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BHEL becomes a Maharatna, Turnover crosses Rs.500,000 Million mark, Profitability sustained under adverse business conditions, Total Dividend of 270.5 percent declared, Highest ever Capacity Addition of 10,340 MW in a year

Fiscal 2012-13 has been a defining year for Bharat Heavy Electricals Limited (**BHEL**) as it has become a "Maharatna" company, crossed the Rs.500,000 Million turnover mark and achieved the highest ever addition of 10,340 MW to India's electricity generation capacity. While navigating through one of the most difficult economic and business environment of our times, every effort is being made to protect the interests of shareholders and enhance their wealth. This was stated by Mr. B. Prasada Rao, Chairman & Managing Director, **BHEL** at the 49th Annual General Meeting of the company, here today. Addressing shareholders, Mr. Rao said that **BHEL** recorded an all time high turnover of Rs.501,560 Million and a Net Profit of Rs 66,150 Million. On the back of strong focus on manufacturing efficiencies, **BHEL** was able to maintain the level of previous five years (2007-12) average profit margins of 14% which is one of the highest among peer group companies. Consequently, a total dividend of Rs.13,230 Million, has been declared for 2012-13, which is 270.5% of the paid-up capital (including an interim dividend of 106%), maintaining a track record of paying dividends uninterruptedly since 1976-77. In recognition of the consistent high performance over a longer period of time, the company has been bestowed with the coveted "Maharatna" status by Govt. of India, resulting in further empowerment of the Board for greater business agility, he added. Mr. Rao said that despite subdued business conditions in the Power and Infrastructure sectors coupled with intense competition in domestic and overseas markets, **BHEL** was able to secure orders worth Rs.316,500 Million, an increase of 43% over 2011-12. This included 8 nos. of Turbo Generators (TG), 9 nos. of Boilers (SG) and 7 nos. of Electrostatic Precipitators (ESP) packages for supercritical sets. With a market share of 67% in the power sector, **BHEL** continues to maintain its leadership position in Indian market despite rising intensity of competition. In Industry Sector, **BHEL** secured orders worth Rs.45,000 Million in Captive Power, Rail Transportation, Power Transmission, Oil & Gas, Renewable Energies and other industrial segments. At the end of the year, total orders in hand for execution in 2013-14 and beyond, stand at about Rs.1,151,000 Million. He said that India's economy has grown at an impressive pace over the last two decades as a result of wide-ranging structural reforms to open up the economy and make it more competitive. More recently, activity has slowed, reflecting not only the weak global environment but also the emergence of strains created by the pressure that rapid economic growth has put on energy, natural resources, infrastructure and skills. Resultant bottlenecks have truncated GDP for the year 2012-13 to just 5% against the average of 8% during 2007-12. Prevailing economic and business environment do not give assurance of recovery in economic and business environment in near future. Global Competitiveness Report 2012-13 ranks India 59th amongst 144 world economies in the Global Competitiveness Index, down three places from last year. India continues to be penalized in the ranking for its largely insufficient and ill-adapted transport, ICT, and energy infrastructure. In today's globalised economy, innovation and R&D are the source of competitiveness for a nation. However, India's economy continues to concentrate on absorption of existing technology rather than development of new products based on R&D or innovation at the global knowledge frontier, said Mr. Rao. He emphasized that with a strong innovation ecosystem in place, **BHEL** is enhancing its competitiveness on the global

platform for sustaining leadership and engineering new growth avenues with the objective of fulfilling its responsibilities as a global engineering and manufacturing enterprise of India. Reiterating its commitment towards sustainable development, the CMD said that **BHEL** is establishing a 5 MWp grid-interactive SPV power plant at its Ranipet Unit. The company strongly feels it has a higher responsibility in making its customers achieve sustainability. This is being done by facilitating its customers manage their environmental and social impacts throughout the entire operational lifecycle of the power plants by offering them state-of-the-art engineering and technology inputs for reducing greenhouse gas emissions, water consumption, lesser auxiliary power consumption, best heat rates resulting in fuel savings. He informed shareholders that an analysis of thermal power plant performance reports from Central Electricity Authority (CEA), India and North American Electric Reliability Corporation (NERC), USA explicitly indicates superior performance of **BHEL** thermal sets in terms of Plant Load factor, Operating Availability, and Forced & Planned Outages. This ultimately leads to the most optimal utilization of fossil fuels in such power plants. Continuing with its commitment to optimum utilization of natural resources, **BHEL** has developed dynamic classifier system to improve combustion efficiency of boiler and reduction of NOx emission. Supplementing its efforts to reduce greenhouse gas emissions, the company has geared up for the manufacture and supply of state-of-the-art pollution control equipment called Flue Gas Desulphurisation (FGD) system for removal of Sulphur Dioxide (SO₂) from flue gas in addition to developing Advanced Ultra Supercritical Technology. Enumerating **BHEL**'s milestones in international business, the CMD said that the last few years have witnessed economic uncertainties and political turmoil, constraining capital investments especially in the company's target markets. New projects are not forthcoming and planned projects are also being put on hold or on a slow execution path. In spite of such challenging trends, **BHEL** has sustained its exports momentum with a physical export order inflow of Rs.20,040 Million from 20 countries in 2012-13, registering an eight fold growth over the previous year. On the performance of **BHEL** equipment, he said that upholding its tradition of exhibiting cutting-edge performance, **BHEL**'s thermal sets (coal-based) generated 486 Billion Units during the year 2012-13, contributing 70% to the country's generation from thermal utility sets. The average Plant Load Factor (PLF) of coal-based sets installed in India came down from 73.3% in 2011-12 to 70.0% in 2012-13, generally due to constraints in fuel supplies. But, plants with **BHEL** equipment continued to exhibit average PLF of 73.7%, higher than the national average by 3.7%. Of these, four units of 200 MW each, one unit of 250 MW and one unit of 250 MW achieved more than 100% PLF. Another 14 Stations registered PLF of over 90% and 21 Stations achieved PLF between 80-90%, he added. Mr. Rao said that various initiatives taken by the company in the recent past for accelerated project execution have started fetching results. **BHEL** was able to synchronise/commission an all time high 10,340 MW of power plant equipment including 9,328 MW in utility segment. A significant milestone of the year was the successful commissioning of India's first indigenously manufactured of 600 MW subcritical set on EPC basis at North Chennai. He said that as per a recent EEPC study, the import-export gap in engineering goods is overly negative at USD 17 billion (2012-13) despite the fact that engineering items are among the largest contributors to India's total export basket. These large imports of engineering goods are exerting pressure on the country's economy. It indicates that India has not been able to completely exploit its multitude of advantages in terms of engineering skills, a burgeoning domestic market, an established raw material base and availability of a large pool of skilled labour, which has resulted in poor industry competitiveness. We must lower the manufacturing and engineering trade deficit through development of products and systems with India identity by promoting economy-wide transfer and diffusion of domestic and internationally available technologies. **BHEL** is doing it by adopting innovation and R&D as the key source of competitiveness for sustaining half a century of leadership in Indian market and building brand India. In alignment with the above strategy, **BHEL** places strong emphasis on innovation and creative development. The company has adopted a new R&D Policy to transform R&D and innovation in a focussed manner aimed not only at improving the performance and efficiency of existing products, but also developing new products using state-of-the-art technologies and processes, relevant to the needs of the country to remain current both in terms of technology and features vis-à-vis global benchmarks. The company has identified 15 Mission Projects and 131 Technology Plans which are cascaded into more than 1500 development initiatives, with leaders and timelines

defined. The CMD said that with the objective of becoming an innovative developer of clean, efficient, reliable and affordable products, systems and technologies, **BHEL** continues to relentlessly strengthen its technology and innovation capabilities. During the year, **BHEL** invested Rs.12,520 Million on R&D, the highest R&D spend by an Indian company in the engineering and manufacturing segment. Further, in-house developed products and services clocked a turnover of Rs.96,430 Million, which is approximately 19% of the total turnover of the company. Significantly, the company filed the highest ever 385 patents/copyrights, raising its intellectual capital to 2,170. On the performance of subsidiaries, he informed shareholders that BHPV recorded a profit of Rs.350 Million on a turnover of Rs.2,400 Million, during the year. The company was merged with **BHEL** with effect from 30th Aug 2013 as the 17th manufacturing unit of the company and has been renamed as Heavy Plates and Vessels Plant (HPVP), Vishakhapatnam. This unit has now become the first coast based unit of **BHEL** and the unit has inherent strengths like a unique product profile. HPVP's own products like process plant equipment, cryogenics, defence related equipment like Compact Heat Exchangers, Nuclear products, etc. will add to the product profile of **BHEL**. **BHEL Electrical Machines Limited**, Kasargod, was incorporated on 19th January 2011 with **BHEL** holding a majority stake of 51% and Govt. of Kerala retaining 49%. The company has plans to develop specialised Alternators in various fields. The subsidiary company posted a turnover of Rs.265.3 Million during 2012-13. The company is leveraging **BHEL-EML** to make headway in new product areas like Alternators for Traction Applications etc., he added. Looking to the future, Mr. Rao apprised shareholders that **BHEL** today is at a critical juncture in its history as it endeavours to sustain growth momentum and engineer new growth avenues. The company has done remarkably well in the areas of augmentation of manufacturing capacity, enhancing the pace of project execution, strengthening engineering and technology capabilities, and people development in the recent years. As envisaged in Strategic Plan 2012-17 the company is well positioned to steer itself towards becoming a Global Engineering Enterprise. Major components of the strategy include expanding offerings in the power sector by enlarging EPC capability, enhancing share of business in a power plant, focus on industry business, and expansion of spares & services business. He further said that given the high demand-supply deficit and current impasse in the Indian power sector, power sector will continue to offer maximum growth opportunities in future for the company. Nevertheless, the company will diversify its portfolio of growth opportunities by augmenting capabilities in Transmission, Transportation, Defence, Water, Solar and Nuclear businesses to reduce the risk of uncertainties in power sector. As intensity of competition is increasing, **BHEL** is focusing on improving its cost competitiveness by making supply chain agile and accelerating project execution through sustained focus on vendor base expansion, scaling up procurement through technology initiatives, advanced manufacturing action, global sourcing, integrated operations improvement initiatives and indigenization of supercritical technology etc. In addition, as the employees of your company are getting younger, **BHEL** will have another lever of cost competitiveness in its favour, he added. **BHEL** is working towards developing lower rating sets with supercritical parameters providing alternatives to the Utilities to take advantage of this eco-friendly and fuel efficient technology. Further, to expand the nuclear energy portfolio, efforts to increase scope by offering products beyond conventional island in nuclear business are under way. Considering the ageing of Indian power plants, the company has constituted a R&M Systems Group (RMSG) to address emerging opportunities in Renovation and Modernisation, said Mr. Rao. As **BHEL** is operating in a highly integrated global business environment, it has been exploring various avenues of collaboration with business partners for mutual growth. The benefits of its efforts over the last few years to expand the industry business are now becoming visible with new forays in transportation and renewable business. **BHEL's** well-entrenched culture of innovation is its core strength. To uphold its reputation for excellence in its core capability, the company will continue to upgrade existing products to contemporary levels and develop new products through continuous in-house efforts as well as through acquisition of new technologies, said the CMD. On the CSR front, **BHEL** undertook socio-economic and community development programs to promote education, improvement of living conditions, health and hygiene in villages and communities located in the vicinity of its manufacturing plants and project sites. The company financially supported 100 girl children to pursue higher education up to Post-graduation level under program titled "Udayan Shalini". The company has joined hands with the Govt. of India's

“Project Udaan”™ for enhancing the employability of the youth of J&K. **BHEL**™s company-wide campaign titled “Vision to All- **BHEL**™s Call”™ resulted in more than 51,000 pledges from employees and their families for donation of their eyes. The company has also ventured into yet another noble cause for organ donation, said Mr. Rao. He informed shareholders that five years after the global financial crisis, the economy and the industry are still reeling under the crisis of confidence in India as well as in the world. **BHEL** too is affected by this crisis but the company is not allowing the crisis go waste. It is building new competitive advantages by experimenting with new ideas and methods rapidly, frequently, and economically - not only with products and services but also with business models, processes, and strategies. While it may have to go through some pain in the short term, there is absolutely no doubt that **BHEL**™s inherent technology strength, committed manpower, manufacturing prowess and innovation ecosystem will enable us to recapture the growth once Indian economy moves to another growth trajectory in near future.

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