact on reconciliation of US GAAP is not ascertained.

There is no difference in Revenue Recognition in respect of long term construction contracts entered on or after 1.4.2003.

1(b). Exchange variation to fixed assets is capitalised to relevant fixed assets and depreciation thereon is charged off as against the US GAAP exchange variation relevant to fixed assets are charged off during the year in income statement. Impact on reconciliation of US GAAP is not ascertained.

Notes to Reconciliation of Net Profit determined under Indian GAAP with Net Income in accordance with US GAAP

The following notes show the difference between Indian GAAP and US GAAP and necessary adjustment to arrive at net Income under the US GAAP.

1. Rental Income (Lease)

As per Indian GAAP assets given on lease classified as finance lease prior to 1.4.2001 are capitalised at the normal sale price/fair value/contracted price and depreciation on the same has been charged. Lease rental income recognised after adjusting lease equalisation. Under US GAAP assets given on finance lease, finance income is recognised over the lease period.

2. Income from Investment in Joint Ventures

As per Indian GAAP Dividend income from joint ventures is recognised and provision for diminution in value, if any, is made for the investment in joint ventures. Under US GAAP share of income/ loss generated by joint ventures is recognised in the income statement in proportion to holding.

3. Employees Remuneration & Benefits

As per Indian GAAP provision for leave encashment is accounted for on actuarial basis. Under US GAAP provision for leave encashment is accounted on actual basis

4. Research & Development Expenses

As per Indian GAAP R&D expenses in the nature of development are capitalised and amortised over the estimated useful life and shown under depreciation / amortisation. Under US GAAP amortisation of R&D assets is charged as R&D expenses.

5. Depreciation

As per Indian GAAP depreciation is charged to Income statement on assets given on finance lease prior to 1.4.2001. Under US GAAP assets given on finance lease, finance income is recognised. As per Indian GAAP amortisation of R&D assets is shown under depreciation / amortisation. Under US GAAP amortisation of R&D assets is charged as R&D expenses to income statement.

6. Prior period items

As per Indian GAAP prior period items are reported separately in the income statement for the year. Under US GAAP prior period items are accounted by adjustment to prior years under retained profits.

7. Deferred Income Tax

Deferred Income tax adjustment has been provided for the future tax effect on temporary differences between book and tax basis of assets at the enacted tax rates on US GAAP adjustments.

As per our report of even date
For J.C. Bhalla & Co.
Chartered Accountants

Sd/-
(Sudhir Mallick)
Partner

Sd/-
(C.S. Verma)
Director (Finance)

Date : 08.08.2006

Place : New Delhi

Auditor's Report on US GAAP Reconciliation

We have audited the Reconciliation of Net Profit of Bharat Heavy Electricals Limited for the year ended 31st March, 2006 under Indian GAAP to Net Income in accordance with US GAAP ("the Reconciliation") subject to :

- i) Revenue recognition in respect of long term construction contracts entered before 01.04.2003 [Refer Note No. 1(a)];
- ii) Accounting of exchange variation related to fixed assets [Refer Note No. 1(b)].

Consequential impact, if any, of the above on the income as per US GAAP remains unascertained.

The Reconciliation is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, such Reconciliation, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

For JC Bhalla & Co.
Chartered Accountants

Sd/-
(Sudhir Mallick)
Partner
Membership No. 80051

Place: New Delhi

Date: 08.08.2006



Product Profile

THERMAL POWER PLANTS

- Steam turbines, boilers and generators of up to 500 MW capacity for utility and combined-cycle applications; capability to manufacture boilers and steam turbines with supercritical steam cycle parameters and matching generators of up to 1000 MW unit size.
- Steam turbines, boilers and generators for CPP applications; capability to manufacture condensing, extraction, back pressure, injection or any combination of these types of steam turbines.

NUCLEAR POWER PLANTS

- Steam generator & Turbine generator up to 500 MW capacity.

GAS-BASED POWER PLANTS

- Gas turbines of up to 280 MW (ISO) rating.
- Gas turbine-based co-generation and combined-cycle systems for industry and utility applications.

HYDRO POWER PLANTS

- Custom-built conventional hydro turbines of Kaplan, Francis and Pelton types with matching generators, pump turbines with matching motor-generators.
- Mini/micro hydro sets.
- Spherical, butterfly and rotary valves and auxiliaries for hydro stations.

DG POWER PLANTS

- HSD, LDO, FO, LSHS, natural gas/biogas-based diesel generator power plants, unit rating of up to 20 MW and voltage up to 11 kV, for emergency, peaking as well as base load operations on turnkey basis.

INDUSTRIAL SETS

- Industrial turbo-sets of rating from 1.5 to 120 MW.
- Gas turbines and matching generators ranging from 3 to 280 MW (ISO) rating.
- Industrial steam turbines and gas turbines for drive applications and co-generation applications.

BOILERS

- Steam generators for utilities, ranging from 30 to 500 MW capacity, using coal, lignite, oil, natural gas or a combination of these fuels; capability to manufacture boilers with supercritical parameters up to 1000 MW unit size.
- Steam generators for industrial applications, ranging from 40 to 450 t/hour capacity, using coal, natural gas, industrial gases, biomass, lignite, oil, bagasse or a combination of these fuels.
 - Pulverised fuel fired boilers.

- Stoker boilers
- Atmospheric fluidised bed combustion boilers.
- Circulating fluidised bed combustion boilers.
- Heat-recovery steam generators.
- Chemical recovery boilers for paper industry, ranging from capacity of 100 to 1000 t/day of dry solids.
- Pressure vessels.

BOILER AUXILIARIES

- Fans
 - Axial reaction fans of single stage and double stage for clean air application, with capacity ranging from 25 to 800m³/s and pressure ranging from 120 to 1,480 m of gas column.
 - Axial impulse fans for both clean air and flue gas applications, with capacity ranging from 7 to 600m³/s and pressure up to 700m of gas column.
 - Single and double-suction radial fans for clean air and dust-laden hot gases applications up to 400°C, with capacity ranging from 4 to 600m³/s and pressure ranging from 150 to 1,800 m of gas column.
- Air-Preheaters
 - Ljungstrom rotary regenerative air-preheaters for boilers and process furnaces.
 - Large regenerative air-preheaters for utilities of capacity up to 1000 MW.
- Gravimetric Feeders.
- Pulverisers
 - Bowl mills of slow and medium speed of capacity up to 100 t/hour.
 - Tube mills for pulverising low-grade coal with high-ash content.
- Pulse Jet and Reverse Air Type Fabric Filters (Bag Filters).
- Electrostatic Precipitators
 - Electrostatic precipitators of any capacity with efficiency up to 99.9% for utility and industrial applications.
- Mechanical Separators.
- Soot Blowers
 - Long retractable soot blowers (travel up to 12.2m), wall deslagers, rotary blowers and temperature probes and related control panels operating on pneumatic, electric or manual mode.
 - Swivel arm type soot blowers for regenerative air-preheaters.
- Valves
 - High-pressure and low-pressure bypass valves for utilities.
 - High and medium-pressure valves, cast and forged steel valves of gate, globe, non-return (swing-check and piston lift-check) types for steam, oil and gas duties up to 600 mm diameter, 250 kg/cm² pressure and 540°C temperature.
 - High-capacity safety valves and automatic electrically operated pressure relief valves for set pressure up to 200 kg/cm² and temperature up to 550°C.

- Safety relief valves for applications in power, process and other industries for set pressure up to 175 kg/cm² and temperature up to 565°C.
- Ceramic wear-resistant lining material for application in pulverised and coal piping components of thermal power stations as well as in cement, coal and steel industries.

PIPING SYSTEMS

- Constant load hangers, clamp and hanger components, variable spring hangers for power stations up to 850 MW capacities, combined cycle plants, industrial boilers and process industries.

HEAT EXCHANGERS AND PRESSURE VESSELS

- CS/AS/SS/Non-ferrous shell and tube heat exchangers and pressure vessels.
- Air-cooled heat exchangers.
- Surface condensers.
- Steam jet air ejectors.
- Columns.
- Reactors, drums.
- LPG/propane storage bullets.
- LPG/propane mounded storage vessels.
- Feed water heaters.

PUMPS

- Pumps for various applications to suit utilities up to a capacity of 1000 MW.
- Boiler feed pumps (motor or steam turbine driven).
- Boiler feed booster pumps.
- Condensate pumps.
- Circulating water pumps.
- Emergency oil pumps.
- Lubricating oil pumps.
- Standby oil pumps.

POWER STATION CONTROL EQUIPMENT

- Microprocessor-based distributed digital control systems.
- Data acquisition systems.
- Man-machine interface.
- Sub-station controls with SCADA.
- Static excitation equipment/automatic voltage regulator.
- Electro-hydraulic governor control.
- Turbine supervisory system and control.
- Burner Management system.
- Controls for electrostatic precipitators.
- Controls for HP/LP bypass valves.
- Soot blower control.
- Auxiliary pressure reduction and de-superheating system.
- Balance of Plant station controls.
- Gas turbine control system.

SWITCHGEAR

- Switchgear of various types for indoor and outdoor applications and voltage ratings up to 400 kV.
- Minimum oil circuit breakers (66kV - 132kV).
- SF₆ circuit breakers (132 kV - 400 kV).

- Vacuum circuit breakers (3.3 kV - 33 kV).
- Gas insulated switchgears (145 kV).

BUS DUCTS

- Busducts with associated equipment to suit generator power output of utilities of up to 500 MW capacity.

TRANSFORMERS

- Power transformers for voltage up to 400 kV.
- HVDC transformers and reactors up to ± 500 kV rating.
- Series and shunt reactors of up to 400 kV rating and 800 kV is under development.
- Instrument transformers :
 - Current transformers up to 400 kV.
 - Electro-magnetic voltage transformers up to 220 kV.
 - Capacitor voltage transformers up to 400 kV.
- Cast resin dry type transformers up to 10 MVA 33 kV.
- Special transformers for : earthing; furnace; rectifier; electrostatic precipitator; freight loco, AC EMU and traction.

INSULATORS

- High-tension ceramic insulators.
 - Disc/suspension insulators for AC/DC applications, ranging from 45 to 400 kN electro-mechanical strength, for clean and polluted atmospheres.
 - Pin insulators up to 33 kV including radio free design.
 - Post insulators suitable for applications up to 220 kV stacks.
 - Hollow porcelains up to 400 kV for Transformers, SF₆ circuit breakers.
 - Solid core porcelain insulators for 25 kV Railway Traction.
 - Solid core insulators up to 400 kV for Bus Post & Isolators for substation applications.
 - Composite Insulators for 25 kV Railway Traction and up to 400 kV transmission lines.
 - Disc insulators for 800 kV AC and ± 500 kV HVDC transmission lines (BHEL is the first Indian manufacturer to supply such insulators).

INDUSTRIAL AND SPECIAL CERAMICS

- High-performance ceramics for special applications like : alumina, substrates, crucibles, pebbles, metal ceramic joining components, etc.
- Cordierite Honeycomb 80 to 400 cpsi in different contours and lengths for various applications including petrol and diesel vehicles.

CAPACITORS

- Power capacitors for industrial and power systems of up to 250 kVAr rating for application up to 400 kV.
- Coupling/CVT capacitors for voltages up to 400 kV.
- CAPSWITCH – solid state switch for on/off control of capacitor banks – for LT applications.



ENERGY METERS

- Single-phase and 3-phase electro-mechanical energy meters with jewel bearing or magnetic suspension bottom-bearing.
Single-phase and 3-phase electro-mechanical meters with stepper-motor driven counters and LCD's
- High-accuracy Trivector meter (0.2 class and 0.5 class).
- Single-phase and 3-phase prepaid meter and reading.
- Complete metering solutions with automatic meter reading.

ELECTRICAL MACHINES

AC squirrel cage, slipring, synchronous motors, industrial alternators and DC machines are manufactured as per range summarised below. Special-purpose machines are manufactured on request.

- AC Machines for Safe Area Application
 - Induction Motors

Squirrel cage	150 to 35000 kW
Slipring	150 to 15000 kW
 - Synchronous motors 1000 to 17500 kW
 - Variable-Speed drives

Synchronous motors	1000 to 17500 kW
Induction motors	200 to 35000 kW
- AC Machines for Hazardous Area Application
 - Flame-proof motors (Ex. 'D') 150 to 1600 kW
 - Pressurised (Ex. 'P') 150 kW and above
 - Non-sparking (Ex. 'N') Variable speed
 - Increased safety (Ex. 'E') Synchronous and Squirrel Cage
- DC Machines
 - Mill Duty 3.5 to 186 kW
 - Medium/Large 75 to 12000 kW
- Industrial Alternators
 - steam turbine, gas turbine 2000 kVA to 60,000 kVA
and diesel engine driven
- Voltage & Enclosure
 - Voltage AC-415 V to 13800 V
DC - up to 1200 V
 - Enclosure SPDP, CACW, CACA, TETV.

COMPRESSORS

- Centrifugal compressors of varying sizes, driven by steam turbine/gas turbine/motor, for industrial applications handling almost all types of gases; range covers pressure up to 800 kg/cm² and capacity upto 350,000 Nm³/hour.

CONTROL GEAR

- Industrial Control gear
 - Control panels and cubicles for applications in steel, aluminium, cement, paper, rubber, mining, sugar and petrochemical industries.
 - Liquid rotor starters for slipring induction motors of up to 2500 hp rating.
 - Liquid regulators for variable-speed motors
- Contactors
 - LT air break type AC for voltages up to 660 V.
 - LT air break type DC contactors for voltages up to 600 V.
 - HT vacuum type AC for voltages up to 11kV.
- Traction Control gear

- Control gear equipment for railways and other traction applications.
- Control and Relay Panels
 - Control Panels for voltages up to 400 kV and control desks for generating stations and EHV sub-stations.
 - Control and relay boards.
 - Turbine gauge boards for thermal, gas, hydro and nuclear sets.
 - Turbine electrical control cubicles.
 - Outdoor-type control panels and marshalling kiosks, swinging type synchronising panel and mobile synchronising trolley.
 - Transformer tap-changer panels.

SILICON RECTIFIERS

- Silicon power rectifiers with matching transformers for industrial applications like aluminium/copper/zinc smelting, for electrolysis in chemical industry and AC/DC traction application.

THYRISTOR GTO/IGBT EQUIPMENT

- Thyristor converter/inverter equipment for DC drives and synchronous motors.
- Thyristor high current/high voltage power supplies.
- Static AC variable-speed drive systems using GTO/IGBT.
- Thyristor valves and controls for HVDC transmission.
- High frequency induction heating equipment.
- Thyristor valves and controls for reactive power management.

POWER DEVICES

- High-power capacity silicon diodes, thyristor devices and solar photovoltaic cells.

TRANSPORTATION EQUIPMENT

- AC electric locomotives.
- AC-DC dual voltage electric locomotives.
- Diesel-electric locomotives.
- Diesel hydraulic locomotives.
- OHE recording-cum-test car.
- Electric traction equipment (for conventional DC drive as well as 3-phase AC drives, diesel/electric locos, electric multiple units, diesel multiple units and urban transportation systems).
- Traction motors.
- Transformers smoothing reactors.
- Traction generators/alternators.
- Rectifiers.
- Bogies.
- Vacuum circuit breakers.
- Auxiliary machines.
- Microprocessor-based electronic control equipment.
- Power converter/inverter.
- Static inverter for auxiliary supply.
- Locomotive control resistances i.e. field diverters, dynamic braking resistors and inductive shunts.

- Dynamic track stabilizers.
- Ballast cleaning machines.
- Traction control gear.
- Vessel Traffic Management system.
- Ceramic catalytic converter for pollution control.

OIL FIELD EQUIPMENT

- Oil Rigs –
A variety of on-shore rigs, work-over rigs, mobile rigs, heli-rigs, desert rigs for drilling up to depths of 9,000 m, complete with matching draw-works and hoisting equipment including:
 - Mast and substructure.
 - Rotating equipment.
 - Mud System including pumps.
 - Power packs and rig electrics
 - Rig instrumentation.
 - Rig utilities and accessories
- Well Heads and Christmas Trees/sub-sea equipment:
 - Well Heads and X-Mas Trees for working pressures up to 10,000 psi.
 - Choke and kill manifolds.
 - Mud valves.
 - Full bore valves.
 - Block valves.
 - Mudline suspension system.
 - Casing support system.
 - Sub-sea Well Heads.

CASTINGS AND FORGINGS

- Sophisticated heavy castings and forgings of creep-resistant alloy steels, stainless steel and other grades of alloy steels meeting stringent international specifications.

SEAMLESS STEEL TUBES

- Hot-finished and cold-drawn seamless steel tubes with a range varying from outer diameter of 19 to 133 mm and wall thickness of 2 to 12.5 mm, in carbon steel and low-alloy steels to suit ASTM/API and other international specifications.
- Studded tubes
 - Extended surface tubes for high-performance heat transfer applications.
- Spiral finned tubes
 - High-frequency resistance welded finned tubes for heat recovery steam generators, economisers and heat furnaces.

DISTRIBUTED POWER GENERATION AND SMALL HYDRO PLANTS

- Wind electric generator of up to 250 kW rating.
- Solar PV systems and power plants.
- Solar pumps.
- Solar water heating system.

- Solar lanterns, home lighting and street lighting.
- Small hydro power plants up to 25 MW station capacity.

SYSTEMS AND SERVICES

- Power Generation Systems.
 - Turnkey power stations.
 - Combined-cycle power plants.
 - Cogeneration systems.
 - Modernisation and Rehabilitation of power stations.
- Transmission systems
 - Sub-stations/switchyards.
 - HVDC transmission systems.
 - Shunt and Series compensation systems.
 - Power system analysis and controls.
 - FACTS & CSR.
- Distribution systems
 - Substations
 - Automation
 - Remote metering
- Transportation system
 - Traction systems.
 - Urban transportation systems.
- Industrial systems
 - Industrial drives and control systems.

Erection, commissioning, operation and maintenance services, spares management and consultancy services for all the above systems.



BANKERS

State Bank of India
ABN AMRO Bank N.V.
Bank of Baroda
Canara Bank
CITI Bank N.A.
Deutsche Bank AG
HDFC Bank Ltd.
ICICI Bank Ltd.
IDBI Ltd.
Punjab National Bank
Standard Chartered Bank
State Bank of Hyderabad
State Bank of Travancore
The Hongkong and Shanghai
Banking Corporation Ltd.

SHARE TRANSFER AGENT

Karvy Computershare Pvt. Ltd.

Unit : BHEL

Delhi office : 105-108, Arunachal Building
19, Barakhamba Road,
New Delhi - 110 001

Telephone : 23324401, 23324409

Fax No. : 011-23730743

Hyderabad office : "Karvy House", 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad - 500 034

Telephone Nos.: 040-23420815-820

Fax No. : 040-23420814

E-mail : mailmanager@karvy.com

Web : www.karvycomputershare.com

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New Delhi - 110 049 (India)

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Fax : 011-26493021

<http://www.bhel.com>

AUDITORS FOR 2005-06

J.C. Bhalla & Co., New Delhi

Alok Sharma & Co., Varanasi

B.K. Ramdhyan & Co., Bangalore

D.R. Mehta & Associates, Mumbai

G.K. Rao & Co., Hyderabad

Ghosh Khanna & Co., New Delhi

Ghoshal & Ghosal, Kolkata

HDSG & Associates, New Delhi

M' Sun & Co., Chennai

Mehra Malhotra & Co., New Delhi

R.L. Mehra & Co., Amritsar

S. Daga & Co., Hyderabad

S.P. Chopra & Co., New Delhi

Shah Baheti Chandak & Co., Nagpur

Sridhar & Santhanam, Chennai

Swamy & Co., Vellore

Tasky Associates, Bhopal