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BHEL's Growth Momentum continues; Turnover Triples and Net Profit Quadruples in 5 years; Dividend enhanced to 233 per cent; Manufacturing capacity enhanced to 15,000 MW per annum

In fiscal 2009-10, Bharat Heavy Electricals Limited (**BHEL**) further built on the growth momentum achieved in the year before, with a top line growth of 22% and an all-time high Turnover of Rs.34,154 Crore. The company also recorded a quantum jump of 37% in its Net Profit (PAT) which was also the highest-ever at Rs.4,311 Crore. Notably, **BHEL**'s turnover has increased by three times and net profit by four times in the last five years. This was disclosed by Mr. B. Prasada Rao, Chairman & Managing Director, **BHEL** at the 46th Annual General Meeting of the company, here today. Addressing shareholders, Mr. Rao said that **BHEL** recorded a 33% surge in Economic Value Addition (EVA), which went up to Rs.2,670 Crore from Rs.2,008 Crore in the year before. A total dividend of Rs.1,141 Crore – the highest ever, has been declared for 2009-10, which is 233% of the paid-up capital (including an interim dividend of 110%) as against 170% paid for 2008-09. Significantly, the company secured orders worth Rs.59,037 Crore despite operating under intense competitive pressure in domestic and international markets. In 2009-10, the company secured its highest-ever orders from the private sector in the utility segment reflecting the confidence reposed by private sector customers. Out of the total orders of 16,489 MW received by **BHEL** for power plant equipment during the year, orders received from private power utilities alone accounted for 14,689 MW constituting nearly 90% of the total orders booked in the power sector, he said. As a result of increased customer focus and sustained efforts for entry into new business areas, **BHEL**'s Industry Sector order booking recorded an all-time high growth of 40% at Rs.14,366 Crore. With an order book position of over Rs.1,44,000 Crore – the highest-ever both in physical as well as financial terms, at the close of the financial year, the company expects to achieve robust growth in 2010-11 and beyond, he added. Outlining the trends in the global and domestic economies, the CMD said that after the global meltdown of 2008, the world economy showed signs of recovery in 2009-10. The Indian economy showed considerable resilience and the overall GDP growth of India is estimated at 7.4% in 2009-10, representing an increase from the 6.7% growth in 2008-09. Industrial output, which was affected by the cyclical slowdown and international commodity price shocks in 2007-08 and the global recession in 2008-09, recovered substantially in 2009-10. The Index of Industrial Production (IIP), driven by the manufacturing sector, registered double digit growth during October 2009 – February 2010. Thirteen out of seventeen industries in the IIP recorded higher growth indicating a broad-based recovery. On the back of strong domestic demand, the outlook for the economy remains firmly positive for the coming years, he said. Mr. Rao apprised shareholders that India has set an ambitious target of adding generating capacity of over 1,60,000 MW till 2017 which offers attractive business opportunities for **BHEL**. On the other hand, such a market scenario also attracts increased competition. Several Indian companies are in the process of setting up power plant equipment manufacturing facilities in collaboration with global OEMs resulting in intense competition, advent of environment friendly technology solutions and squeezed delivery schedules. It is also expected that the share of private sector projects and the share of supercritical thermal power projects would be much higher in the XII & XIII Plan periods. Even in such a competitive business environment, **BHEL** registered major successes including the first supercritical order from the private sector for 3x660 MW Bara, Prayagraj Power Generation Company Ltd. of the Jaypee Group and all-time high order booking in a year for hydro equipment. He said that Indian industry responded

promptly to the challenges of the global economic crisis by pursuing the process of consolidation and restructuring their operations. This was also supported by various stimulus packages given by the government. **BHEL** swiftly acted to capture the rebound in industrial demand by increasing customer focus for entry into new business areas. The company's focus on balanced growth through expansion of activities in the segments of industry, transportation, transmission, defence, oil & gas, etc., in addition to its core area of power, resulted in major successes during the year. These included the highest value captive power plant order from IOCL, major repeat orders from Hindalco for 6x150 MW BTG package and the single largest order for 150 numbers 5000 HP 25 kV AC mainline electric locomotives from Indian Railways, said the CMD. Enumerating **BHEL's** milestones in international business, he said that bucking the uncertainties surrounding the global economic recovery, **BHEL** has maintained its thrust with references in more than 70 countries across the world and is poised to expand its footprints in new market segments. These references encompass almost the entire range of **BHEL** products and services. **BHEL** continued to expand its international footprint by winning an order for supply of 126 MW Gas Turbine-based Grodno-II cogeneration projects in Belarus, marking the first ever overseas order for supply of HRSG and Gas Turbine for a cogeneration project in a new market. The company also secured 21st consecutive order since 1995 from Greece for transmission equipment totaling over 3000 MVA, an unparalleled achievement. A major milestone of the year was the commissioning of four power plants in overseas markets – the maximum in a single year. Reference for the largest-ever order for a hydro power plant has been created with an order for 1200 MW Puntasangchu Hydro Power plant from Bhutan. The company is taking a number of strategic business initiatives to fuel further growth in overseas business. Strategic alliances have been established in target export markets positioning **BHEL** as a regular EPC service provider. In addition, manufacturing and service presence in export markets will be explored for geographical diversification, said the CMD. On the performance of **BHEL** equipment, he said that **BHEL**-built power generating sets contributed 488 Billion Units of electricity – 74% of the total power generation in the country. **BHEL**-built thermal sets achieved an impressive Operating Availability (OA) of 87% with a Plant Load Factor (PLF) of 78.4%, which was more than the national average. Significantly, all the 8 thermal power stations awarded with Govt. of India's Meritorious Productivity Awards for excellent performance for 2008-09, are equipped with **BHEL** sets, reaffirming the reliability and quality of **BHEL** equipment. As part of R&D efforts, Mr. Rao said that **BHEL** invested Rs.829 Crore on R&D programmes, 20% higher than the previous year and corresponding to 2.43% of its sales turnover. Technology development efforts undertaken by **BHEL** led to filing of 263 patents and copyrights, significantly enhancing the company's intellectual capital to 1100 patents and copyrights filed, which are in productive use in the company's business. As part of its continuous endeavour to develop more efficient products/technologies, **BHEL** developed 70 V high voltage space-grade Solar Panels for high power applications jointly with ISRO for deployment in GSAT-4 satellites. Significantly, 12 Satellites launched by ISRO are powered by **BHEL** manufactured Solar Panels and 7 Satellites with **BHEL** manufactured Batteries. **BHEL** is also actively working on a number of projects in the area of Nano Technology, Fuel Cells and Clean Coal technology etc to advance the development of technologies for power and industry sector. The engineering & technology character of the organization will be enhanced with increased focus on innovation and R&D. **BHEL** plans to increase R&D spend to at least Rs.1,200 crore by 2011-12. Greater standardisation of components and sub-systems that will drive cost competitiveness and faster delivery is being pursued, he added. Looking to the future, he informed shareholders that the government is continuing its thrust on infrastructure development and transportation, nuclear, solar and various industry segments have also been accorded priority in national development plans. The tremendous growth opportunities coupled with associated challenges arising due to the fast changing market forces in recent years mean that **BHEL** has to adapt its strategy and operations to meet the challenges of the future. A five point agenda has been set for the company which will be pursued relentlessly. The agenda includes focus on timely project delivery; capacity expansion to 20,000 MW; enhancing product cost competitiveness and quality; diversification into emerging business areas and upgrading technology. Elaborating **BHEL's** growth strategies, the CMD said that **BHEL** is well on its track to become a \$10-11 billion turnover company by FY12 exceeding its strategic plan target. As per the ~Capacity and Capability~ enhancement strategy of the company, capability to deliver 15,000 MW p.a. has

been realised and further expansion to 20,000 MW p.a. by March 2012 is in progress. To maintain balanced growth, **BHEL** intends to increase its focus on transportation, transmission, nuclear power and renewable energy segments for business portfolio diversification. As part of this strategy, **BHEL** and Toshiba Corporation, Japan have signed a MoU to explore the possibility of establishing a Joint Venture Company to address the Transmission and Distribution business in India and other mutually agreed countries. MoUs have been signed with Alstom for participating in a tender for setting up a factory for Electric Loco components at Dankuni, West Bengal and with GE for participating in a tender for setting up a Diesel Loco factory at Marhowra, Bihar, he added. Mr. Rao said that continuing the strategy of leveraging equipment sales through joint ventures with State GENCOs, **BHEL** and Maharashtra State Power Generation Company Ltd. have signed a MoU for setting up a JV Company to build, own and operate a 1500-1600 MW Power Plant at Latur in Maharashtra. Similarly, **BHEL** and Madhya Pradesh Power Generation Company Ltd. have formed a JV Company to build, own and operate a 2x800MW Supercritical Thermal Power Plant at Khandwa in Madhya Pradesh. **BHEL** has also signed a technology transfer agreement with Sheffield Forgemasters International Ltd., UK for manufacture of large size Forgings for Turbines and Generators up to 1000 MW rating. For cycle time reduction, **BHEL** is implementing companywide SAP/ERP covering technical, commercial and HR areas. Further, appropriate organization structures are planned to be put in place with a focus on key functions like project engineering and project management. Product cost competitiveness is a prerequisite for maintaining leadership and capability-building initiatives like Design to Cost (DTC), Lean Manufacturing and Purchase & Supply Management (PSM) would continue to be pursued, he said. Against the backdrop of Climate Change, there would be increased focus of **BHEL** on low Carbon Path Technologies such as Ultra Supercritical, IGCC, Solar Power, etc. **BHEL** proposes to play a lead role in development and deployment of advanced Ultra Supercritical Power Plants under the proposed National Mission for Clean Coal (Carbon) Technologies. A pioneer in Human Resource Development in India, **BHEL** realises the value of quality human resources and that the development of this critical resource has become imperative. Towards enhancing and strengthening manpower, an induction of 18000-20,000 people has been planned up to 2012. Around 12,000 persons have already been recruited in the period 2007-10. The company has also successfully concluded a ten year wage agreement with its employees valid from 01.01.2007, the CMD said. Mr. Rao assured shareholders that **BHEL's** fundamentals are in place for success and the company will be developing a new Strategic Plan valid for the period 2012-17 which will address market challenges through differentiated strategies to enable it to maintain its leadership position.

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