



भारत हेवी इलेक्ट्रिकल्स लिमिटेड Bharat Heavy Electricals Limited

No. AA/SCY/SE/15

Date: 24.09.2015

The DGM – Corp. Relationship Deptt
Bombay Stock Exchange Limited
1st Floor, New Trading Ring,
Rotunda Bldg., P.J. Towers
Dalal Street, Fort,
MUMBAI – 400 001

The Manager – Listing Deptt.
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra-Kurla Complex, Bandra (East)
MUMBAI – 400 051

Dear Sir,

Sub: Chairman's Address at 51st AGM held on 22.09.2015

As per Clause 31 of the Listing Agreement, we are sending herewith three copies of the Chairman's Address published in the "The Economics Times" (English) on 23.09.2015 and "Nav Bharat Times" (Hindi) on 24.09.2015, for your information and record.

Thanking you,

Yours faithfully,

(Yogesh R. Chhabra)
Dy. Company Secretary

Encl: As above

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Shri B. Prasada Rao
Chairman & Managing Director

Dear fellow shareholders,

On behalf of the Board of Directors, I take this opportunity of extending a very cordial welcome to you all in the 51st Annual General Meeting of your company.

It's India now

The constituents of global economy are more deeply interconnected today than ever before. World's major economies have been experiencing divergent growth paths. Tides are now clearly shifting. In the emerging world situation, the Indian economy is all set to accelerate.

In the State emblem adopted by the Govt. of India on 26th January, 1950, three lions are visible, the fourth lion being hidden. Last year, the Prime Minister's clarion call of 'Make in India' has (as though, set this fourth lion on the move. This flagship program of the Government has generated a lot of excitement across the world and has enormous potential and promise to catapult the Indian industry into a new phase of growth trajectory. The world economic outlook by IMF puts India's growth rate at 7.5% for 2015-16 & 2016-17, the highest amongst all the countries. The emerging growth scenario has therefore created a need for maximizing the 'Value addition' in 'Manufacturing' based on 'Technology depth'. Your Company's vision of a 'Global engineering enterprise providing solutions for a better tomorrow' is in full convergence with the Government's multiple initiatives.

Technology development and indigenization of critical technologies, veritable enablers, have been our focus as is evident from the major developments of recent years:

Power:

BHEL commissioned country's first indigenously manufactured, highest rating 800 MW supercritical boiler at APPDCL Krishnapatnam-2 & country's first 660 MW indigenously manufactured supercritical set at NTPC Barh-5.

- BHEL has in-house developed 'Fuel Flexible Boiler', which is capable of firing coal with range from 100% Indian to 100% imported.

- That your company has been a forebearer of self-sufficiency in indigenous manufacturing of heavy electrical equipment in the country is manifested by the fact that BHEL constitutes a mammoth 20,000 MW per annum manufacturing capacity for power plant equipment in the country.

- Transmission:** BHEL has established itself to address all kind of requirements of power generating and transmission utilities for 765 kV voltage class besides becoming the

first indigenous manufacturer to design, manufacture and commission India's first 1200 kV Transformer at Ultra High Voltage Test Station, Bina.

BHEL successfully developed, manufactured and commissioned India's first 'Phase Shifting Transformer' (PST) at TSGENCO Kothagudem Thermal Power Station in Telangana.

Transportation:

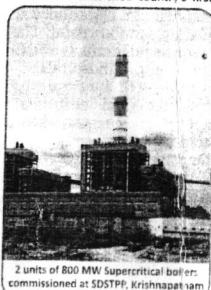
BHEL supplied insulated-gate bipolar transistor (IGBT) propulsion equipment today accounts for over 40% of IGBT based locomotives in operation by the Indian Railways. BHEL is poised to make electric locomotives up-to 6000 HP rating with IGBT based propulsion systems and microprocessor-based VVVF (Variable voltage variable frequency) controls.

Defence

Over the years, your company has made significant contributions in Defence sector for Naval guns and IPMS (Integrated Platform Management System). Currently 'Make in India' initiatives in Defence sector are opening up large opportunities in Naval and Field Guns, Submarines, etc. BHEL is actively pursuing these opportunities by partnering with Global OEMs.

Renewables:

Your company has been in the field of Solar Photovoltaic (SPV) for nearly three decades now. The company has developed capabilities to supply complete SPV systems on EPC basis for both off-grid and grid-interactive requirements.



2 units of 800 MW Supercritical boiler commissioned at SDSTPP, Krishnapatnam

Chairman's Address : 51st Annual General Meeting on 22nd September, 2015

Company has also geared itself to take up EPC of large size Solar projects (i.e. greater than 50 MW) to address the emerging market trends and the increased potential in this segment.

Water Business

Your Company now offers turnkey solutions from concept to commissioning for various feed water characteristics. Besides executing a number of water treatment plants integral to various power stations, Company also made foray in Industrial segment and bagged order for 96 MLD membrane based Raw water filtration plant for Petrochemical Industry at Dahej.



Future cooperation agreement signing in Astana, Kazakhstan

BHEL, starting with technology support from global OEMs, has developed into an entity with cognisable indigenous capabilities. In times of both growth and slowdown, BHEL's spend on R&D has been consistently more than 2.5% of its turnover for last 5-7 years. This is the highest R&D spend by an Indian company in the engineering and manufacturing segment. We have been filing more than one patent/copyright a day.

Performance during the year

Financial Year 2014-15 saw the highest power capacity addition in the country, however, the generation sector is still to come out from the stressful conditions, which adversely affected the power sector development for past 3-4 years. Major constraints like non-availability of long-term coal linkages to the identified projects, inability to ramp up the indigenous Coal and Gas production, rising prices of the imported fuel, poor financial health of State Distribution companies, land acquisition and issues related to environment clearances, etc. had been hampering the Sector. In last one year, certain proactive steps by Govt. of India such as allocation of coal blocks through e-auction, rationalization of fuel prices and expeditious clearance of projects has provided the much needed relief, however, the retarding force which was created by market shrinkage of last 3-4 years continued to impact our operations for the second consecutive year. Your company faced the challenges with exceptional resilience to these headwinds. From managing growth to managing slowdown, your company has demonstrated its strong inherent competitiveness as reflected from sustained market leadership, continued focus on innovation and excellent project execution performance.

BHEL secured orders worth Rs. 30,814 Crore during 2014-15 – an increase of 10% over previous year despite intensely competitive domestic and overseas markets. In a shrinking market in Power Sector, BHEL maintained its leadership position with market share of 72% for the second consecutive year. By expanding its offerings, company secured 89% of its total orders in Power Sector on EPC (Engineering, Procurement & Construction) basis. The company ended the year with an outstanding order book of Rs. 1,01,018 Crore.

BHEL has achieved a Turnover of Rs. 30,947 Crore and a Net profit of Rs. 1,419 Crore during 2014-15. For the third time in a row, your company synchronized/commissioned power projects of more than 10,000 MW in a single year. Power projects totalling 11,941 MW were commissioned/ synchronized during the year, inclusive of 10,230 MW Utility sets, 1,392 MW captive sets/ industrial sets in the country and 319 MW in overseas markets. 2014-15 marked turn around in Indian Hydropower sector with addition of 736 MW to Central utilities, highest in a decade. This entire 736 MW of Hydroelectric projects were successfully commissioned by BHEL.

Today, BHEL equipment boasts of world-class performance attributes like, lower auxiliary power consumption, superior boiler efficiency, better plant heat rate & Plant Load Factor (PLF) and finally lower life-cycle cost. Various performance reports from Central Electricity Authority, India and North American Electric Reliability Corporation (NERC), USA explicitly indicate superior performance of BHEL thermal sets, which ultimately leads to most optimal utilization of fossil fuel coal in such power plants. During the year, overall PLF of BHEL supplied coal based sets at 65.20% was higher than the national average by 70 bps. This includes 27 sets which registered PLF of over 90% and



Sh. S. C. Bhatt
Additional Secretary & Financial Advisory, DIP
Sh. B. Prasada Rao
CMD
Sh. Rajesh Kumar Singh
Joint Secretary, DGH
Ms. Harinder Hira
Part-time Non official Director
Sh. A. N. Roy
Part-time Non official Director
Sh. Atul Sobti
Director (Power)
Sh. D. Bandopadhyay
Director (HR)
Sh. Amitabh Mathur
Director (IS&P)

BHEL also filed the highest-ever 453 patents and copyrights in a year, enhancing the company's intellectual capital to 3,010.

- Focus on cost optimization through increased indigenisation of supercritical



Commemorative Coin being released by the Union Minister of H&PE on the Golden Jubilee of BHEL

76 sets achieved PLF between 80% - 90%. 181 BHEL coal based sets achieved Operating Availability (OA) higher than 90%. BHEL supplied Nuclear sets registered an OA of 92.3% and PLF of 83.7% in 2014-15.

Positioning for Future

The company still faces many challenges but recent policy initiatives taken by the Government are likely to improve business environment and provide momentum to existing and upcoming projects. Your company is focusing to leverage on the intrinsic capabilities to build strong foundations for the coming years:

- Faster execution and on time delivery are indispensable to sustain market leadership. Your company has already augmented its capacity for Power plant



CMD, TSGENCO & CMD, BHEL at the MoU Signing Ceremony for setting up 6,000 MW of Thermal Power Plants in Telangana

equipment manufacturing to 20,000 MW p.a. BHEL signed an MoU with the newly formed Telangana State for 6,000 MW Power projects and received two major EPC orders from TSGENCO for 1X800 MW Kothagudem TPS & 4x270 MW Bhadradi TPS. This has been followed by a landmark single largest EPC order worth around Rs. 18,000 Crore received recently for setting up 5X800 MW Supercritical Thermal

power project at Yadadri, in Nalgonda district of Telangana. The company is all set to create new benchmarks in execution. We are also favourably placed in a number of other new tenders.

- 'Make in India' initiative seeks to make India a competitive manufacturing hub. For your company, the opportunity lies in the higher value-added manufacturing. In line with this, your company, particularly in power sector, is focusing on increasing our value contribution in a shrinking market.

- Over time, your company has taken various initiatives to expand its presence in industry segment and build a robust portfolio of businesses by leveraging the company's strengths, investments in existing facilities and by exploring new business models with focus on collaboration with value chain partners.

- Your company is also exploring collaboration opportunities in target countries to grow exports business by forging opportunity-specific and market-specific alliances to strengthen BHEL's role as an EPC player in the international market.

- R&D expenditure of the company has been more than 2.5% of the turnover for more than 5 years now. Your company invested Rs. 1,019 Crore on R&D and recorded a turnover of Rs. 7,300 Crore from in-house developed products and services.

technologies, higher value additions, increased vendor base and design/layout optimization efforts aided the company in enhancing competitiveness.

- The most valuable asset of the company is its dedicated workforce of about 45,000 employees. With the demographic profile at BHEL moving in favour of millennial generation, People Development strategy of BHEL is focusing on developing each person's competencies in alignment with business plans through implementation of initiatives like performance linked pay, career planning, succession planning and e-learning modules for developing leadership competencies in association with Harvard Manage Mentor, an affiliate of Harvard Business School.

Governance & Inclusive Development

Your 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 and positions us to deliver long-term returns to our shareholders, favourable outcomes to our customers, attractive opportunities to our employees and making the suppliers our partners in progress & enriching the society.



BHEL bags EEP's Top Export Award for the 25th consecutive year

Awards & accolades

Your company was awarded 'EEP's Top Export Award' for the twenty fifth year in succession and 'World Intellectual Property Organisation Award' for 'Innovative Enterprises'. This is in addition to many more recognitions and awards your company and its employees won during the year.

Marching on the Journey Ahead

I am grateful to you, our stakeholders – all business partners including customers for reposing faith in us, employees for their resolve and unstinted devotion, our Members on the Board for their wisdom and continuous support; members of the Management Committee for efficiently steering the company's resources and you, our shareholders for evincing trust & faith in BHEL & its Management. Various Ministers of Govt particularly the Department of Heavy Industry have been providing valuable guidance and support in our efforts.

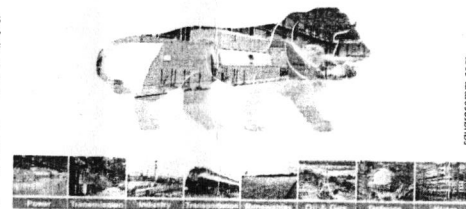
As I conclude, I would like to once again draw your attention to our National emblem which carries three more things at it: base – a wheel, a bull and a horse. Let it continue to inspire us to march on the path of dharma (righteousness), slogging like a bull yet remaining swift as a horse.

Thank you!

New Delhi
September 22, 2015

(B Prasada Rao)
Chairman & Managing Director

Note: The above are excerpts from the Chairman's Address at the AGM and do not purport to be the proceedings of the AGM. For full text of the Address, please visit www.bhel.com



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