LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer is being sent to you, being an Eligible Shareholder(s) (*as defined hereinafter*) of Bharat Heavy Electricals Limited (the "**Company**") as on the Record Date (*as defined hereinafter*) in accordance with the provisions of the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 2018, (the "**Buyback Regulations**"). If you require any clarifications about the action to be taken, you may consult your Shareholder Broker or your investment consultant or the Manager to the Buyback i.e. SBI Capital Markets Limited or the Registrar to the Buyback i.e. Karvy Fintech Private Limited (formerly Karvy Computershare Private Limited). Please refer to the section on 'Definition of Key Terms' for the definition of the capitalized terms used herein.

BHARAT HEAVY ELECTRICALS LIMITED
(A Govt. of India Enterprise)
Registered & Corporate Office: BHEL House, Siri Fort, New Delhi-110049, India
Corporate Identification Number (CIN): L74899DL1964GOI004281
Contact Person: Shri Rajeev Kalra, Deputy Company Secretary and Compliance Officer
Tel: +91 011-66337000, **Fax**: +91 011-66337428, **E-mail**: shareholderquery@bhel.in
Website: www.bhel.com

CASH OFFER FOR BUYBACK OF 18,93,36,645 (EIGHTEEN CRORES, NINETY THREE LAKHS, THIRTY SIX THOUSAND, SIX HUNDRED AND FORTY FIVE ONLY) FULLY PAID-UP EQUITY SHARES OF FACE VALUE ₹ 2 EACH, REPRESENTING 5.16% OF THE TOTAL ISSUED AND PAID-UP EQUITY SHARE CAPITAL OF THE COMPANY AS ON MARCH 31, 2018, FROM ALL THE ELIGIBLE SHAREHOLDERS/ BENEFICIAL OWNERS OF EQUITY SHARES OF THE COMPANY AS ON THE RECORD DATE i.e. TUESDAY, NOVEMBER 06, 2018, ON A PROPORTIONATE BASIS, THROUGH THE "TENDER OFFER" PROCESS AT A PRICE OF ₹ 86 (RUPEES EIGHTY SIX ONLY) PER EQUITY SHARE FOR AN AGGREGATE CONSIDERATION OF ₹ 1628,29,51,470 (RUPEES ONE THOUSAND SIX HUNDRED AND TWENTY EIGHT CRORE, TWENTY NINE LAKH, FIFTY ONE THOUSAND, FOUR HUNDRED AND SEVENTY ONLY)

1) The Buyback is in accordance with the provisions contained in Article 5A of the Articles of Association of the Company, Sections 68, 69, 70 and all other applicable provisions, if any, of the Companies Act, 2013, as amended, and all applicable Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("**SEBI Listing Regulations**"), the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 2018 ("**Buyback Regulations**") and subject to such other approvals, permissions and sanctions as may be required, from time to time from statutory, regulatory or governmental authorities under applicable laws including but not limited to SEBI, the Stock Exchanges and Reserve Bank of India.
2) The Buyback Offer Size represents upto 5% of both the standalone and consolidated paid-up equity share capital and free reserves of the Company, for the financial year ended March 31, 2018 (the last audited financial statements available as on the date of Board Meeting recommending the proposal of the Buyback) and is within the statutory limits of 10% of the aggregate of the fully paid up share capital and free reserves as per the latest audited standalone and consolidated balance sheet of the Company for the financial year ended March 31, 2018. The Equity Shares proposed to be bought back represents 5.16% of the total paid-up equity share capital of the Company.
3) The Letter of Offer will be sent to the Eligible Shareholder(s) as on the Record Date i.e. Tuesday, November 06, 2018.
4) The procedure for tender offer and settlement is set out in paragraph 20 (*Procedure for Tender Offer and Settlement*) on page 36 of this Letter of Offer. The Tender Form is enclosed together with this Letter of Offer.
5) For mode of payment of consideration to the Eligible Shareholders, please refer to paragraph 20.29 *(Method of Settlement)* on page 43 of this Letter of Offer.
6) A copy of the Public Announcement, the Draft Letter of Offer and this Letter of Offer (including Tender Form) shall be available on the website of Securities and Exchange Board of India i.e.www.sebi.gov.in.
7) Eligible Shareholders are advised to refer to paragraph 17 (*Details of Statutory Approvals*) on page 32 of this Letter of Offer and paragraph 21 (*Note on Taxation*) on page 45 of this Letter of Offer, before tendering their Equity Shares in the Buyback.

BUYBACK OPENS ON: THURSDAY, DECEMBER 13, 2018
BUYBACK CLOSES ON: THURSDAY, DECEMBER 27, 2018
(LAST DATE/ TIME OF RECEIPT OF COMPLETED APPLICATIONS, FORMS AND OTHER SPECIFIED DOCUMENTS INCLUDING PHYSICAL SHARE CERTIFICATES BY THE REGISTRAR TO BUYBACK): SATURDAY, DECEMBER 29, 2018 by 05:00 PM

All future correspondence in relation to the Buyback, if any, should be addressed to Manager to the Buyback or Registrar to the Buyback at the respective addresses mentioned below:

In addition to the Company's contact details provided above, the investors may reach out to the Investor Service Centre of Karvy Fintech Private Limited (formerly Karvy Computershare Private Limited) for any queries at 1800 3454 001

MANAGER TO THE BUYBACK	REGISTRAR TO THE BUYBACK
SBI CAPITAL MARKETS LIMITED 202, Maker Tower E, Cuffe Parade, Mumbai 400 005 **Contact person**: Mr. Karan Savardekar/ Mr. Aditya Deshpande **Tel**: + 91 (22) 2217 8300 **Fax**: +91 (22) 2218 8332 **Email**: bhel.buyback@sbicaps.com **Website**: www.sbicaps.com **SEBI Registration Number**: INM000003531 **Validity Period**: Permanent **CIN**: U99999MH1986PLC040298	**KARVY FINTECH PRIVATE LIMITED** Karvy Selenium Tower B, Plot No. 31-32, Financial District, Nanakramguda, Serilingampally Hyderabad- 500 032 **Contact Person:** Mr. M. Murali Krishna **Tel:** +91 (040) 6716 2222 **Fax**: +91 (040) 2343 1551 **E-mail**:bhel.buyback@karvy.com **Investor Grievance Email:** einward.ris@karvy.com **Website**: www.karvyfintech.com **SEBI Registration Number**: INR000000221 **CIN**: U67200TG2017PTC117649

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1 SCHEDULE OF THE ACTIVITIES OF THE BUYBACK OFFER

Activity	Date	Day
Date of Board Meeting approving the proposal of the Buyback	October 25, 2018	Thursday
Date of Public Announcement for Buyback	October 26, 2018	Friday
Date of publication of the Public Announcement for the Buyback	October 29, 2018	Monday
Record Date for determining the Buyback Entitlement and the names of Eligible Shareholders	November 06, 2018	Tuesday
Date of Opening of the Buyback Offer	December 13, 2018	Thursday
Date of Closing of the Buyback Offer	December 27, 2018	Thursday
Last date of receipt of the completed Tender Forms and other specified documents including physical Share certificates by the Registrar	December 29, 2018	Saturday
Last date of verification of Tender Forms by the Registrar to the Buyback	December 31, 2018	Monday
Last date of intimation to the Stock Exchange regarding acceptance / non- acceptance of tendered Equity Shares by the Registrar to the Buyback	January 04, 2019	Friday
Last date of settlement of bids on the Stock Exchanges	January 07, 2019	Monday
Last date of payment to shareholders/ dispatch of unaccepted share certificate(s) by the Registrar/ return of unaccepted demat shares by Stock Exchanges to Shareholder Broker/ Eligible Shareholders	January 07, 2019	Monday
Last date of extinguishment of Equity Shares bought back	January 14, 2019	Monday

Note: Where last dates are mentioned for certain activities, such activities may happen on or before the respective last dates

2 DEFINITION OF KEY TERMS

This Letter of Offer uses certain definitions and abbreviations which, unless the context otherwise indicates or implies or specified otherwise, shall have the meaning as provided below. References to any legislation, act, regulation, rules, guidelines, policies, circular, notification or clarification shall be to such legislation, act, regulation, rules, guidelines, policies, circular, notification or clarification as amended, supplemented, or re-enacted from time to time and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision.

The words and expressions used in this Letter of Offer, but not defined herein shall have the meaning ascribed to such terms under the Buyback Regulations, the Companies Act, the Depositories Act, and the rules and regulations made thereunder.

Term	Description
Acceptance	Acceptance of Equity Shares, tendered by Eligible Shareholders in the Buyback Offer.
Acquisition Window	The facility for acquisition of Equity Shares through mechanism provided by the Designated Stock Exchange i.e. BSE in the form of a separate window in accordance with the SEBI Circulars.
Additional Shares / Additional Equity Shares	Additional Equity Shares tendered by an Eligible Shareholder over and above the Buyback Entitlement of such Equity Shareholder upto the extent of Equity Shares held by the Eligible Shareholder on the Record Date.
Articles/ AOA	Articles of Association of the Company.
Board/ Board of Directors/ Director(s)	Board of Directors of the Company (which term shall, unless repugnant to the context or meaning thereof, be deemed to include a duly authorized 'Committee' thereof).
Board Meeting	Meeting of the Board of Directors held on Thursday, October 25, 2018 approving the proposal for the Buyback Offer.
BSE	BSE Limited.
BSE Notice	Notice issued by BSE bearing number 20170202-34 dated February 2, 2017.
Buyback/ Buyback Offer / Offer	Buyback of 18,93,36,645 (Eighteen Crores, Ninety Three Lakhs, Thirty Six Thousand, Six Hundred and Forty Five Only) fully paid-up Equity Shares at a price of ₹ 86 (Rupees Eighty Six Only) per Equity Share for an aggregate consideration of ₹ 1628,29,51,470 (Rupees One Thousand, Six Hundred and Twenty Eight Crore, Twenty Nine Lakh, Fifty One Thousand, Four Hundred and Seventy only), on a proportionate basis, from the Eligible Shareholders by way of a tender offer through the stock exchange mechanism in terms of the Buyback Regulations read with SEBI Circulars and BSE Notice.
Buyback Offer Size	₹ 1628,29,51,470 (Rupees One Thousand, Six Hundred and Twenty Eight Crore, Twenty Nine Lakh, Fifty One Thousand, Four Hundred and Seventy only). The Buyback Offer size does not include any Transaction Costs.
Buyback Committee/ Committee	The Buyback Committee of the Board, constituted and authorized for the purposes of the Buyback by way of a resolution of the Board dated Thursday, October 25, 2018.
Buyback Entitlement/Entitlement	The number of Equity Shares that an Eligible Shareholder is entitled to tender in the Buyback Offer, based on the number of Equity Shares held by such Eligible Shareholder on the Record Date and the ratio/ percentage of Buyback applicable in the category, to which such Eligible Shareholder belongs.
Buyback Closing Date	Thursday, December 27, 2018.
Buyback Opening Date	Thursday, December 13, 2018.
Buyback Price / Buyback Offer Price/	Price at which Equity Shares will be bought back from the Eligible Shareholders i.e. ₹ 86 (Rupees Eighty Six Only) per fully paid-up Equity Share, payable in cash.
Buyback Regulations	Securities and Exchange Board of India (Buy Back of Securities) Regulations, 2018.

Term	Description
CDSL	Central Depository Services (India) Limited.
Clearing Corporation / ICCL	Indian Clearing Corporation Limited.
Company/BHEL/ "we"/ "Our"	Bharat Heavy Electricals Limited, unless the context states otherwise.
Companies Act, 2013/ Companies Act	The Companies Act, 2013, as amended (to the extent notified).
Company's Broker	SBICAP Securities Limited.
Depositories	Collectively, NSDL and CDSL.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Designated Stock Exchange	The designated stock exchange for the Buyback, being, BSE Limited.
DIN	Director Identification Number.
Draft Letter of Offer/ Offer Document/DLOF	The draft letter of offer dated October 31, 2018 filed with SEBI.
DP	Depository Participant.
DTAA	Double Taxation Avoidance Agreement.
Equity Shares/ Shares	Fully paid-up equity shares of face value ₹ 2 each of the Company.
Equity Shareholders/ Shareholders	Holders of the Equity Shares of the Company and includes beneficial owner(s) thereof.
Eligible Shareholder(s)	Equity Shareholders eligible to participate in the Buyback Offer and would mean all Equity Shareholders as on the Record Date i.e. Tuesday, November 06, 2018, but does not include such shareholders/beneficial owners of the Equity Shares who are not permitted under applicable laws to tender shares in the Buy-back.
Escrow Account	The escrow account titled "BHEL Buyback Escrow Account" opened with the Escrow Agent in terms of the Escrow Agreement.
Escrow Agent	State Bank of India.
Escrow Agreement	The escrow agreement dated November 14, 2018 entered amongst the Company, Manager to the Buyback and the Escrow Agent.
FEMA	Foreign Exchange Management Act, 1999, as amended.
FII(s)	Foreign Institutional Investor(s).
FPI(s)	Foreign Portfolio Investor(s).
Form / Tender Form	Form of Acceptance-cum-Acknowledgement to be filled in by the Eligible Shareholders to participate in the Buyback.
Financial Year/ Fiscal/ FY	Period of 12 months ended March 31 of that particular year.
GOI	Government of India.
HUF	Hindu Undivided Family.
Income Tax Act	Income-tax Act, 1961, as amended.
KYC	Know Your Customer.
Letter of Offer	This Letter of Offer dated November 30, 2018 containing disclosures in relation to the Buyback as specified in the Buyback Regulations, including comments received from SEBI on the Draft Letter of Offer.
LTCG	Long-term Capital Gains.
Ltd.	Limited.
Manager / Manager to the Buyback/ SBICAP	SBI Capital Markets Limited.
Non-Resident Shareholders	Includes Non-Resident persons and bodies corporate, Non-Resident Indians (NRI), FII(s), FPI(s) and erstwhile OCBs.
NRI	Non Resident Indian.
NSDL	National Securities Depository Limited.
OCB	Overseas Corporate Bodies.
Offer Period / Tendering Period	Period of 10 working days from the date of opening of the Buyback Offer till the closing of the Buyback Offer (both days inclusive).
PAN	Permanent Account Number.
Promoter	The President of India, acting through and represented by the Ministry of Heavy Industries & Public Enterprises, Government of India.
Public Announcement / PA	The public announcement dated October 26, 2018, published on October 29, 2018 in accordance with the Buyback Regulations in all editions of the Financial Express (English National daily), Jansatta (Hindi National daily and Regional Language daily), each with wide circulation.

Term	Description
Ratio of Buyback	The ratio of the Buyback: (i) For reserved category of Small Shareholders, 16 Equity Shares for every 87 Equity Shares held by such Small Shareholder on the Record Date; and (ii) for General Category of Eligible Shareholders other than Small Shareholders, 34 Equity Shares for every 743 Equity Shares held by such Eligible Shareholder on the Record Date.
RBI	Reserve Bank of India.
Record Date	The date for the purpose of determining the entitlement and the names of the Equity Shareholders, to whom the Letter of Offer and Tender Form will be sent and who are eligible to participate in the Buyback Offer in accordance with Buyback Regulations. This date shall be Tuesday, November 06, 2018.
Registrar to the Buyback/ Registrar	Karvy Fintech Private Limited (formerly Karvy Computershare Private Limited).
SEBI	Securities and Exchange Board of India.
SEBI Circulars	Tendering of Equity Shares by Shareholders and settlement of the same, through the stock exchange mechanism as specified by SEBI in the circular bearing number CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015 read with SEBI circular bearing number CFD/DCR2/CIR/P/2016/131 dated December 9, 2016 as may be amended from time to time.
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
SEBI Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended.
Shareholder Broker	A stock broker (who is a member of the BSE) of an Eligible Shareholder, through whom the Eligible Shareholder wants to participate in the Buyback.
Small Shareholder	An Eligible Shareholder, who holds Equity Shares of market value not more than ₹ 2,00,000 (Rupees two lakh), on the basis of closing price on the recognized stock exchange registering the highest trading volume (being NSE), on the Record Date i.e. Tuesday, November 06, 2018.
STCG	Short-term Capital Gains.
Stock Exchanges	BSE and NSE, being the stock exchanges where the Equity Shares of the Company are listed.
Tender Offer	Method of buyback as defined in Regulation 2(1)(q) of the Buyback Regulations.
TRS	Transaction Registration Slip.
Transaction Costs	The filing fees payable to the SEBI, Stock Exchanges fees, managers'/ advisors fees, turnover charges, public announcement publication expenses, printing and dispatch expenses, transaction cost viz. brokerage, applicable taxes such as securities transaction tax, stamp duty, and any other incidental and related expenses.
Working Day	Working day shall have the meaning ascribed to it under the Buyback Regulations.

3 DISCLAIMER CLAUSE

As required, a copy of this Letter of Offer has been submitted to Securities and Exchange Board of India (SEBI). It is to be distinctly understood that submission of the Letter of Offer to SEBI should not, in any way be deemed or construed that the same has been cleared or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of the Company to meet the Buyback commitments or for the correctness of the statements made or opinions expressed in this Letter of Offer. The Manager to the Buyback, SBI Capital Markets Limited, has certified that the disclosures made in this Letter of Offer are generally adequate and are in conformity with the provisions of the Companies Act, 2013 and Buyback Regulations. This requirement is to facilitate Eligible Shareholders to take an informed decision for tendering their Equity Shares in the Buyback.

It should also be clearly understood that while the Company is primarily responsible for the correctness, adequacy and disclosure of all relevant information in the Draft Letter of Offer and this Letter of Offer, the Manager to the Buyback is expected to exercise due diligence to ensure that the Company discharges its duty adequately in this behalf and towards this purpose, the Manager to the Buyback, SBI Capital Markets Limited has furnished to SEBI a due diligence certificate dated October 31, 2018 in accordance with Buyback Regulations which reads as follows:

"We have examined various documents and materials contained in the annexure to the Letter of Offer, as part of the due-diligence carried out by us in connection with the finalization of the Public Announcement and the Letter of Offer. On the basis of such examination and the discussions with the Company, we hereby state that:

- *The Public Announcement and the Letter of Offer are in conformity with the documents, materials and papers relevant to the Buyback Offer.*
- *All the legal requirements connected with the said Buyback Offer including SEBI (Buy Back of Securities) Regulations, 2018, have been duly complied with.*
- *The disclosures in the Public Announcement and the Letter of Offer are, to the best of our knowledge, true, fair and adequate in all material respects for the Eligible Shareholders of the Company to make a well informed decision in respect of the captioned Buyback Offer.*
- *Funds used for Buyback shall be as per the provisions of the Companies Act, 2013, as amended."*

The filing of this Letter of Offer with SEBI does not, however, absolve the Company from any liabilities under the provisions of the Companies Act, 2013 or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed Buyback.

The Promoter/ Board of Directors declare and confirm that no information/ material likely to have a bearing on the decision of the Eligible Shareholders has been suppressed/ withheld and/ or incorporated in the manner that would amount to mis-statement/ mis-representation and in the event of it transpiring at any point of time that any information/ material has been suppressed/ withheld and/ or amounts to a mis-statement/ mis-representation, the Promoter/ Board of Directors and the Company shall be liable for penalty in terms of the provisions of the Companies Act, 2013, Buyback Regulations and other applicable laws and regulations.

The Promoter/ Board of Directors also declare and confirm that funds borrowed from the banks and financial institutions will not be used for the Buyback.

Disclaimer for U.S. Persons:

The information contained in this Letter of Offer is exclusively intended for persons who are not U.S. Persons as such term is defined in Regulations of the U.S. Securities Act of 1933, as amended, and who are not physically present in the United States of America. This Letter of Offer does not in any way constitute an offer to sell, or an invitation to sell, or buy any securities in the United States of America or in any other jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Potential users of the information contained in this Letter of Offer are requested to inform themselves about and to observe any such restrictions.

Disclaimer for Persons in other foreign countries:

This Letter of Offer together with the Public Announcement that was published in connection with this Buyback, has been prepared for the purposes of compliance with the Buyback Regulations. Accordingly, the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any jurisdiction outside of India. This Letter of Offer does not in any way constitute an offer to sell or an invitation in any form to subscribe/purchase/ sell, any securities in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Potential users of the information contained in this Letter of Offer are requested to inform themselves about and to observe any such restrictions.

No action has been or will be taken to permit the Buyback in any jurisdiction where action would be required for that purpose. This Letter of Offer will be dispatched or sent through mail to all Equity Shareholders whose names appear on the register of members of the Company, as of the Record Date.

However, receipt of the Letter of Offer by any Equity Shareholder in a jurisdiction in which it would be illegal to make this Offer, or where making this Offer would require any action to be taken (including, but not restricted to, registration of the Letter of Offer under any local securities laws), shall not be treated by such Equity Shareholder as an offer being made to them and shall be construed by them as being sent for information purposes only.

Persons in possession of this Letter of Offer are required to inform themselves of any relevant restrictions in their respective jurisdictions. Any Equity Shareholder who tenders his, her or its Equity Shares in the Buyback shall be deemed to have declared, represented, warranted and agreed that he, she or it is authorized under the provisions of any applicable local laws, rules, regulations and statutes to participate in the Buyback.

Forward Looking Statements:

This Letter of Offer may contain certain forward-looking statements. These forward-looking statements generally can be identified by words or phrases such as 'aim', 'anticipate', 'believe', 'expect', 'estimate', 'intend', 'objective', 'plan', 'project', 'will', 'will continue', 'will pursue' or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Actual results may differ materially from those suggested by forward-looking statements due to risks or uncertainties associated with expectations relating to, inter alia, regulatory changes pertaining to the industries in India in which we operate and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on its business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in the industries in which we operate.

4 TEXT OF THE RESOLUTION PASSED AT THE BOARD MEETING

The Buyback through Tender Offer was considered and approved by the Board of Directors of the Company at their meeting held on October 25, 2018. The extract of the board resolution is as follows:

APPROVAL FOR BUYBACK OF EQUITY SHARES NOT EXCEEDING 5% OF THE TOTAL NUMBER OF EQUITY SHARES IN THE PAID UP SHARE CAPITAL OF THE COMPANY

"RESOLVED THAT pursuant to the provisions of Article 5A of the Articles of Association of the Company and the provisions of Sections 68, 69, 70 and all other applicable provisions, if any, of the Companies Act, 2013 (the "Companies Act"), the Companies (Share Capital and Debentures) Rules, 2014 (the "Share Capital Rules") and in compliance with the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 2018 (the "Buyback Regulations"), including any amendments, statutory modifications or re-enactment to each of the foregoing, for the time being in force and subject to such other approvals, permissions and sanctions of the Securities and Exchange Board of India ("SEBI"), the Registrar of Companies, National Capital Region of Delhi and Haryana (the "ROC") and/ or other authorities, institutions or bodies (collectively referred to as the "Appropriate Authorities"), as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by the Appropriate Authority while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (the "Board" which expression shall include any committee constituted by the Board to exercise its powers, including the powers conferred by this resolution), the Board hereby approves the buy back by the Company of its fully paid-up equity shares of face value of ₹ 2 each not exceeding 18,93,36,645 (Eighteen Crore Ninety Three Lakh Thirty Six Thousand Six Hundred and Forty Five) equity shares (representing 5.16% of the total number of equity shares in the paid-up share capital of the Company) at a price of ₹ 86.00 (Rupees Eighty Six only) per equity share (the "Buy Back Offer Price") payable in cash for an aggregate consideration not exceeding ₹ 1628,29,51,470 (Rupees One Thousand Six Hundred and Twenty Eight Crore Twenty Nine Lakh Fifty One Thousand Four Hundred and Seventy only) (the "Buyback Offer Size") representing upto 5% of both the standalone and consolidated paid- up share capital and free reserves (including securities premium account) as per the audited Financial Statements of the Company for the financial year ended March 31, 2018, (being less than 10% of the aggregate of the fully paid-up equity share capital and free

reserves (including securities premium account), from the equity shareholders of the Company, as on the record date determined by the Board, on a proportionate basis through the "Tender Offer" route as prescribed under the Buyback Regulations (hereinafter referred to as the "Buyback")."

"RESOLVED FURTHER THAT the consent of the Board is hereby accorded for fixing **6th November 2018** as the record date (the "Record Date") for the purpose of determining the entitlement and the names of the shareholders, who are eligible to participate in the Buyback."

"RESOLVED FURTHER THAT the Buyback Size does not include any expenses incurred or to be incurred for the Buyback like filing fees payable to the SEBI, brokerage, applicable taxes (such as securities transaction tax, stamp duty and goods and service tax), advisor's fees, public announcement publication expenses, printing and dispatch expenses and other incidental and related expenses."

"RESOLVED FURTHER THAT the Company, to the extent legally permissible, implement the Buyback using the "Mechanism for acquisition of shares through Stock Exchange" notified by SEBI vide circular CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015 read with SEBI circular CFD/DCR2/CIR/P/2016/131 dated December 9, 2016, and notice issued by BSE bearing number 20170202-34 dated February 2, 2017, each as may be amended from time to time."

"RESOLVED FURTHER THAT such Buyback may be made out of the free reserves and/or the securities premium account of the Company/ or such other sources as may be permitted by the Buyback Regulations or the Companies Act through "Tender Offer" route, and as required by the Buyback Regulations and the Companies Act, the Company may buyback equity shares from all the existing members holding equity shares of the Company on a proportionate basis, provided 15% (fifteen percent) of the number of equity shares which the Company proposes to Buyback or number of equity shares entitled as per the shareholding of small shareholders as on the Record Date, whichever is higher, shall be reserved for the small shareholders, as defined in the Buyback Regulations."

"RESOLVED FURTHER THAT all the existing members holding equity shares of the Company as on the Record Date shall be eligible to participate in the Buyback."

"RESOLVED FURTHER THAT the Company has complied and shall continue to comply with Section 70 of the Companies Act which requires that:

a) The Company shall not directly or indirectly purchase its own shares:
   i. through any subsidiary company including its own subsidiary companies; or
   ii. through any investment company or group of investment companies.
b) There are no defaults subsisting in the repayment of deposits or interest payment thereon, redemption of debentures or interest payment thereon or redemption of preference shares or payment of dividend due to any shareholder, or repayment of any term loans or interest payable thereon to any financial institution or banking company, in the last three years.
c) The Company is in compliance with the provisions of Sections 92, 123, 127 and 129 of the Companies Act.

"RESOLVED FURTHER THAT the Board hereby confirms that:

a) all equity shares of the Company are fully paid up;
b) the Company has not undertaken a buyback of any of its securities during the period of one year immediately preceding the date of this Board meeting;
c) the Company shall not issue and allot any equity shares or other specified securities including by way of bonus, till the date of expiry of the buyback period, as defined in the Buyback Regulations;
d) the Company, as per the provisions of Section 68(8) of the Companies Act, 2013, shall not make a further issue of the same kind of shares or other securities including allotment of new shares under clause (a) of sub-section (1) of Section 62 or other specified securities within a period of six months from the date of completion of this Buyback except by way of a bonus issue or in the discharge of subsisting obligations such as conversion of warrants, stock option schemes (including stock appreciation rights schemes), sweat equity or conversion of preference shares or debentures into equity shares;
e) the Company, as per provisions of Regulation 24(i)(f) of the Buyback Regulations, shall not raise further capital for a period of one year from the expiry of the buyback period, as defined in the Buyback Regulations, except in discharge of its subsisting obligations;

f) the Company shall not buy back its equity shares from any person through negotiated deal whether on or off the stock exchanges or through spot transactions or through any private arrangement in the implementation of the Buyback;

g) there are no defaults subsisting in the repayment of deposits or interest payment thereon, redemption of debentures or interest payment thereon or redemption of preference shares or payment of dividend due to any shareholder, or repayment of any term loans or interest payable thereon to any financial institution or banking company;

h) that the aggregate consideration for the Buyback not exceeding ₹ 1628,29,51,470 (Rupees One Thousand Six Hundred and Twenty Eight Crore Twenty Nine Lakh Fifty One Thousand Four Hundred and Seventy only), does not exceed 10% of the aggregate of the fully paid-up equity share capital and free reserves as per the latest standalone and consolidated audited accounts of the Company for the financial year ended March 31, 2018 (the last audited financial statements available as on the date of the Board meeting);

i) that the maximum number of equity shares proposed to be purchased under the Buyback i.e. 18,93,36,645 (Eighteen Crore Ninety Three Lakh Thirty Six Thousand Six Hundred and Forty Five) equity shares, does not exceed 25% of the total number of equity shares in the paid-up share capital of the Company, as per the latest audited accounts for the financial year ended March 31, 2018;

j) the Company shall not make any offer of buyback within a period of one year reckoned from the date of the buyback period, as defined in the Buyback Regulations;

k) the Company shall not Buyback its equity shares so as to delist its equity shares from the stock exchanges;

l) the Company shall not allow Buyback of its equity shares unless the consequent reduction of its share capital is effected;

m) the ratio of the aggregate of secured and unsecured debts owed by the Company after the Buyback shall not be more than twice the paid-up capital and free reserves of the Company as prescribed under the Companies Act and rules made thereunder;

n) there is no pendency of any scheme of amalgamation or compromise or arrangement pursuant to the provisions of the Companies Act, as on date;

o) the Company shall not use borrowed funds, directly or indirectly, whether secured or unsecured, of any form and nature, from banks and/ or financial institutions for paying the consideration to the equity shareholders who have tendered their equity shares in the Buyback; and

p) the Company shall not Buyback the locked-in equity shares or other specified securities, if any and non-transferable equity shares or other specified securities, if any, till the pendency of the lock-in or till the equity shares or other specified securities become transferable."

"RESOLVED FURTHER THAT the Board of Directors confirms that it has made a full enquiry into the affairs and prospects of the Company and that based on such full inquiry conducted into the affairs and prospects of the Company, the Board of Directors has formed an opinion that:

a) immediately following the date of the Board meeting held on 25th October 2018 approving the Buyback, there will be no grounds on which the Company could be found unable to pay its debts;

b) as regards the Company's prospects for the year immediately following the date of the Board meeting held on 25th October 2018, and having regard to the Board's intention with respect to the management of Company's business during that year and to the amount and character of the financial resources, which will, in the Board's view be available to the Company during that year, the Company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from the date of this Board meeting approving the Buyback; and

c) in forming an opinion as aforesaid, the Board has taken into account the liabilities as if the Company was being wound up under the provisions of the Companies Act or the Insolvency and Bankruptcy Code, 2016 (including prospective and contingent liabilities)."

"RESOLVED FURTHER THAT the proposed Buyback be implemented from the existing shareholders including the Promoter of the Company as have been disclosed under the shareholding pattern filings made by the Company from time to time under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations 2011 ("SEBI Takeover Regulations") as the Board may consider appropriate, from its free reserves and/or share premium account and/or surplus and/or cash balances and/ or internal accruals of the Company and/or such other sources or by such mechanisms as may be permitted by applicable law, and on such terms and conditions as the Board may decide from time to time, and in the absolute discretion of the Board, as it may deem fit."

"RESOLVED FURTHER THAT in terms of Regulation 38 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("Listing Regulations") the Company shall

comply with the minimum public shareholding requirements specified in Rule 19(2) and Rule 19A of the Securities Contracts (Regulation) Rules, 1957 in the manner as specified by SEBI from time to time"

"**RESOLVED FURTHER THAT** the draft of the Declaration of Solvency prepared in the prescribed form and supporting affidavit, and other documents, placed before the meeting be and is hereby approved and that Shri Atul Sobti, Chairman and Managing Director and Shri Subodh Gupta, Director (Finance) be and are hereby authorized to finalise and sign the same, for and on behalf of the Board, and Shri I P Singh, Company Secretary or Shri Rajeev Kalra, Dy Company Secretary be and is hereby authorised to file the same with the ROC and the SEBI in accordance with the applicable law."

"RESOLVED FURTHER THAT the Buyback from shareholders who are persons resident outside India including the Foreign Institutional Investors, Foreign Portfolio Investors, Overseas Corporate Bodies, and shareholders of foreign nationality, if any, shall be subject to such approvals, if and to the extent necessary or required from concerned authorities including approvals from Reserve Bank of India (the "RBI") under Foreign Exchange Management Act, 1999 and the rules and regulations framed there under, if any."

"RESOLVED FURTHER THAT no information/ material likely to have a bearing on the decision of the investors has been suppressed/ withheld and/ or incorporated in the manner that would amount to mis-statement/ misrepresentation and the event of it transpiring at any point of time that any information/ material has been suppressed/ withheld and/ or amounts to mis-statement/ misrepresentation, the Board and the Company shall be liable for penalty in terms of the provisions of the Companies Act and the Buyback Regulations."

"RESOLVED FURTHER THAT for the purpose of coordinating with the Securities and Exchange Board of India ("SEBI") in terms of the circular bearing number CIR/ CFD/POLICYCELL/1/2015 dated April 13, 2015 read with circular CFD/DCR2/CIR/P/2016/131 dated December 9, 2016, as may be amended from time to time issued by SEBI, approval of the Board be and is hereby accorded to appoint BSE Limited as the Designated Stock Exchange for the proposed Buyback of the equity shares."

"RESOLVED FURTHER THAT the buyback is being proposed in keeping with the Company's desire to enhance overall shareholders value and the buyback would lead to reduction in total number of equity shares."

"RESOLVED FURTHER THAT nothing contained herein shall confer any right on any shareholder to offer and/ or any obligation on the Company or the Board or the Buyback Committee to buyback any shares and / or impair any power of the Company or the Board or the Buyback Committee to terminate any process in relation to such buyback, if so permissible by applicable law."

"RESOLVED FURTHER THAT the Company do maintain a register of securities bought back wherein details of equity shares bought back, consideration paid for the equity shares bought back, date of cancellation of equity shares and date of extinguishing and physically destroying of equity shares and such other particulars as may be prescribed, shall be entered and that the Company Secretary of the Company be and is hereby authorised to authenticate the entries made in the said register."

"RESOLVED FURTHER THAT the approval of Board be and is hereby accorded for appointment of following intermediaries for the Buyback offer:-

a. SBI Capital Markets Limited as the Managers to the Offer (including scope of Legal Counsel through M/s Dhir & Dhir Associates, RTA & Printers through M/s Karvy Computershare Pvt Ltd, Escrow Demat Account Services and Broker) at such fee and other terms & conditions as mutually agreed with them.
b. M/s Bhatia & Bhatia, M/s Tiwari & Associates and M/s Mahesh C. Solanki & Co, Chartered Accountants who are the Statutory Auditors of the Company to carry out the Audit / Certification work at such fee and other terms & conditions as mutually agreed with them.

"RESOLVED FURTHER THAT a Board level committee comprising of, Director (HR) -Chairperson, Director (E,R&D)-Member and Director (Finance)-Member be and is hereby constituted and the powers of the Board in respect of the Buyback be delegated to the committee (the "Buyback Committee") and that Company Secretary/ Dy. Company Secretary shall act as the Secretary to the Buyback Committee. Further, the Buyback Committee is hereby authorized, to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, expedient, usual or proper, as the Buyback Committee may consider to be in the best interests of the shareholders for the implementation of the Buyback, including but not limited to, the following:

a. the initiation of all necessary actions for preparation and issue of public announcement, draft letter of offer, letter of offer and related documents;
b. earmarking and making arrangements for adequate sources of funds for the purposes of the Buyback;
c. the finalization, signing and filing of the public announcement, draft letter of offer, letter of offer and related documents and also the certificates for declaration of solvency and other filings with SEBI, ROC, the stock exchanges and other Appropriate Authorities, if any;
d. the finalization of the terms of Buyback like entitlement ratio, the schedule of activities for Buyback including finalizing the date of opening and closing of Buyback, the timeframe for completion of the Buyback;
e. the finalization and entering into escrow arrangements as may be required in terms of the Buyback Regulations;
f. the opening, operation and closure of all necessary accounts, including bank accounts, depository accounts (including escrow account) for the purpose of payment and authorizing persons to operate the said accounts;
g. making all applications to the Appropriate Authority for their requisite approvals including approvals as may be required from the Reserve Bank of India under the Foreign Exchange Management Act, 1999 and the rules and regulations framed there under, if any and approvals as may be required from the United States Securities and Exchange Commission ("SEC");
h. to give information, explanation, declaration and confirmations in relation the Buyback, as may be required by the relevant authorities including SEBI and the SEC;
i. extinguishment of dematerialized shares and physical destruction of share certificates and filing of certificate of extinguishment required to be filed in connection with the Buyback on behalf of the Company and/ or the Board, as required under applicable law;
j. use and/ or affix the Common Seal of the Company on relevant documents required to be executed for the buyback of shares in accordance with the provisions of the Articles of Association of the Company;
k. obtaining all necessary certificates and reports from statutory auditors and other third parties as required under applicable law, and to address queries as may arise in relation to the implementation of the Buyback;
l. dealing with stock exchanges (including their clearing corporations), where the equity shares of the Company are listed, and to sign, execute, and deliver such documents as may be necessary or desirable in connection with implementing the Buyback using the "Mechanism for acquisition of shares through Stock Exchange" notified by SEBI vide circular CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015 read with SEBI circular CFD/DCR2/CIR/P/2016/131 dated December 9, 2016, as may be amended from time to time;
m. give such directions as may be necessary or desirable and to settle any questions or difficulties whatsoever that may arise in relation to the Buyback;
n. settle and resolve any queries or difficulties raised by SEBI, stock exchanges, ROC and any other authorities whatsoever in connection to any matter incidental to and ancillary to the Buyback;
o. appoint any intermediaries / agencies / persons as may be required for the purposes of the Buyback and decide and settle the remuneration for all such intermediaries/ agencies/ persons, including by the payment of commission, brokerage, fee, charges etc. and enter into agreements/ letters in respect thereof; and
p. sign, execute and deliver such other documents, deeds and writings as may be necessary or desirable in connection with or incidental to the Buyback and to do all such acts, matters and things as it may, in its absolute discretion deem necessary, expedient, usual or proper, to be in the best interest of the shareholders for the implementation of the Buyback, and to initiate all necessary actions for preparation and issue of various certificates/ documents and such other undertakings, agreements, papers, documents and correspondence as may be necessary for the implementation of the Buyback to the intermediary(ies), SEBI, RBI, ROC, stock exchanges, depositories, SEC and/or other Appropriate Authorities."

"**RESOLVED FURTHER THAT** the quorum for any meeting of the Buyback Committee for implementing the Buyback shall be presence of any two members and the Buyback Committee may regulate its own proceedings and meet as often as required, to discharge its functions."

"**RESOLVED FURTHER THAT** the Buyback Committee shall have the power and authority to delegate all or any of the authorities conferred upon it to any Director/ officer(s) and/ or representatives of the Company, in order to give effect to the aforesaid resolutions and to revoke and substitute such delegations/ sub- delegation of authority from time to time."

"**RESOLVED FURTHER THAT** for the purposes of giving effect to this Resolution, the Buyback Committee be and is hereby authorized to accept and make any alterations, modifications to the terms and conditions as it may deem necessary, concerning any aspect of the Buyback, in accordance with the statutory requirements as well as to give such directions as may be necessary or desirable, to settle any question, difficulties or doubts that may arise

and generally to do all such acts, matters and things as it may, in its absolute discretion deem necessary, expedient, usual or proper, in relation to or in connection with or for matters consequential to the Buyback without seeking any further consent or approval whatsoever."

"RESOLVED FURTHER THAT in terms of Regulation 24(iii) of the Buyback Regulations, Shri Rajeev Kalra, Dy. Company Secretary, be and is hereby appointed as the Compliance Officer for the Buyback."

"RESOLVED FURTHER THAT any of the Directors of the Company and /or the Company Secretary or the Dy Company Secretary for the time being, be and are hereby authorized severally to sign, execute and submit such applications, undertakings, agreements and other requisite documents, writings and deeds as may deem necessary for the Buyback Offer, including without limitation to file/ share necessary e-forms/ forms/ certificates with the intermediaries appointment by the Board, ROC, SEBI, RBI, the stock exchanges, SEC and other Appropriate Authorities and to do all such acts, deeds and things as may be necessary to give effect to the above resolutions."

"RESOLVED FURTHER THAT any of the Directors of the Company and /or the Company Secretary for the time being, be and are hereby authorized severally to make necessary communications with the Promoters of the Company, as may be required in connection with the Buyback."

5 DETAILS OF PUBLIC ANNOUNCEMENT

In accordance with the provisions of Regulation 7(i) of the Buyback Regulations, the Company has made a Public Announcement dated October 26, 2018 in relation to the Buyback of Equity Shares which was published on October 29, 2018 in the following newspapers:

Publication	Language	Editions
Financial Express	English	All editions
Jansatta	Hindi and Regional	All editions

The Public Announcement was issued within two working days from the date of the Board Meeting at which the Buyback was approved.

A copy of the Public Announcement is available on the SEBI website at www.sebi.gov.in.

6 DETAILS OF THE BUYBACK

The Board of Directors of the Company at their meeting held on October 25, 2018 (the "**Board Meeting**"), pursuant to the provisions contained in the Article 5A of the Articles of Association of the Company, Sections 68, 69, 70 and all other applicable provisions, if any, of the Companies Act, 2013 as amended, and all applicable Rules made thereunder, SEBI Listing Regulations, the Buyback Regulations, have approved the Buyback of 18,93,36,645 (Eighteen Crores, Ninety Three Lakhs, Thirty Six Thousand, Six Hundred and Forty Five only) fully paid-up Equity Shares of face value ₹ 2 each representing 5.16% of the total issued and paid-up Equity Share capital of the Company at a price of ₹ 86 (Rupees Eighty Six Only) per Equity Share payable in cash for an aggregate amount of ₹ 1628,29,51,470 (Rupees One Thousand Six Hundred and Twenty Eight Crore, Twenty Nine Lakh, Fifty One Thousand, Four Hundred and Seventy only) which is upto 5% of both the standalone and consolidated paid-up equity share capital and free reserves as per the latest audited balance sheet of the Company for the financial year ended March 31, 2018 (as approved by the Board), on a proportionate basis through the Tender Offer route as prescribed under the Buyback Regulations, from all the Eligible Shareholders of the Company as on the record date i.e. Tuesday, November 06, 2018.

The Buyback is subject to such other approvals as may be necessary, from time to time from statutory authorities including but not limited to SEBI and the Stock Exchanges.

The Buyback Offer Size represents upto 5% of both the standalone and consolidated paid-up share capital and free reserves, as per the audited financial statements of the Company for the financial year ended March 31, 2018 (the last audited financial statements available as on the date of Board Meeting recommending the proposal of the Buyback) and is within the limits of 10% of the total fully paid up share capital and free reserves as per the standalone and consolidated audited accounts of the Company for the financial year ended March 31, 2018. The maximum number of Equity Shares proposed to be bought back does not exceed 25% of the total number of Equity Shares in the paid-up share capital of the Company.

The maximum amount required by the Company for the Buyback Offer Size will be met out of its free reserves and/or cash balances of the Company. The Company shall transfer from its free reserves a sum equal to the nominal value of the Equity Shares bought back through the Buyback to the capital redemption reserve account and the details of such transfer shall be disclosed in its subsequent audited balance sheet. The Company confirms that as required under Section 68(2)(d) of the Companies Act, the ratio of the aggregate of secured and unsecured debts owed by the Company shall not be more than twice the fully paid-up share capital and free reserves after the Buyback.

The Buyback Offer Price of ₹ 86 (Rupees Eighty Six only) per Equity Share has been arrived at after considering various factors such as the volume weighted average price of the Equity Shares on the Stock Exchanges, the net-worth of the Company and the impact of the Buyback on the key financial ratios of the Company. The Buyback Offer Price represents: (i) a premium of 17.28% and 18.59% over the volume weighted average prices of the Equity Shares on BSE and NSE, respectively, during the three months period prior to Monday, October 22, 2018 (i.e. the date of intimation to the Stock Exchanges regarding the Board Meeting); and (ii) a premium of 16.96% and 16.88% over the volume weighted average prices of the Equity Shares on the BSE and NSE, respectively, for two weeks prior to Monday, October 22, 2018 (i.e. the date of intimation to the Stock Exchanges regarding the convening of the Board Meeting). The closing price of the equity shares on Thursday, October 25, 2018, being the date of meeting of the Board of Directors approving the buy-back, was ₹ 70.35 and ₹ 70.25 on BSE and NSE, respectively.

The Buyback shall be undertaken on a proportionate basis from all the Eligible Shareholders of the Company as on the Record Date i.e. Tuesday, November 06, 2018 through the "**Tender Offer**" process, as prescribed under Regulation 4(iv)(a) of the Buyback Regulations. Additionally, the Buyback shall be, subject to applicable laws, facilitated by tendering of Equity Shares by such Eligible Shareholders and settlement of the same, through the stock exchange mechanism as specified by SEBI Circulars and BSE Notice.

The Buyback Offer Size does not include any other expenses incurred or to be incurred for the Buyback like Transaction Costs.

The aggregate shareholding of the Promoter as on the Record Date (i.e. November 06, 2018) is as follows:

S. No	**Name of the Promoter**	**Number of Equity Shares held**	**Number of Equity Shares held in dematerialized form**	**Percentage to issued and paid up Equity Share capital**
1.	The President of India, acting through and represented by the Ministry of Heavy Industries & Public Enterprises, Government of India	231,51,78,000	231,51,78,000	63.06%
	Total	**231,51,78,000**	**231,51,78,000**	**63.06%**

In terms of the Buyback Regulations, under the Tender Offer process, the Promoter of the Company has the option to participate in the Buyback. In this regard, the Promoter i.e. President of India acting through and represented by the Ministry of Heavy Industries & Public Enterprises, Government of India has expressed its intention, vide its letter dated October 25, 2018, to participate in the Buyback and tender upto 18,93,36,645 (Eighteen Crores, Ninety Three Lakhs, Thirty Six Thousand, Six Hundred and Forty Five Only) Equity Shares of the Company.

Pursuant to the proposed Buyback and depending on the response to the Buyback, the voting rights of the Promoter in the Company may increase or decrease from the existing 63.06% holding in the total paid-up equity share capital and voting rights of the Company. The Promoter of the Company is already in control over the Company and therefore such increase/decrease in voting rights of the Promoter will not result in any change in control over the Company.

Post Buyback, the non-promoter shareholding of the Company may increase or decrease from the existing 36.94% of the post Buyback equity share capital of the Company.

In terms of Regulation 38 of the SEBI Listing Regulations, the Company shall comply with the minimum public shareholding requirements as specified in Rule 19(2) and Rule 19A of the Securities Contracts (Regulation) Rules, 1957 in the manner as specified by SEBI.

7 AUTHORITY FOR THE BUYBACK

The Buyback is in accordance with the provisions of Article 5A of the Articles of Association of the Company, Sections 68, 69, 70 and all other applicable provisions, of the Companies Act, 2013, as amended and all applicable Rules made thereunder, SEBI Listing Regulations, the Buyback Regulations and subject to such other approvals, permissions and sanctions as may be necessary, from time to time from statutory authorities including but not limited to SEBI and the Stock Exchanges.

The Board of Directors at their meeting held on October 25, 2018 passed a resolution approving buyback of Equity Shares of the Company.

8 NECESSITY OF THE BUYBACK

Share buyback is the acquisition by a company of its own shares. The objective is to return surplus cash to the members holding equity shares of the Company. The Board at its meeting held on October 25, 2018, considered the accumulated free reserves as well as the cash liquidity reflected in the audited accounts for the financial year ended March 31, 2018 and considering these, the Board decided to allocate a sum of ₹ 1628,29,51,470 (Rupees One Thousand Six Hundred and Twenty Eight Crore, Twenty Nine Lakh, Fifty One Thousand, Four Hundred and Seventy only) for returning to the members holding equity shares of the Company through the Buyback.

After considering several factors and benefits to the members holding equity shares of the Company, the Board decided to recommend Buyback of 18,93,36,645 (Eighteen Crores, Ninety Three Lakhs, Thirty Six Thousand, Six Hundred and Forty Five Only) equity shares (representing 5.16 % of the total issued and paid-up share capital of the Company) at a price of ₹ 86 (Rupees Eighty Six Only) per equity share for an aggregate consideration of ₹ 1628,29,51,470 (Rupees One Thousand Six Hundred and Twenty Eight Crore, Twenty Nine Lakh, Fifty One Thousand, Four Hundred and Seventy only). Buyback is a more efficient form of returning surplus cash to the members holding equity shares of the Company, inter-alia, for the following reasons:

i. The Buyback will help the Company to return surplus cash to its members holding equity shares broadly in proportion to their shareholding, thereby, enhancing the overall return to members;

ii. The Buyback, which is being implemented through the Tender Offer route as prescribed under the Buyback Regulations, would require allocation of higher of number of shares as per their entitlement or 15% of the number of shares to be bought back, reserved for the Small Shareholders. The Company believes that this reservation of 15% for Small Shareholders would benefit a large number of public shareholders, who would get classified as "Small Shareholder" as per Regulation 2(i)(n) of the Buyback Regulations;

iii. The Buyback would help in improving return on equity, by reduction in the equity base, thereby leading to long term increase in shareholders' value;

iv. The Buyback gives an option to the members holding equity shares of the Company, who can choose to participate and get cash in lieu of Equity Shares to be accepted under the Buyback offer or they may choose not to participate and enjoy a resultant increase in their percentage shareholding, post the Buyback offer, without additional investment.

v. Optimizes the capital structure.

9 MANAGEMENT DISCUSSION AND ANALYSIS OF THE LIKELY IMPACT OF BUYBACK ON THE COMPANY

9.1 The Buyback is not likely to cause any material impact on the profitability/ earnings of the Company except a reduction in the amount available for investment, which the Company could have otherwise deployed towards generating investment income. Assuming there is full response to the Buyback (100% acceptance), the funds deployed by the Company towards the Buyback would be ₹ 1628,29,51,470 (Rupees

One Thousand Six Hundred and Twenty Eight Crore, Twenty Nine Lakh, Fifty One Thousand, Four Hundred and Seventy only).

9.2 The Buyback will not in any manner impair the ability of the Company to pursue growth opportunities or meet its cash requirements for business operations. The Buyback is expected to contribute to the overall enhancement of shareholder value and result in an increase in the return on equity of the Company.

9.3 In terms of the Buyback Regulations, under the Tender Offer process, the Promoter of the Company has the option to participate in the Buyback. In this regard, the Promoter i.e. President of India acting through and represented by the Ministry of Heavy Industries & Public Enterprises, Government of India has expressed its intention, vide its letter dated October 25, 2018, to participate in the Buyback and tender upto 18,93,36,645 (Eighteen Crores, Ninety Three Lakhs, Thirty Six Thousand, Six Hundred and Forty Five Only) Equity Shares of the Company.

9.4 Details of the acquisition/sale of the Equity Shares of the participating Promoter i.e. the President of India acting through and represented by the Ministry of Heavy Industries & Public Enterprises, Government of India has acquired/sold till date is set-out below:

S. No.	Date of Transaction	No. of Equity Shares	Acquisition/ Sale Consideration (₹)	Nature of Transaction/Consideration
1.	February 02, 1965	5	5,000	Subscribers to MoA and AoA
2.	February 02, 1965	19,995	1,99,95,000	Initial investment by Government of India
3.	August 02, 1965	90,000	9,00,00,000	Further allotment to Government of India
4.	August 02, 1965	10,000	1,00,00,000	Further allotment to Government of India
5.	September 10, 1965	10,000	1,00,00,000	Further allotment to Government of India
6.	September 10, 1965	30,000	3,00,00,000	Further allotment to Government of India
7.	October 30, 1965	20,000	2,00,00,000	Further allotment to Government of India
8.	October 30, 1965	20,000	2,00,00,000	Further allotment to Government of India
9.	June 18, 1966	50,000	5,00,00,000	Further allotment to Government of India
10.	June 18, 1966	2,41,112	Other than cash	Further allotment to Government of India
11.	August 12, 1966	8,888	88,88,000	Further allotment to Government of India
12.	February 25, 1967	86,112	8,61,12,000	Further allotment to Government of India
13.	April 22, 1967	50,800	5,08,00,000	Further allotment to Government of India
14.	July 25, 1967	10,000	1,00,00,000	Further allotment to Government of India
15.	May 04, 1968	3,088	30,88,000	Further allotment to Government of India
16.	June 17, 1972	1,50,000	15,00,00,000	Further allotment to Government of India
17.	April 11, 1974	5,00,000	Other than cash	Further allotment to Government of India
18.	September 29, 1980	1,00,000	10,00,00,000	Further allotment to Government of India
19.	December 24, 1980	1,00,000	10,00,00,000	Further allotment to Government of India
20.	October 01, 1981	1,00,000	10,00,00,000	Further allotment to Government of India
21.	November 26, 1981	1,32,100	13,21,00,000	Further allotment to

S. No.	Date of Transaction	No. of Equity Shares	Acquisition/ Sale Consideration (₹)	Nature of Transaction/Consideration
				Government of India
22.	August 10, 1982	2,60,000	26,00,00,000	Further allotment to Government of India
23.	December 22, 1982	7,900	79,00,000	Further allotment to Government of India
24.	March 21, 1983	32,100	3,21,00,000	Further allotment to Government of India
25.	June 24, 1983	1,00,000	10,00,00,000	Further allotment to Government of India
26.	December 17, 1983	1,60,000	16,00,00,000	Further allotment to Government of India
27.	July 23, 1984	1,00,000	10,00,00,000	Further allotment to Government of India
28.	September 29, 1984	55,500	5,55,00,000	Further allotment to Government of India
29.	Vide shareholders' resolution dated December 23, 1991, the face value of Equity Shares of the Company was split from ₹ 1,000 per Equity Share to ₹ 10 per Equity Share. Consequently, the shareholding of the Promoter stood revised from 24,47,600 Equity Shares of face value of ₹ 1000 each to 24,47,60,000 Equity Shares of face value of ₹ 10 each.			
30.	December 30, 1991	4,89,52,000	186,26,23,600*	Disinvestment by Government of India by way of sale of Equity Shares to Institutional Investors
31.	August 13, 1993	11,17,000	8,18,20,250*	Disinvestment by Government of India by way of sale of Equity Shares to Institutional Investors
32.	March 17, 1994	20,12,200	12,47,56,400*	Disinvestment by Government of India by way of sale of Equity Shares to the existing employees of the Company
33.	March 24, 1994	2,69,23,600	301,54,43,200*	Disinvestment by Government of India by way of sale of Equity Shares to Institutional Investors
34.	June 06, 2007	16,57,55,200	-	Bonus issue in the ratio 1:1
35.	Vide shareholders' resolution dated September 20, 2011, the face value of Equity Shares of the Company was split from ₹ 10 per Equity Share to ₹ 2 per Equity Share. Consequently, the shareholding of the Promoter stood revised from 33,15,10,400 Equity Shares of face value of ₹ 10 each to 165,75,52,000 Equity Shares of face value of ₹ 2 each.			
36.	March 03, 2014	11,41,00,000	1888,92,55,000*	Disinvestment by Government of India through block deal
37.	October 03, 2017	77,17,26,000	-	Bonus issue in the ratio 1:2
	Total Current Holding	**2,31,51,78,000**	-	-

Note:

***** *Consideration value for disinvestment are as per the communication received from DHI/DPE.*

9.5 Assuming response to the Buyback is to the extent of 100% (full acceptance) from all the Equity Shareholders as per their Buyback Entitlement, the aggregate shareholding of the Promoter, post Buyback may change from the existing 63.06% to 63.44% and the aggregate shareholding of the public in the Company shall change from the existing 36.94% to 36.56% of the post Buyback equity share capital of the Company.

9.6 The Buyback shall not result in a change in control or otherwise affect the existing management structure of the Company.

9.7 Consequent to the Buyback and based on the number of Equity Shares bought back from the Non-Resident Shareholders, FIIs, FPIs, Indian financial institutions, banks, mutual funds and the public including other bodies corporate, the shareholding pattern of the Company would undergo a change. The FIIs/ FPIs are advised to ensure that their investment in the Company continue to be within the limit prescribed under applicable laws, post completion of the Buyback.

9.8 The debt-equity ratio post Buyback will be compliant with the permissible limit of 2:1 prescribed under Section 68 of the Companies Act, 2013, even if the response to the Buyback is to the extent of 100% (full acceptance) of the Buyback Offer Size.

9.9 In compliance with regulation 24(i)(b) of the Buyback Regulations, the Company shall not issue any equity shares or other securities (including by way of bonus) till the date of closure of the Buyback.

9.10 The Company shall not raise further capital for a period of one year from the closure of Buyback Offer except in discharge of its subsisting obligations.

9.11 Salient financial parameters consequent to the Buyback based on the latest audited balance sheet as on March 31, 2018 of the Company are as under:

Parameters	**Standalone**		**Consolidated**	
	Pre-Buyback	**Post- Buyback***	**Pre-Buyback**	**Post- Buyback***
Net worth (₹ in Crore)	32,601.08	30,972.79	32,330.94	30,702.65
Return on Networth (%)	2.47	2.60	1.36	1.43
Earnings Per Share (₹) (of ₹ 2 each)	2.20	2.32	1.19	1.26
Book Value per Share (₹)	88.80	88.95	88.06	88.17
Price/ Earning as per the latest audited financial results based on closing market price on October 25, 2018	NSE:31.82 BSE:32.02	NSE: 30.18 BSE: 30.37	NSE: 58.57 BSE:58.94	NSE:55.55 BSE:55.90
Total Debt/ Equity Ratio	0.003	0.003	0.003	0.004

** Assuming full acceptance of Equity Shares in the Buyback Offer in the Ratio of Buyback*

Note:

1. *Net worth = Equity Share Capital + Reserves & Surplus – Miscellaneous Expenditure.*
2. *Total Debt = Long Term Borrowings + Short Term Borrowings + Current Maturities of Long Term Borrowings*

The key ratios have been computed as below:

Key Ratios basis:

Earnings per Share- Basic (₹)	Net Profit attributable to the equity shareholders / Average number of Shares outstanding during the year/ period
Book Value per Share (₹)	(Paid up Equity Share Capital + Reserves and Surplus) / No. of Equity Shares outstanding during the year / period
Return on Networth excluding revaluation reserves (%)	Net Profit After Tax/ Net Worth excluding revaluation reserves
Debt-Equity Ratio	Long Term Borrowings + Short Term Borrowings + Current Maturities of Long Term Borrowings / Net Worth
P/E as per latest audited financial results	Market Value per Share / Earnings per Share Market value has been taken as ₹ 70.25 on NSE and ₹ 70.35 on BSE both pre and post buyback P/E ratio

9.12 The Promoter of the Company shall not deal in the Equity Shares of the Company on Stock Exchanges or off market, during the period from the date of passing the Board resolution till the closing of the Buyback Offer.

9.13 The Company shall not issue new shares or other specified securities including by way of bonus issue or convert any outstanding instruments into Equity Shares, till the date of closure of the Buy-back offer in accordance with the Companies Act and the SEBI Buyback Regulations.

10 BASIS OF CALCULATING BUYBACK PRICE

10.1 The Buyback price of ₹ 86 (Rupees Eighty Six Only) per Equity Share has been arrived at after considering various factors such as the average price of the Equity Shares on the Stock Exchanges where the equity shares of the Company are listed, the net worth of the Company and the impact of the Buyback on the key financial ratios of the Company.

10.2 The Buyback Offer Price of ₹ 86 (Rupees Eighty Six only) per Equity Share has been arrived at after considering various factors such as the volume weighted average price of the Equity Shares on the Stock Exchanges, the net-worth of the Company and the impact of the Buyback on the key financial ratios of the Company. The Buyback Offer Price represents: (i) a premium of 17.28% and 18.59% over the volume weighted average prices of the Equity Shares on BSE and NSE, respectively, during the three months period prior to Monday, October 22, 2018 (i.e. the date of intimation to the Stock Exchanges regarding the Board Meeting); and (ii) a premium of 16.96% and 16.88% over the volume weighted average prices of the Equity Shares on the BSE and NSE, respectively, for two weeks prior to Monday, October 22, 2018 (i.e. the date of intimation to the Stock Exchanges regarding the convening of the Board Meeting). The closing price of the equity shares on Thursday, October 25, 2018, being the date of meeting of the Board of Directors approving the Buyback, was ₹ 70.35 and ₹ 70.25 on BSE and NSE, respectively.

10.3 For trends in the market price of the Equity Shares of the Company, please refer to paragraph 16 (*Stock Market Data*) of this Letter of Offer.

10.4 The closing market price of the Equity Shares as on the date of intimation to the Stock Exchanges for the Board Meeting for considering the Buyback i.e. October 22, 2018, was ₹ 73.75 and ₹ 73.95 on BSE and NSE, respectively.

10.5 Certain financial ratios as at March 31, 2018 ("**Pre-Buyback**") as derived from the audited financial statements and the corresponding ratios assuming full Acceptance of Equity Shares in the Buyback ("**Post-Buyback**") are set forth below:

Parameters	Standalone		Consolidated	
	Pre-Buyback	**Post-Buyback***	**Pre-Buyback**	**Post-Buyback***
Return on Networth (%)	2.47	2.60	1.36	1.43
Earnings Per Share (₹) (of ₹2 each)	2.20	2.32	1.19	1.26
Book Value per Share (₹)	88.80	88.95	88.06	88.17

* *Assuming full acceptance of Equity Shares in the Buyback Offer*

11 SOURCES OF FUNDS FOR THE BUYBACK

11.1 Assuming full acceptance, the funds that would be employed by the Company for the purpose of the Buyback of 18,93,36,645 (Eighteen Crores, Ninety Three Lakhs, Thirty Six Thousand, Six Hundred and Forty Five Only) Equity Shares at a price of ₹ 86 (Rupees Eighty Six Only) per Equity Share would be ₹ 1628,29,51,470 (Rupees One Thousand Six Hundred and Twenty Eight Crore, Twenty Nine Lakh, Fifty One Thousand, Four Hundred and Seventy only)

11.2 The Buyback shall be made out of the free reserves of the Company as at March 31, 2018 (the last audited financial statements available as on the date of Board Meeting recommending the proposal of the Buyback). The Company shall transfer from its free reserves a sum equal to the nominal value of the Equity Shares bought back through the Buyback to the capital redemption reserve account and the details of such transfer shall be disclosed in its subsequent audited balance sheet and annual report(s).

11.3 The funds for the Buyback will be met out of fixed deposits lying with Banks. The Company does not intend to raise debt for the explicit purposes of the Buyback. Accordingly, borrowed funds will not be used for the Buyback. However, if required, the Company may borrow funds in the ordinary course of its business.

11.4 The Buyback Offer is not likely to cause any material impact on the earnings of the Company, except for the cost of financing the Buyback, being a reduction in the treasury income that the Company could have otherwise earned on the funds deployed.

12 DETAILS OF THE ESCROW ACCOUNT AND THE AMOUNT TO BE DEPOSITED THEREIN

12.1 In accordance with Regulation 9(xi) of the Buyback Regulations, an Escrow Agreement will be entered into amongst the Company, the Manager to the Buyback and the Escrow Agent.

12.2 In accordance with the Buyback Regulations, the Company has opened an Escrow Account in the name and style "BHEL Buyback Escrow Account" bearing account number 38037882614 with the Escrow Agent, namely, State Bank of India having its registered office situated at State Bank Bhavan, Madame Cama Road, Nariman Point, Mumbai - 400 021. In compliance with the provision of Regulation 9(xi) of the Buyback Regulations, the Company undertakes to: (i) issue a bank guarantee of ₹ 177,82,95,147 (Rupees One Hundred and Seventy Seven Crore Eighty Two Lakh Ninety Five Thousand One Hundred and Forty Seven) in favour of the Manager to the Buyback, being equivalent to 25% upto ₹ 100 crores and 10% thereafter of the total consideration payable by the Company under the Buyback; and (ii) deposit of ₹ 16,28,29,515 (Rupees Sixteen Crore Twenty Eight Lakh Twenty Nine Thousand Five Hundred and Fifteen) constituting 1% of the total consideration payable by the Company under the Buyback, assuming full acceptance, on or before the opening of the Buyback Offer. The Manager to the Buyback will be empowered to operate the Escrow Account in accordance with the Buyback Regulations.

12.3 (a) M/s Bhatia & Bhatia, Chartered Accountants (Firm Registration number 003202N), located at 81, Hemkunt Colony, Level 1, Opp. Nehru Place, New Delhi-110048, Tel. no.: +91 (11) 26465599 , Fax: +91 (11) 26425599; Contact Person: Mr. Anant Bhatia (Membership No. 507832); (b) M/s Tiwari & Associates, Chartered Accountants (Firm Registration number 002870N), located at T-8, (2nd Floor), Green Park Extension, New Delhi-110016, Tel: +91 (11) 26166225 ; Fax: +91 (11) 26198237; Contact Person: Mr. Sandeep Sandill (Membership No. 085747); and (c) M/s Mahesh C. Solanki & Co., Chartered Accountants (Firm Registration number 006228C), located at 803, Airen Heights, PU-3, Scheme No. 54, Opp. Mega Mahar Mall, A.B. Road, Indore-452010, Tel: +91 (731) 2576077; Fax: +91 (731) 4067929; Contact Person: Mr. Mahesh Solanki (Membership No. 074991) have certified, vide their certificate dated October 25, 2018 that the Company has adequate financial resources for fulfilling all obligations under the Buyback Offer.

12.4 Based on the above certificate, the Manager to the Buyback has satisfied itself about the ability of the Company to implement the Buyback Offer in accordance with the Buyback Regulations.

13 CAPITAL STRUCTURE AND SHAREHOLDING PATTERN

13.1 The capital structure of the Company, as on the Record Date and Post Buyback, is as follows:

Particulars	**Aggregate value at face value** *(in ₹)*
Authorised share capital	
10,00,00,00,000 Equity Shares of ₹ 2 each	20,00,00,00,000
Issued, subscribed and paid up share capital	
3,67,14,00,000 Equity Shares of ₹ 2 each, fully paid up	7,34,28,00,000
Issued, subscribed and paid up share capital after the Buyback	
3,48,20,63,355* Equity Shares of ₹ 2 each, fully paid up	6,96,41,26,710

** Assuming full acceptance of Equity Shares in the Buyback Offer by the Eligible Shareholders*

13.2 The Company has not bought back any Equity Shares under any Buyback programme during the 3 years preceding the date of the Public Announcement (i.e. October 26, 2018).

13.3 As on the date of the Public Announcement (i.e. October 26, 2018), there are no outstanding preference shares, partly paid-up Equity Shares or outstanding convertible instruments or calls in arrears.

13.4 The shareholding pattern of the Company pre-Buyback, as on the Record Date (i.e. November 06, 2018), as well as the post-Buyback (assuming full acceptance of the Buyback) shareholding, is as shown below:

	Pre-Buyback		Post-Buyback*	
Particulars	**No. of Equity Shares**	**% of the existing equity share capital**	**No. of Equity Shares**	**% of the post Buyback equity share capital**
Promoters	231,51,78,000	63.06	220,92,35,499	63.44
Foreign Investors (including Non Resident Indians, FIIs, FPIs and Foreign Mutual Funds	50,97,03,527	13.88	127,28,27,856	36.56
Financial Institutions/ Banks/ Mutual Funds promoted by Banks/ Institutions	61,30,69,933	16.70		
Other (public, public bodies corporate etc.)	23,34,48,540	6.36		
Total	**367,14,00,000**	**100.00**	**348,20,63,355**	**100.00**

** Assuming full acceptance of Equity Shares in the Buyback Offer in the Ratio of Buyback Entitlement.*
Note: All Mutual funds are considered as domestic.

13.5 Assuming response to the Buyback is to the extent of 100% (full acceptance) from all the Eligible Shareholders upto their Buyback Entitlement, the aggregate shareholding of the Promoter post Buyback may increase from the existing 63.06% to 63.44% of the post Buyback Equity Share capital of the Company.

13.6 No Equity Shares or other specified securities of the Company were either purchased/ sold/ transferred by the Promoter during the period of six months preceding the date of the Board Meeting at which the Buyback was approved and twelve months preceding the date of the Record Date (i.e. November 06, 2018).

Subsequent to the date of Board Meeting at which the buyback was approved i.e. October 25, 2018, the Promoter of the Company have not entered into any transaction in relation to the Equity Shares of the Company.

13.7 There is no pending scheme of amalgamation or compromise or arrangement pursuant to any provisions of the Companies Act, 2013.

13.8 The Company shall not issue any Equity Shares including by way of bonus, from the date of the Public Announcement till the date of closure of this Buyback.

14 BRIEF INFORMATION ABOUT THE COMPANY

14.1 The Company was incorporated in New Delhi on November 13, 1964 under the Companies Act, 1956, as amended (the "Companies Act"), as 'Bharat Heavy Electricals Limited', a private limited company. Pursuant to a board resolution dated December 24, 1991 and shareholders' resolution passed at the EGM on December 24, 1991, the Company was converted into a public limited company. The Company's registered office as well as the corporate office is situated at BHEL House, Siri Fort, New Delhi - 110 049, India.

14.2 The Company is a Schedule "A" Central Public Sector Enterprise, under the administrative control of the Ministry of Heavy Industries & Public Enterprises and has been conferred with "Maharatna" status by the Government of India in February 2013.

14.3 The Company is a leading global power equipment manufacturer and a major manufacturer of variety of industrial systems and products. The Company serves the core sectors of the economy and provides a comprehensive portfolio of products, systems and services to customers in power, transmission, transportation, renewables, water, defence & aerospace, oil & gas, and industry. Company has a widespread network of 17 manufacturing plants, 2 repair units, 4 regional offices, 8 service centres, 1 subsidiary, 3 active joint ventures, 15 regional marketing centres, 3 overseas offices and current project execution at more than 150 project sites across India and abroad. The worldwide installed base of power generating equipment supplied by the Company exceeds 183 GW. The Company also has a widespread overseas footprint with references in 83 countries.

14.4 The Equity Shares of the Company are listed on BSE and NSE since 1992 and 1994 respectively.

14.5 The Company is focusing on expeditious execution of projects, reduction in costs, and building new capabilities in short to medium term. While successfully retaining leadership in its core business, BHEL is enhancing its presence in solar, transportation, transmission, defence, aerospace, water and other new business areas for future growth.

14.6 Details of the changes in share capital of the Company since incorporation are as follows:

Date of Issue/ Allotment	No. of Equity Shares	Face Value (₹)	Issue price (₹)	Consideration in Cash/ other than cash	Cumulative No. of Equity Shares	Equity Share Capital (₹)	Cumulative Equity Share Capital (₹)
February 02, 1965	5	1,000	1,000	Cash	5	1,000	5,000
February 02, 1965	19,995	1,000	1,000	Cash	20,000	1,99,95,000	2,00,00,000
August 02, 1965	90,000	1,000	1,000	Cash	1,10,000	9,00,00,000	11,00,00,000
August 02, 1965	10,000	1,000	1,000	Cash	1,20,000	1,00,00,000	12,00,00,000
September 10, 1965	10,000	1,000	1,000	Cash	1,30,000	1,00,00,000	13,00,00,000
September 10, 1965	30,000	1,000	1,000	Cash	1,60,000	3,00,00,000	16,00,00,000
October 30, 1965	20,000	1,000	1,000	Cash	1,80,000	2,00,00,000	18,00,00,000
October 30, 1965	20,000	1,000	1,000	Cash	2,00,000	2,00,00,000	20,00,00,000
June 18, 1966	50,000	1,000	1,000	Cash	2,50,000	5,00,00,000	25,00,00,000
June 18, 1966	2,41,112	1,000	1,000	Other than Cash	4,91,112	24,11,12,000	49,11,12,000
August 12, 1966	8,888	1,000	1,000	Cash	5,00,000	88,88,000	50,00,00,000
February 25, 1967	86,112	1,000	1,000	Cash	5,86,112	8,61,12,000	58,61,12,000
April 22, 1967	50,800	1,000	1,000	Cash	6,36,912	5,08,00,000	63,69,12,000
July 25, 1967	10,000	1,000	1,000	Cash	6,46,912	1,00,00,000	64,69,12,000
May 04, 1968	3,088	1,000	1,000	Cash	6,50,000	30,88,000	65,00,00,000
June 17, 1972	1,50,000	1,000	1,000	Cash	8,00,000	15,00,00,000	80,00,00,000
April 11, 1974	5,00,000	1,000	1,000	Other than Cash	13,00,000	50,00,00,000	1,30,00,00,000
September 29, 1980	1,00,000	1,000	1,000	Cash	14,00,000	10,00,00,000	1,40,00,00,000
December 24, 1980	1,00,000	1,000	1,000	Cash	15,00,000	10,00,00,000	1,50,00,00,000
October 01, 1981	1,00,000	1,000	1,000	Cash	16,00,000	10,00,00,000	1,60,00,00,000
November 26, 1981	1,32,100	1,000	1,000	Cash	17,32,100	13,21,00,000	1,73,21,00,000
August 10, 1982	2,60,000	1,000	1,000	Cash	19,92,100	26,00,00,000	1,99,21,00,000

Date of Issue/ Allotment	No. of Equity Shares	Face Value (₹)	Issue price (₹)	Consideration in Cash/ other than cash	Cumulative No. of Equity Shares	Equity Share Capital (₹)	Cumulative Equity Share Capital (₹)
December 22, 1982	7,900	1,000	1,000	Cash	20,00,000	79,00,000	2,00,00,00,000
March 21, 1983	32,100	1,000	1,000	Cash	20,32,100	3,21,00,000	2,03,21,00,000
June 24, 1983	1,00,000	1,000	1,000	Cash	21,32,100	10,00,00,000	2,13,21,00,000
December 17, 1983	1,60,000	1,000	1,000	Cash	22,92,100	16,00,00,000	2,29,21,00,000
July 23, 1984	1,00,000	1,000	1,000	Cash	23,92,100	10,00,00,000	2,39,21,00,000
September 29, 1984	55,500	1,000	1,000	Cash	24,47,600	5,55,00,000	2,44,76,00,000
December 23, 1991*	-	10	10	Split	24,47,60,000	-	2,44,76,00,000
June 06, 2007**	24,47,60,000	10	10	Bonus Issue	48,95,20,000	2,44,76,00,000	4,89,52,00,000
September 20, 2011***	-	2	2	Split	2,44,76,00,000	-	4,89,52,00,000
October 03, 2017****	122,38,0 0,000	2	2	Bonus Issue	367,14,00,00 0	2,44,76,00,00 0	7,34,28,00,000

Note:

* *Vide shareholders' resolution dated December 23, 1991, the face value of Equity shares of the Company was split from Rs. 1000 per Equity Shares to Rs. 10 per Equity Share.*

** *Bonus issue in the ratio of 1:1.*

*** *Vide shareholders' resolution dated September 20, 2011, the face value of Equity shares of the Company was split from Rs. 10 per Equity Shares to Rs. 2 per Equity Share.*

**** *Bonus issue in the ratio of 1:2.*

14.7 The Board of Directors of the Company as on the date of the Public Announcement (i.e. October 26, 2018) was as under:

S. No.	Name, Qualification, Occupation, Age and DIN	Designation	Date of Joining/ Appointment	Other Directorships
1.	Shri Atul Sobti Qualification: B.E. (Mechanical), PGDIM, DPM Occupation: Service Age: 59 years DIN: 06715578	Chairman & Managing Director and Additional Charge of Director (Power) *	December 01, 2013 as Director (Power) January 1, 2016 as CMD	NIL

S. No.	Name, Qualification, Occupation, Age and DIN	Designation	Date of Joining/ Appointment	Other Directorships
2.	Dr. Subhash Chandra Pandey Qualification: Ph. D (Maths) Occupation: Government Service (SS&FA, DIPP) Age: 59 years DIN: 01613073	Part Time Official Director (Government Nominee)	March 31, 2016	• HMT Limited; • National Textile Corporation Limited; • India Trade Promotion Organisation; • Invest India; • India International Convention and Exhibition Centre Limited; • MMTC Limited; • State Trading Corporation of India Limited; and • National Jute Manufacturers Corporation Limited.
3.	Shri Pravin L. Agrawal Qualification: Post Graduate Diploma in Public Policy and Management Occupation: Government Service (JS, DHI) Age: 50 years DIN: 05277383	Part-time Official Director (Government Nominee)	May 18, 2018	• Andrew Yule & Company Limited; • Tide Water Oil & Company Limited
4.	Shri Rajesh Kishore Qualification: M.Sc. (Physics), MBA, Diploma in Social Development Occupation: Retd. IAS Age: 63 years DIN: 02425323	Independent Director	December 18, 2015	NIL
5.	Shri Keshav N. Desiraju Qualification: M.A. (Economics & Sociology), Master in Public Administration Occupation: Retired IAS Age: 63 years DIN: 07372233	Independent Director	December 18, 2015	• Tamil Nadu Infrastructure Fund Management Corporation Limited; and • Cognizant Foundation
6.	Shri Ramachandran Swaminathan Qualification: B.E. (Hons.), Masters Diploma in Industrial Engineering Occupation: Retd. IFS Age: 63 years DIN: 01811819	Independent Director	December 18, 2015	• NIL
7.	Ms. Surama Padhy Qualification: M.A., LLB Occupation: Advocate cum	Independent Director	February 02, 2017	• NIL

S. No.	Name, Qualification, Occupation, Age and DIN	Designation	Date of Joining/ Appointment	Other Directorships
	Social Service Age: 57 years DIN: 07681896			
8.	Shri Desh Deepak Goel Qualification: M.Sc., LLB Occupation: Retd. Chief Commissioner of Income Tax Age: 61 years DIN: 07739221	Independent Director	September 23, 2017	• NIL
9.	Shri Ranjit Rae Qualification: M.A. (Economics) Occupation: Retd. IFS Age: 61 years DIN: 07942234	Independent Director	September 23, 2017	• NIL
10.	Shri Debashis Bandyopadhyay Qualification: B.E. (Electrical Engineering) Occupation: Service Age: 59 years DIN: 07221633	Director (HR)	August 01, 2015	• Dada Dhuniwale Khandwa Power Limited; and • NTPC BHEL Power Projects Private Limited.
11.	Shri Subrata Biswas Qualification: B.Tech (Electrical Engineering), PGDM Occupation: Service Age: 59 years DIN: 07297184	Director (E,R & D)	September 24, 2015	• Raichur Power Corporation Limited; and • BHEL-GE Gas Turbine Services Private Limited.
12.	Shri Subodh Gupta Qualification: B. Com (H), FCMA Occupation: Service Age: 54 years DIN: 08113460	Director (Finance)	April 18, 2018	NIL
13.	Shri Subramanian Balakrishnan Qualification: M. Tech. Occupation: Service Age: 57 years DIN: 07804784	Director (IS&P)	June 01, 2018	• Bharat Pumps and Compressors Limited

*At present holding additional charge of Director (Power) also, with effect from October 01, 2018

14.8 The details of changes in the Board of Directors during the last 3 years preceding the date of the publication of Public Announcement (i.e. October 29, 2018) are as under:

S. No.	Name, Designation and DIN	Date of Joining/ Appointment	Date of Cessation	Reason
1.	Dr. Subhash Chandra Pandey Part-time Official Director (Government Nominee) DIN: 01613073	31.03.2016	Continuing	Appointment
2.	Shri Pravin L. Agrawal Part-time Official Director (Government Nominee) DIN: 05277383	18.05.2018	Continuing	Appointment

S. No.	Name, Designation and DIN	Date of Joining/ Appointment	Date of Cessation	Reason
3.	Shri Rajesh Kishore Independent Director DIN: 02425323	18.12.2015	Continuing	Appointment
4.	Shri Keshav Narasimham Desiraju Independent Director DIN: 07372233	18.12.2015	Continuing	Appointment
5.	Shri Ramachandran Swaminathan Independent Director DIN: 01811819	18.12.2015	Continuing	Appointment
6.	Ms. Surama Padhy Independent Director DIN: 07681896	02.02.2017	Continuing	Appointment
7.	Shri Desh Deepak Goel Independent Director DIN: 07739221	23.09.2017	Continuing	Appointment
8.	Shri. Ranjit Rae Independent Director DIN: 07942234	23.09.2017	Continuing	Appointment
9.	Shri Subodh Gupta Director (Finance) DIN: 08113460	18.04.2018	Continuing	Appointment
10.	Shri Subramanian Balakrishan Director (IS&P) DIN: 07804784	01.06.2018	Continuing	Appointment
11.	Shri Akhil Joshi Director (Power) DIN: 06604954	10.08.2016	30.09.2018	Superannuation
12.	Shri Amitabh Mathur Director (IS&P) DIN: 07275427	01.09.2015	31.05.2018	Superannuation
13.	Shri T. Chockalingam Director (Finance) DIN: 07428614	11.02.2016	30.11.2017	Superannuation
14.	Shri B. Prasada Rao Chairman and Managing Director DIN: 01705080	01.10.2009	31.12.2015	Completion of Tenure
15.	Shri. Bhaskar Jyoti Mahanta Part-time Official Director (Government Nominee) DIN: 07487571	03.01.2017	18.05.2018	Relinquishment of charge
16.	Shri. Anshu Prakash Part-time Official Director (Government Nominee) DIN: 03540028	31.10.2016	03.01.2017	Relinquishment of charge
17.	Shri Rajesh Kumar Singh Part-time Official Director DIN: 06459343	22.12.2014	06.10.2016	Relinquishment of charge
18.	Shri S. K. Bahri Part-time Official Director (Government Nominee) DIN: 06855198	31.03.2014	29.02.2016	Relinquishment of charge
19.	Shri A. N. Roy Independent Director DIN: 01361110	27.08.2014	20.08.2017	Completion of Tenure

S. No.	Name, Designation and DIN	Date of Joining/ Appointment	Date of Cessation	Reason
20.	Ms. Harinder Hira Independent Director DIN: 01858921	08.05.2014	01.05.2017	Completion of Tenure

14.9 The Buyback will not result in any benefit to any Directors of the Company/ Promoter / person in control of the Company/ group companies except to the extent of their intention to participate in the Buyback and actual participation in the Buyback and the change in their shareholding as per the response received in the Buyback, as a result of the extinguishment of Equity Shares which will lead to a reduction in the Equity Share Capital of the Company, post-Buyback.

15 FINANCIAL INFORMATION OF THE COMPANY

15.1 The salient financial information of the Company, as extracted from the standalone audited financial statements for the last three financial years viz. Fiscal 2018, 2017 and 2016 and standalone unaudited limited reviewed financial results for the three months ended June 30, 2018 is detailed below:

(₹ in Crore)

Key Financials	For the three months ended June 30, 2018 (Limited Review)[#]	For the year ended March 31, 2018 (Audited)	For the year ended March 31, 2017 (Audited)	For the year ended March 31, 2016 (Audited)
Revenue from Operations (excl. excise duty)	5,935.49	28,813.00	28,599.45	25,802.74
Revenue from Operations (incl. excise duty)	5,935.49	29,060.98	29,699.82	26,761.37
Other Income	178.61	693.05	765.92	972.27
Total Income	**6,114.10**	**29,754.03**	**30,465.74**	**27,733.64**
Total Expenses (excl. interest & depreciation)	5,648.25	27,128.09	28,638.46	27,602.59
Interest	63.90	254.55	350.61	359.48
Depreciation	176.10	786.40	848.84	935.74
Regulated (Expense)/ Income	-	-	-	-
Total Expenses	**5,888.25**	**28,169.04**	**29,837.91**	**28,897.81**
Exceptional Items: Expense/(Income)	-	-	-	-
Profit Before Tax	225.85	1,584.99	627.83	(1,164.17)
Provisions for Tax (including Deferred Tax)	70.27	778.39	131.97	(454.57)
Profit/ (Loss) After Tax	155.58	806.60	495.86	(709.60)
Other Comprehensive Income (net off tax)	(0.98)	83.33	(29.00)	(76.38)
Total Comprehensive Income	154.60	889.93	466.86	(785.98)
Paid-up Equity Share Capital	734.28	734.28	489.52	489.52
Reserves & Surplus, excluding revaluation reserves & Misc. expenditures to the extent not written off	32,145.08	31,866.80	31,804.92	31,691.56
Net worth, excluding revaluation reserves & Misc. expenditure to the extent not written off	32,879.36	32,601.08	32,294.44	32,181.08

Key Financials	For the three months ended June 30, 2018 (Limited Review)[#]	For the year ended March 31, 2018 (Audited)	For the year ended March 31, 2017 (Audited)	For the year ended March 31, 2016 (Audited)
Total Debts, excluding working capital loans (Finance lease obligation)	96.30	99.45	149.86	202.44

Note: Figures are as per Ind-AS
Interest is mainly related to borrowing cost, due to unwinding of long term provisions and deferred liabilities
Figures given in bracket ( ) represent negative.

[#] *For unaudited limited reviewed financial results for the six months ended September 30, 2018, please refer to Company's website i.e. www.bhel.com or Stock Exchanges website i.e. www.nseindia.com or www.bseindia.com*

15.2 Financial Ratios on the standalone basis for the last three financial years viz. Fiscal 2018, 2017 and 2016 and standalone unaudited limited review financial results for the period ended June 30, 2018 are as under:

Particulars	For the three months ended June 30, 2018 (Limited Review)	For the year ended March 31, 2018 (Audited)	For the year ended March 31, 2017 (Audited)	For the year ended March 31, 2016 (Audited)
Earnings per Share (₹)[*]	0.42[**]	2.20	1.35	(1.93)
Debt/ Equity Ratio	0.003	0.003	0.005	0.006
Book Value (₹ per share)	89.56	88.80	87.96	87.65
Return on Net worth (%)	0.47[**]	2.47	1.54	(2.21)
Total Debt/ Net worth (%)	0.29	0.31	0.46	0.63

[*] *Per share data restated on bonus issue (in the ratio of 1 Equity Share for every 2 Equity Shares held) in 2017-18.*
[**] *Not annualised*

Notes:

1. Net worth = Equity Capital + Reserves & Surplus – Miscellaneous Expenditure.
2. Total Debt = Long Term Borrowings + Short Term Borrowings + Current Maturities of Long Term Borrowings.

Key Ratios basis:

Earnings per share – Basic (₹)	Net profit attributable to the equity shareholders / Average number of Shares outstanding during the year / period
Book value per share (₹)	(Paid up Equity Share Capital + Reserves and Surplus) / No. of equity Shares outstanding during the year / period
Return on Net worth excluding revaluation reserves (%)	Net Profit After Tax / Net Worth excluding revaluation reserves
Debt-Equity Ratio	Long Term Borrowings + Short Term Borrowings + Current Maturities of Long Term Borrowings / Net Worth

15.3 The salient financial information of the Company, as extracted from the consolidated audited financial statements for the last three financial years viz. Fiscal 2018, 2017 and 2016 is detailed below:

(₹ in Crore)

Particulars	For the year ended March 31, 2018 (Audited)	For the year ended March 31, 2017 (Audited)	For the year ended March 31, 2016 (Audited)
Revenue from Operations (excl. excise duty)	28,827.48	28,629.44	25,840.60
Revenue from Operations (incl. excise duty)	29,075.46	29,731.50	26,801.52
Other Income	678.01	753.19	950.98
Total Income	**29,753.47**	**30,484.69**	**27,752.50**
Total Expenses (excl. interest & depreciation)	27,105.35	28,674.47	27,632.96
Share of net profit / (loss) of JV accounted for using equity method	(390.76)	(23.56)	15.84
Interest	255.16	351.30	359.81
Depreciation	787.33	849.79	936.7
Exceptional Items: Expense/(Income)	-	-	-
Profit Before Tax	1,214.87	585.57	(1,161.13)
Provisions for Tax (incl. Deferred Tax)	776.68	130.39	(455.55)
Profit/ (Loss) After Tax	438.19	455.18	(705.58)
Paid-up Equity Share Capital	734.28	489.52	489.52
Reserves & Surplus, excluding revaluation reserves & Misc. expenditures to the extent not written off	31,600.71	31,899.47	31,824.63
Net worth, excluding revaluation reserves & Misc. expenditure to the extent not written off (after adjustment of non- controlling interest)	32,330.94	32,387.91	32,314.15
Total Debt, excluding working capital loans (Finance lease obligation)	109.73	155.89	205.97

Note:
Figures are as per Ind-AS
Interest is mainly related to borrowing cost, due to unwinding of long term provisions and deferred liabilities.
Figures given in bracket ( ) represent negative.

15.4 Financial Ratios on consolidated basis for the last three financial years viz. Fiscal 2018, 2017 and 2016 are as under:

Particulars	For the year ended March 31, 2018 (Audited)	For the year ended March 31, 2017 (Audited)	For the year ended March 31, 2016 (Audited)
Earnings per Share (₹)*	1.19	1.24	(1.92)
Debt/ Equity Ratio	0.003	0.005	0.006
Book Value (₹ per Share)	88.06	88.22	88.02
Return on Net worth (%)	1.36	1.41	(2.18)
Total Debt/ Net worth (%)	0.34	0.48	0.64

* Per share data restated on bonus issue (in the ratio of 1 Equity Share for every 2 Equity Shares held) in 2017-18.

Notes:

1. Net worth = Equity Capital + Reserves & Surplus – Miscellaneous Expenditure

2. Total Debt = Long Term Borrowings + Short Term Borrowings + Current Maturities of Long Term Borrowings.

Key Ratios basis:

Earnings per share – Basic (₹)	Net profit attributable to the equity shareholders / Average number of Shares outstanding during the year / period
Book value per share (₹)	(Paid up Equity Share Capital + Reserves and Surplus) / No. of equity Shares outstanding during the year / period
Return on Net worth excluding revaluation reserves (%)	Net Profit After Tax / Net Worth excluding revaluation reserves
Debt-Equity Ratio	Long Term Borrowings + Short Term Borrowings + Current Maturities of Long Term Borrowings / Net Worth

15.5 The Company shall comply with the SEBI Takeover Regulations as may be applicable. The Company hereby declares that it has complied with Sections 68, 69 and 70 of the Companies Act, 2013 and the rules made thereunder.

16 STOCK MARKET DATA

16.1 The Company's Equity Shares are listed on BSE and NSE.

16.2 The high, low and average market prices in preceding three financial years (April to March period) and the monthly high, low and average market prices for the six months preceding the date of Letter of Offer (i.e. November 30, 2018) from May, 2018 to October, 2018 and the corresponding volumes on the BSE and NSE is as follows:

For BSE:

Period	**High[*] (₹)**	**Date of High**	**Number of Shares traded on that date**	**Low[*] (₹)**	**Date of Low**	**Number of shares traded on that date**	**Average Price[*] (₹)**	**Total volume of traded in the period (Shares)**
Preceding 3 financial years								
April 1, 2015 to March 31, 2016	289.85	21-Jul-15	3,24,229	90.40	29-Feb-16	16,03,165	199.40	15,48,15,279
April 1, 2016 to March 31, 2017	172.00	21-Mar-17	3,76,018	112.30	05-Apr-16	9,58,424	136.16	21,55,30,673
April 01,2017 to September 27, 2017[#]	182.65	25-Apr-17	11,73,579	121.40	11-Aug-17	7,08,954	146.40	8,48,04,083
September 28,2017 to March 31,2018	108.00	23-Jan-18	24,96,663	79.50	23-Mar-18	615871	91.97	12,88,39,362
Preceding 6 months								
May, 2018	89.55	02-May-18	2,97,912	73.95	24-May-18	3,38,488	80.34	1,62,39,390
June, 2018	84.00	01-Jun-18	5,90,732	69.45	28-Jun-18	5,51,563	75.10	1,16,63,774
July, 2018	78.30	25-Jul-18	45,26,128	64.50	17-Jul-18	7,50,088	69.74	1,79,67,876
August, 2018	82.65	29-Aug-18	16,94,479	71.80	16-Aug-18	3,99,849	75.49	1,47,93,576
September, 2018	83.25	07-Sep-18	11,86,536	67.70	21-Sep-18	12,21,723	75.32	1,53,34,200
October 2018	77.55	17-Oct-18	5,48,760	66.35	01-Oct-18	7,80,779	72.23	1,99,42,514

Source: BSE[*] High and Low price for the period are based on intra day prices and Average Price is based on average of daily closing price.
[#]Ex-date of Bonus issue of (1:2) on September 28, 2017

For NSE:

Period	High[*] (₹)	Date of High	Number of Shares traded on that date	Low[*] (₹)	Date of Low	Number of shares traded on that date	Average Price[*] (₹)	Total volume of traded in the period (Shares)
Preceding 3 financial years								
April 1, 2015 to March 31, 2016	290.00	21-Jul-15	28,41,867	90.15	29-Feb-16	1,08,35,867	199.43	108,38,73,722
April 1, 2016 to March 31, 2017	172.10	21-Mar-17	50,22,990	112.35	05-Apr-16	64,95,212	136.15	180,72,70,061
April 01,2017 to September 27,2017[#]	182.75	25-Apr-17	1,23,19,127	121.30	11-Aug-17	70,72,025	146.37	63,41,19,791
September 28,2017 to March 31, 2018	107.95	23-Jan-18	2,07,13,446	79.85	23-Mar-18	63,38,328	91.91	1,19,09,15,441
Preceding 6 months								
May, 2018	89.50	02-May-18	55,51,848	73.70	24-May-18	36,12,011	80.30	20,97,58,452
June, 2018	83.55	01-Jun-18	93,06,243	69.10	28-Jun-18	87,56,324	75.10	15,44,75,809
July, 2018	78.35	25-Jul-18	4,78,59,275	64.45	17-Jul-18	76,75,970	69.75	19,00,83,642
August, 2018	82.65	29-Aug-18	2,01,08,730	71.70	16-Aug-18	45,76,252	75.55	16,59,75,349
September, 2018	83.30	07-Sep-18	1,46,71,712	67.50	21-Sep-18	1,12,80,098	75.41	15,46,33,648
October, 2018	77.65	17-Oct-18	79,00,337	66.35	1-Oct-18	71,91,129	72.28	25,91,30,924

Source: NSE
[*] High and Low price for the period are based on intra day prices and Average Price is based on average of daily closing price.
[#]Ex-date of Bonus issue of (1:2) on September 28, 2017

16.3 The closing market price of the Equity Shares of the Company:

(a) As on October 24, 2018 i.e. the trading day before October 25, 2018 being the date of Board Meeting approving the Buyback was ₹75.95 per Equity Share on BSE and ₹75.95 per Equity Share on NSE.
(b) As on October 25, 2018 i.e. the date of Board Meeting approving the Buyback was ₹70.35 per Equity share on BSE and ₹70.25 per Equity share on NSE.
(c) As on October 26, 2018 i.e. the day immediately after October 25, 2018 being the date of Board Meeting approving the Buyback was ₹67.40 per Equity Share on BSE and ₹67.50 per Equity Share on NSE.
(d) As on October 29, 2018 i.e. the date of the publication of Public Announcement, was ₹ 68.00 per Equity Share on BSE and ₹ 67.95 per Equity Share on NSE.

17 DETAILS OF STATUTORY APPROVALS

17.1 The Buyback Offer is subject to approval, if any required, under the provisions of the Companies Act, 2013, the Buyback Regulations and/or such other applicable rules and regulations in force for the time being.

17.2 Non-Resident Shareholders (excluding OCBs) permitted under the automatic process prescribed under applicable FEMA and the rules and regulations framed thereunder read with the consolidated Foreign Direct Investment policy issued by the Government of India, are not required to obtain approvals from RBI.

17.3 By agreeing to participate in the Buyback, the Non-Resident Shareholders give the Company the authority to make, sign, execute, deliver, acknowledge and perform all applications to file regulatory reporting, if required and undertake to provide assistance to the Company for such regulatory reporting.

17.4 Erstwhile OCB are required to obtain specific prior approval from RBI for tendering Equity Shares in the Buyback Offer. The Company shall not accept Equity Shares from OCB Shareholders in respect of whom such RBI approval is required and copies of such approvals are not submitted.

17.5 As on date, there are no other statutory or regulatory approvals required to implement the Buyback Offer, other than that indicated above. If any statutory or regulatory approval becomes applicable subsequently, the Buyback Offer will be subject to such statutory or regulatory approval(s). In the event of any delay in receipt of any statutory / regulatory approvals, changes to the proposed timetable of the Buyback Offer, if any, shall be intimated to the Stock Exchanges.

18 DETAILS OF REGISTRAR TO THE BUYBACK

Eligible Shareholders holding Shares in dematerialized form and Shareholder Brokers (who have submitted bids on behalf of Eligible Shareholders holding shares in physical form) are required to send the Tender Form, TRS, physical share certificate (for physical Shareholders only) and other documents by superscribing the envelope as "**BHEL Buyback Offer 2018**" to the Registrar to the Buyback either by registered post/courier or hand deliver at their below office, so that the same are received within 2 (two) working days from the Buyback Closing Date i.e. Saturday, December 29, 2018 (by 05:00 p.m.):

KARVY FINTECH PRIVATE LIMITED
Karvy Selenium Tower B, Plot No. 31-32, Financial District,
Nanakramguda, Serilingampally,
Hyderabad- 500 032
Tel: +91 (040) 6716 2222
Fax: +91 (040) 2343 1551
E-mail:bhel.buyback@karvy.com
Investor Grievance Email: einward.ris@karvy.com
Website: www.karvyfintech.com
Contact Person: Mr. M. Murali Krishna
SEBI Registration Number: INR000000221
CIN: U67200TG2017PTC117649

TENDER FORM, TRS AND OTHER RELEVANT DOCUMENTS SHOULD NOT BE SENT TO THE COMPANY OR TO THE MANAGER TO THE BUYBACK.

ELIGIBLE SHAREHOLDERS ARE ADVISED TO ENSURE THAT THE TENDER FORM, TRS AND OTHER RELEVANT DOCUMENTS ARE COMPLETE IN ALL RESPECTS; OTHERWISE THE SAME ARE LIABLE TO BE REJECTED.

19 PROCESS AND METHODOLOGY FOR THE BUYBACK

19.1 The Company has proposed to Buyback 18,93,36,645 (Eighteen Crores, Ninety Three Lakhs, Thirty Six Thousand, Six Hundred and Forty Five Only) fully paid-up Equity Shares representing up to 5.16% of issued and paid-up Equity Share capital of the Company from the Eligible Shareholders of the Company, on a proportionate basis, through the Tender Offer process at a price of ₹ 86 (Rupees Eighty Six Only) per

Equity Share, payable in cash for an aggregate consideration of ₹ 1628,29,51,470 (Rupees One Thousand Six Hundred and Twenty Eight Crore, Twenty Nine Lakh, Fifty One Thousand, Four Hundred and Seventy Only). The Buyback is in accordance with the provisions of Article 5A of the Articles of Association of the Company, Section 68, 69, 70 and all other applicable provisions, of the Companies Act, 2013, and rules made thereunder, the Buyback Regulations and subject to such other approvals, permissions and sanctions as may be necessary, from time to time from statutory authorities including but not limited to SEBI, Stock Exchanges, RBI etc. The Buyback Offer Size is upto 5% of both the standalone and consolidated fully paid-up share capital and free reserves as per the audited accounts of the Company for the financial year ended March 31, 2018 (the last audited financial statements available as on the date of Board Meeting recommending the proposal of the Buyback) and is within the statutory limits of 10% of the aggregate of fully paid up share capital and free reserves as per the audited accounts of the Company for the Financial Year ended March 31, 2018.

The Company expresses no opinion as to whether Eligible Shareholders should participate in the Buyback and, accordingly, Eligible Shareholders are advised to consult their own advisors to consider participation in the Buyback.

19.2 The aggregate shareholding of the Promoter as on the Record Date (i.e. November 06, 2018) is 231,51,78,000 (Two Hundred Thirty One Crores Fifty One Lakhs and Seventy Eight Thousand) Equity Shares, which represents 63.06 % of the existing Equity Share capital of the Company. In terms of the Buyback Regulations, under the Tender Offer process, the Promoter of the Company has the option to participate in the Buyback. In this regard, the Promoter i.e. President of India acting through and represented by the Ministry of Heavy Industries & Public Enterprises, Government of India has expressed its intention, vide its letter dated October 25, 2018, to participate in the Buyback and tender upto 18,93,36,645 (Eighteen Crores, Ninety Three Lakhs, Thirty Six Thousand, Six Hundred and Forty Five Only) Equity Shares of the Company.

19.3 Assuming response to the Buyback is to the extent of 100% (full acceptance) from all the Eligible Shareholders upto their Buyback Entitlement, the aggregate shareholding of the Promoter post Buyback may increase from the existing 63.06% to 63.44% of the post Buyback Equity Share capital of the Company.

19.4 **Record Date, Ratio of Buyback and entitlement of each Shareholder**

a) The Board of Directors at their meeting held on October 25, 2018 announced Tuesday, November 06, 2018 as the Record Date for the purpose of determining the Buyback Entitlement and the names of the Shareholders, who are eligible to participate in the Buyback Offer.

b) The Equity Shares proposed to be bought back by the Company shall be divided in two categories:

- Reserved category for Small Shareholders ("**Reserved Category**"); and
- General category for all Eligible Shareholders other than Small Shareholders ("**General Category**")

c) As defined in the Buyback Regulations, a "**Small Shareholder**" is a shareholder who holds Equity Shares having market value, on the basis of closing price on the Stock Exchanges in which the highest trading volume as on Record Date, of not more than ₹ 2,00,000 (Rupees Two Lakh). As on Record Date, the volume of Shares traded on NSE was 93,97,104 Shares and on BSE was 7,32,611 Shares. Accordingly, NSE being the stock exchange with highest turnover, the closing price was ₹ 69.30 and hence all Shareholders holding not more than 2,886 Equity Shares as on the Record Date are classified as 'Small Shareholders' for the purpose of the Buyback Offer.

d) Based on the above definition, there are 5,12,666 Small Shareholders with aggregate shareholding of 15,44,37,270 Shares, as on Record Date, which constitutes 4.21% of the outstanding number of Equity Shares of the Company.

e) In compliance with Regulation 6 of the Buyback Regulations, the reservation for the Small Shareholders, will be 2,84,00,497 Equity Shares which is higher of:

i. Fifteen percent of the number of Equity Shares which the Company proposes to Buyback i.e.

15% of 18,93,36,645 Equity Shares which works out to 2,84,00,497 Equity Shares; or

ii. The number of Equity Shares entitled as per their shareholding as on Record Date [i.e. (18,93,36,645/367,14,00,000) x 15,44,37,270] which works out to 79,64,438 Equity Shares.

All the outstanding Equity Shares have been used for computing the entitlement of Small Shareholders.

f) Based on the above and in accordance with Regulation 6 of the Buyback Regulations, 2,84,00,497 Equity Shares will be reserved for Small Shareholders ("**Reserved Portion**"). Accordingly, General Category shall consist of 16,09,36,148 Equity Shares ("**General Portion**").

g) Clubbing of Entitlements

In order to ensure that the same Eligible Shareholders with multiple demat accounts/ folios do not receive a higher entitlement under the Small Shareholder category, the Equity Shares held by such Eligible Shareholder with a common Permanent Account Number ("**PAN**") shall be clubbed together for determining the category (Small Shareholder or General) and entitlement under the Buyback. In case of joint shareholding, the Equity Shares held in cases where the sequence of the PANs of the joint shareholders is identical shall be clubbed together. In case of Eligible Shareholders holding physical shares, where the sequence of PANs is identical and where the PANs of all joint shareholders are not available, the Registrar will check the sequence of the names of the joint holders and club together the Equity Shares held in such cases where the sequence of the PANs and name of joint shareholders are identical. The shareholding of institutional investors like mutual funds, insurance companies, FIIs/ FPIs etc. with common PAN are not proposed to be clubbed together for determining their entitlement and will be considered separately, where these Equity Shares are held for different schemes/ subaccounts and have a different demat account nomenclature based on information prepared by the Registrar as per the shareholder records received from the depositories. Further, the Equity Shares held under the category of "clearing members" or "corporate body margin account" or "corporate body – broker" as per the beneficial position data as on Record Date with common PAN are not proposed to be clubbed together for determining their entitlement and will be considered separately, where these Equity Shares are assumed to be held on behalf of clients.

h) Based on the above entitlements, the Ratio of Buyback for both categories is decided as below:

Category of Shareholders	Ratio of Buyback
Reserved Category	16 Equity Shares out of every 87 fully paid-up Equity Shares held on the Record Date
General Category	34 Equity Shares out of every 743 fully paid-up Equity Shares held on the Record Date

19.5 **Fractional Entitlements**

If the Buyback Entitlement, after applying the abovementioned ratios to the Equity Shares held on Record Date, is not a round number (i.e. not in the multiple of 1 (one) Equity Share) then the fractional entitlement shall be ignored for computation of Buyback Entitlement to tender Equity Shares in the Buyback Offer, for both categories of Eligible Shareholders.

On account of ignoring the fractional entitlement, those Small Shareholders who hold 5 (Five) or less Equity Shares as on Record Date will be dispatched a Tender Form with zero entitlement. Such Small Shareholders are entitled to tender Additional Equity Shares as part of the Buyback Offer and will be given preference in the Acceptance of 1 (one) Equity Share, if such Small Shareholders have tendered for Additional Equity Shares. The Company shall make best efforts subject to Buyback Regulations in accepting Equity Shares tendered by such Shareholders to the extent possible and permissible.

19.6 **Basis of Acceptance of Equity Shares validly tendered in the Reserved Category**

Subject to the provisions contained in this Letter of Offer and Tender Form, the Company will accept the Shares tendered in the Buyback Offer by the Small Shareholders in the Reserved Category in the following order of priority:

a) Full acceptance (i.e. 100%) of Shares from Small Shareholders in the Reserved Category who have validly tendered their Shares, to the extent of their Buyback Entitlement, or the number of Shares tendered by them, whichever is less.

b) Post the acceptance as described in 19.6 (a) above, in case, there are any Shares left to be bought back from Small Shareholders in the Reserved Category, the Small Shareholders who were entitled to tender zero Shares (on account of ignoring the fractional entitlement), and have tendered Additional Shares, shall be given preference and 1 (one) Equity Share each from the Additional Shares tendered by these Small Shareholders shall be bought back in the Reserved Category.

c) Post the acceptance as described in 19.6 (a) and (b) above, in case, there are any validly tendered unaccepted Shares in the Reserved Category ("**Reserved Category Additional Shares**") and Shares left to be bought back in Reserved Category, the Reserved Category Additional Shares shall be accepted in a proportionate manner and the acceptances shall be made in accordance with the Buyback Regulations, i.e. valid acceptances per Shareholder shall be equal to the Reserved Category Additional Shares tendered by the Shareholder divided by the total Reserved Category Additional Shares and multiplied by the total number of Shares remaining to be bought back in Reserved Category. For the purpose of this calculation, the Reserved Category Additional Shares taken into account for such Small Shareholders, from whom 1 (one) Equity Share has been accepted in accordance with (b) above, shall be reduced by one.

d) Adjustment for fractional results in case of proportionate acceptance, as described in (c) above, will be made as follows:

- For any Small Shareholder, if the number of Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 and the fractional acceptance is greater than or equal to 0.50, then the fraction would be rounded off to the next higher integer.
- For any Small Shareholder, if the number of Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 and the fractional acceptance is less than 0.50, then the fraction shall be ignored.

19.7 **Basis of Acceptance of Equity Shares validly tendered in the General Category**

Subject to the provisions contained in this Letter of Offer, the Company will accept the Shares tendered in the Buyback Offer by Eligible Shareholders (other than Small Shareholders) in the General Category in the following order of priority:

a) Full Acceptance (i.e. 100%) of Shares from Eligible Shareholders in the General Category who have validly tendered their Shares, to the extent of their Buyback Entitlement, or the number of Shares tendered by them, whichever is less.

b) Post the acceptance as described in paragraph 19.7 (a) above, in case, there are any validly tendered unaccepted Shares in the General Category **("General Category Additional Shares"**) and Shares left to be bought back in General Category, the General Category Additional Shares shall be accepted in a proportionate manner and the acceptances shall be made in accordance with the Buyback Regulations, i.e. valid acceptances per Eligible Shareholder shall be equal to the General Category Additional Shares validly tendered by the Eligible Shareholders divided by the total General Category Additional Shares and multiplied by the total number of Shares remaining to be bought back in General Category.

c) Adjustment for fractional results in case of proportionate acceptance, as described in paragraph 19.7 (b) above, will be made as follows:

- For any Eligible Shareholder, if the number of Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 (one) and the fractional acceptance is

greater than or equal to 0.50, then the fraction would be rounded off to the next higher integer.

- For any Eligible Shareholder, if the number of Additional Shares to be accepted, calculated on a proportionate basis is not in the multiple of 1 (one) and the fractional acceptance is less than 0.50, then the fraction shall be ignored.

19.8 **Basis of Acceptance of Shares between Categories**

a. In the event the Equity Shares tendered by the Small Shareholders in accordance with the process set out under Paragraph 19.6 (Basis of Acceptance of Equity Shares validly tendered in the Reserved Category for Small Shareholders) of this Letter of Offer is less than the Reserved Portion, Additional Equity Shares tendered by the Eligible Shareholders in the General Category over and above their Buyback Entitlement shall, in accordance with the Buyback Regulations, be accepted in proportion of the Additional Equity Shares tendered by them i.e. valid acceptances per shareholder shall be equal to the Additional Equity Shares validly tendered by an Eligible Shareholder in the General Category divided by the total Additional Equity Shares validly tendered in the General Category and multiplied by the Additional Equity Shares that can be accepted due to shortfall in the Reserved Portion.

b. In the event the Equity Shares tendered by the Eligible Shareholders in the General Category in accordance with the process set out under Paragraph 19.7 (Basis of Acceptance of Equity Shares validly tendered in the General Category) of this Letter of Offer is less than the General Portion, Additional Equity Shares tendered by the Eligible Shareholders in the Reserved Category over and above their Buyback Entitlement shall, in accordance with the Buyback Regulations, be accepted in proportion of the Additional Equity Shares tendered by them i.e. valid acceptances per shareholder shall be equal to the Additional Equity Shares validly tendered by an Eligible Shareholder in the Reserved Category divided by the total Additional Equity Shares validly tendered in the Reserved Category and multiplied by the Additional Equity Shares that can be accepted due to shortfall in the General Portion.

c. A Small Shareholder who has received a Tender Form with zero Buyback Entitlement and who has tendered Additional Shares shall be eligible for priority Acceptance of one Equity Share before Acceptance, as mentioned above, out of the Equity Shares left to be bought back in the General Category, provided no Acceptance could take place from such Small Shareholder in accordance with the section entitled "Basis of Acceptance of Equity Shares validly tendered in the Reserved Category for Small Shareholders".

Adjustment for fractional results in case of proportionate Acceptance, as described above:

19.9. For any Shareholder, if the number of Additional Equity Shares to be accepted, calculated on a proportionate basis is not a multiple of one and the fractional Acceptance is greater than or equal to 0.50, then the fraction would be rounded off to the next higher integer.

19.10. For any Shareholder, if the number of Additional Equity Shares to be accepted, calculated on a proportionate basis is not in the multiple of one and the fractional acceptance is less than 0.50, then the fraction shall be ignored.

19.11. In case of any practical issues, resulting out of rounding-off of Shares or otherwise, the Board or any person(s) authorized by the Board will have the authority to decide such final allocation with respect to such rounding-off or any excess of Equity Shares or any shortage of Equity Shares after allocation of Equity Shares as set out in the process described in Paragraph 20.

20 PROCEDURE FOR TENDER OFFER AND SETTLEMENT

20.1 The Buyback is open to all Eligible Shareholder(s) holding Shares either in physical and /or dematerialized form on the Record Date.

20.2 The Company proposes to effect the Buyback through Tender Offer process, on a proportionate basis. This Letter of Offer and Tender Form, outlining the terms of the Buyback Offer as well as the detailed disclosures as specified in the Buyback Regulations, will be mailed to Eligible Shareholders whose names appear on the register of members of the Company, or who are beneficial owners of Equity Shares as per the records of Depositories, on the Record Date and who have their email IDs registered with the Company and for all remaining Eligible Shareholders who do not have their email IDs registered with the Company,

the Letter of Offer alongwith Tender Form will be sent physically. However, on receipt of a request by the Registrar to the Buyback to receive a copy of Letter of Offer in physical format from such Eligible Shareholder to whom Letter of Offer and Tender Form were emailed, the same shall be sent physically.

20.3 The Company will not accept any Equity Shares offered for Buyback where there exists any restraint order of a Court/ any other competent authority for transfer/ disposal/ sale or where loss of share certificates has been notified to the Company or where the title to the Equity Shares is under dispute or otherwise not clear or where any other restraint subsists.

20.4 An unregistered shareholder, holding Shares in physical form may also tender his shares for buy-back by submitting the duly executed transfer deed for transfer of shares, purchased prior to Record Date, in his name, along with the offer form, copy of his PAN card and of the person from whom he has purchased shares and other relevant documents as required for transfer, if any.

20.5 The Company shall comply with Regulation 24(v) of the Buyback Regulations which states that the Company shall not buyback the locked-in Equity Shares and non-transferable Equity Shares till the pendency of the lock-in or till the Equity Shares become transferrable.

20.6 Eligible Shareholders' participation in Buyback will be voluntary. Shareholders can choose to participate, in part or in full, and get cash in lieu of the Shares accepted under the Buyback or they may choose not to participate and enjoy a resultant increase in their percentage shareholding, post Buyback, without additional investment. Shareholders may also tender a part of their Buyback Entitlement. Shareholders also have the option of tendering Additional Shares (over and above their Buyback Entitlement) and participate in the shortfall arising due to non-participation of some other Shareholders, if any. Acceptance of any Shares tendered in excess of the Buyback Entitlement by the Shareholder, shall be in terms of procedure outlined in paragraph 19 *(Process and Methodology for the Buyback)* of this Letter of Offer.

20.7 The Company shall accept all the Equity Shares validly tendered for the Buyback by Eligible Shareholders, on the basis of their Buyback Entitlement as on the Record Date.

20.8 As elaborated under paragraph 19.4 (b) above, the Equity Shares proposed to be bought as a part of the Buyback is divided into two categories; (a) Reserved Category for Small Shareholders and (b) the General Category for other Eligible Shareholders, and the Buyback Entitlement of an Eligible Shareholder in each category shall be calculated accordingly.

20.9 After accepting the Equity Shares tendered on the basis of Buyback Entitlement, Equity Shares left to be bought as a part of the Buyback, if any, in one category shall first be accepted, in proportion to the Equity Shares tendered, over and above their Buyback Entitlement, by Eligible Shareholders in that category, and thereafter, from Eligible Shareholders who have tendered over and above their Buyback Entitlement, in the other category.

20.10 The Buyback shall be implemented by the Company using the "Mechanism for acquisition of shares through Stock Exchange" notified by SEBI vide circular CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015 read with SEBI circular CFD/DCR2/CIR/P/2016/131 dated December 9, 2016 ("**SEBI Circulars**") as may be amended from time to time and following the procedure prescribed in BSE Notice, Companies Act, 2013 and the Buyback Regulations and as may be determined by the Board and on such terms and conditions as may be permitted by law from time to time.

20.11 The maximum Shares tendered under the Buyback by any Eligible Shareholder cannot exceed the number of Equity Shares held by the Eligible Shareholder as on the Record Date.

20.12 For implementation of the Buyback, the Company has appointed SBICAP Securities Limited as the registered broker to the Company (the "**Company's Broker**") through whom the purchases and settlements on account of the Buyback would be made by the Company. The contact details of the Company's Broker are as follows:

SBICAP Securities Limited
Marathon Futurex, 12th Floor, A Wing,
N M Joshi Marg,
Lower Parel, Mumbai – 400 013
CIN: U65999MH2005PLC155485
Contact Person: Mr. Sriram N.S., Vice President
Tel: +91 (22) 4366 3537
Fax: +91 (22) 2300 0944
E-mail: Sriram.NS@sbicapsec.com
Website: www.sbismart.com
SEBI Registration Number: Stock Broker: BSE and NSE: INZ000200032

20.13 The Company will request BSE to provide a separate Acquisition Window to facilitate placing of sell orders by the Eligible Shareholders who wish to tender Equity Shares in the Buyback. BSE would be the Designated Stock Exchange for this Buyback Offer. All Eligible Shareholders may place orders in the Acquisition Window, through their respective stock brokers ("**Shareholder Broker**").

In the event Shareholder Broker(s) of Eligible Shareholder is not registered with BSE then that Eligible Shareholder can approach any BSE registered stock broker and can make a bid by using quick unique client code (UCC) facility through that BSE registered stock broker after submitting the details as may be required by that stock broker to be in compliance with the SEBI regulations. In case Eligible Shareholder is not able to bid using quick UCC facility through any other BSE registered stock broker then the Eligible Shareholder may approach Company's Broker to bid by using quick UCC facility.

20.14. The Eligible Shareholder approaching BSE registered stock broker (with whom he does not have an account) may have to submit following details:

(a) **In case of Eligible Shareholder being an Individual or HUF**

(i) *If Eligible Shareholder is registered with KYC Registration Agency ("KRA"):*

A. Forms required:

- Central Know Your Client (CKYC) form
- Know Your Client (KYC) form

B. Documents required (all documents self-attested):

- Bank details (cancelled cheque)
- Demat details only if Equity Shares are in demat mode (Demat Master /Latest Demat statement)

(ii) If Eligible Shareholder is not registered with KRA:

A. Forms required:

- CKYC form
- KRA form
- KYC form

B. Documents required (all documents self-attested):

- PAN card copy
- Address proof
- Bank details (cancelled cheque)
- Demat details only if Equity Shares are in demat mode (Demat master /Latest Demat statement)

It may be noted that other than submission of above forms and documents in person verification may be required.

(b) In case of Eligible Shareholder other than Individual and HUF:

(i) If Eligible Shareholder is KRA registered:

A. Form required:

- KYC form

B. Documents required (all documents certified true copy):

- Bank details (cancelled cheque)
- Demat details only if Equity Shares are in demat mode (Demat master /Latest Demat statement)
- Latest list of directors/authorised signatories/partners/trustees
- Latest shareholding pattern
- Board resolution
- Details of ultimate beneficial owner along with PAN card and address proof
- Last 2 years financial statements

(ii) If Eligible Shareholder is not KRA registered:

A. Forms required:
- KRA form
- KYC form

B. Documents required (all documents certified true copy):

- PAN card copy of company/ firm/trust
- Address proof of company/ firm/trust
- Bank details (cancelled cheque)
- Demat details only if Equity Shares are in demat mode (Demat Master /Latest Demat statement)
- Latest list of directors/authorised signatories /partners/trustees
- PAN card copies & address proof of directors/authorised signatories/partners/trustees
- Latest shareholding pattern
- Board resolution/partnership declaration
- Details of ultimate beneficial owner along with PAN card and address proof
- Last 2 years financial statements
- MOA/Partnership deed /trust deed

Additionally, registered Equity Shareholders holding Equity Shares in Physical form must also provide the documents mentioned in paragraph 20.21.

It may be noted that above mentioned list of documents is an indicative list. The requirement of documents and procedures may vary from broker to broker.

20.15 During the Tendering Period, the order for selling the Shares will be placed in the Acquisition Window by Eligible Shareholders through their respective Shareholder Broker during normal trading hours of the secondary market.

20.16 Shareholder Broker can enter orders for demat Shares as well as physical Shares.

20.17 Modification / cancellation of orders and multiple bids from a single Eligible Shareholder will be allowed during the Tendering Period of the Buyback offer. Multiple bids made by single Eligible Shareholder for selling the Shares shall be clubbed and considered as 'one' bid for the purposes of Acceptance.

20.18 The cumulative quantity tendered shall be made available on BSE website- www.bseindia.com throughout the trading session and will be updated at specific intervals during the Tendering Period.

20.19 All documents sent by Eligible Shareholders will be at their own risk. Eligible Shareholders are advised to safeguard adequately their interests in this regard.

20.20 Procedure to be followed by Eligible Shareholders holding Equity Shares in the dematerialised form

Eligible Shareholders who desire to tender their Equity Shares in the electronic/dematerialized form under the Buyback would have to do so through their respective Shareholder Broker by indicating to them, the details of Equity Shares they intend to tender under the Buyback. The Shareholder Broker would be required to place an order/bid on behalf of the Eligible Shareholders who wish to tender their Shares in the Buyback using Acquisition Window of BSE.

Before placing the bid, the Eligible Shareholder is required to transfer the Equity Shares to the special account of the Indian Clearing Corporation Limited ("**Clearing Corporation**"), specifically created for the purpose of Buy-back Offer ("**Special Account**") by using the early pay in mechanism prescribed by the BSE or the Clearing Corporation prior to placing the bid by the Shareholder Broker. This shall be validated by the Shareholder Broker at the time of order/ bid entry. The details of the settlement number for the Buyback will be provided in a separate circular which shall be issued at the time of issue opening by BSE and/or the Clearing Corporation. Modification/ cancellation of orders will be allowed during the Tendering Period. The details of the Special Account of the Clearing Corporation shall be informed in the issue opening circular that will be issued by the BSE and/or the Clearing Corporation.

For custodian participant orders for demat Equity Shares, early pay-in is mandatory prior to confirmation of order/bid by custodians. The custodian shall either confirm or reject the orders not later than closing of trading hours on the last day of the Tendering Period (Buyback Closing Date). Thereafter, all unconfirmed orders shall be deemed to be rejected. For all confirmed custodian participant orders, any order modification shall revoke the custodian confirmation and the revised order shall be sent to the custodian again for confirmation.

Upon placing the bid, the Shareholder Broker shall provide a Transaction Registration Slip ("**TRS**") generated by the exchange bidding system to the Eligible Shareholder on whose behalf the bid has been placed. TRS will contain details of order submitted like Bid ID No., Application No., DP ID, Client ID, Number of Equity Shares tendered etc.

Eligible Shareholders who have tendered their Equity Shares in the Buyback may deliver the Tender Form duly signed (by all Shareholders in case shares are in joint names) in the same order in which they hold the shares, along with the TRS generated by the exchange bidding system either by registered post or courier or hand delivery to the Registrar to the Buyback at the address mentioned on the cover page of this Letter of Offer) not later than 2 (two) working days from the Buyback Closing Date i.e. Saturday, December 29, 2018 (by 05:00 p.m.). The envelope should be superscribed as "**BHEL Buyback Offer 2018**".

It is clarified that in case of demat Equity Shares, submission of the Tender Form and TRS is not mandatory. After the receipt of the demat Equity Shares in the accounts of the Clearing Corporation and a valid bid in the exchange bidding system, the bid for Buyback shall be deemed to have been accepted, for Eligible Shareholders holding the Equity Shares in demat form.

The Eligible Shareholders will have to ensure that they keep the DP Account active and unblocked to receive credit in case of return of Equity Shares due to rejection or partial acceptance. Further, Eligible Shareholders will have to ensure that they keep the savings bank account attached to the DP account active and updated to receive credit remittance due to acceptance of Buyback of shares by the Company.

Excess demat Equity Shares or unaccepted demat Equity Shares, if any, tendered by the Eligible Shareholders would be returned to them by Clearing Corporation. If the securities transfer instruction is rejected in the depository system, due to any issue then such securities will be transferred to the Shareholder Broker's depository pool account for onward transfer to the Eligible Shareholder. In case of custodian participant orders, excess demat Shares or unaccepted demat Shares, if any, will be returned to the respective custodian depository pool account.

Eligible Shareholders shall also provide all relevant documents, which are necessary to ensure transferability of the Equity Shares in respect of the Tender Form to be sent. Such documents may include (but not be limited to):

i. Duly attested power of attorney, if any person other than the Eligible Shareholder has signed the Tender Form;

ii. Duly attested death certificate and succession certificate/ legal heirship certificate, in case any Eligible Shareholder has expired; and

iii. In case of companies, the necessary certified corporate authorizations (including board and/ or general meeting resolutions).

20.21 Procedure to be followed by registered Eligible Shareholders holding Equity Shares in the Physical form

The Buyback Regulations provide for buyback of both dematerialised and physical securities, and accordingly, the Eligible Shareholders who hold Equity Shares in physical form and intend to tender such Equity Shares in the Buyback, shall follow the procedure provided herein below.

All Equity Shareholders holding the Equity Shares in the physical form shall note that in accordance with the proviso to Regulation 40(1) of the SEBI Listing Regulations (notified by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018), effective from December 5, 2018, transfers of securities shall not be processed unless the securities are held in the dematerialized form with a depository ("**LODR Amendment**"). Accordingly, in light of the LODR Amendment, the Eligible Shareholders are requested to approach the concerned depository participant to have their Equity Shares dematerialized before tendering their Equity Shares in the Buyback. In light of the LODR Amendment, in case the applicable law restricts the buyback of Equity Shares held in physical form, the Company may not be able to accept the tender of such Equity Shares held in physical form.

Eligible Shareholders who are holding Equity Shares in a physical form and intend to participate in the Buyback will be required to approach their respective Shareholder Broker along with the complete set of documents for verification procedures to be carried out. Such documents will include:

a) The Tender Form duly signed (by all Eligible Shareholders in case Equity Shares are in joint names) in the same order in which they hold the Equity Shares.

b) Original share certificates

c) Valid share transfer form(s) i.e Form SH-4 duly filled and signed by the transferors (i.e. by all registered Eligible Shareholders in same order and as per the specimen signatures registered with the Company) and duly witnessed at the appropriate place authorizing the transfer in favor of the Company.

d) Self-attested copy of the PAN Card(s) of all Eligible Shareholders.

e) Any other relevant documents such as (but not limited to):
   i. Duly attested Power of Attorney if any person other than the Eligible Shareholder has signed the relevant Tender Form
   ii. Notarized copy of death certificate and legal heirship certificate / succession certificate or probated will, if the original Eligible Shareholder has deceased
   iii. Necessary corporate authorisations, such as Board Resolutions etc., in case of companies

f) In addition to the above, if the address of the Shareholder has undergone a change from the address registered in the Register of Members of the Company, the Shareholder would be required to submit a self-attested copy of address proof *inter alia* consisting of any one of the following documents: valid Aadhar Card, Voter Identity Card or Passport.

Based on these documents, the concerned Shareholder Broker shall place a bid on behalf of the Shareholders holding Equity Shares in physical form and who wish to tender Equity Shares in the Buyback, using the acquisition window of BSE. Upon placing the bid, the Shareholder Broker shall provide a Transaction Registration Slip ('**TRS**') generated by the Exchange Bidding System to the Shareholder. TRS will contain the details of order submitted like Folio No., Certificate No., Distinctive No., Number of Equity Shares tendered etc.

Eligible Shareholder/ Shareholder Broker, is required to deliver Tender Form, TRS, original share certificate(s), valid share transfer form(s) & other documents (as mentioned in paragraph hereinabove) either by registered post or courier or hand delivery to the Registrar to the Buyback at the address mentioned on the cover page of this Letter of Offer not later than 2 (two) working days from the Closing Date i.e. Saturday, December 29, 2018 (by 05:00 p.m.). The envelope should be superscribed as "**BHEL Buyback Offer 2018**". One copy of the TRS will be retained by Registrar to the Buyback and it will provide acknowledgement of the same to the Eligible Shareholder/Shareholder Broker.

Eligible Shareholders holding physical shares should note that physical Equity Shares will not be accepted unless the complete set of documents is submitted. Acceptance of the physical Equity Shares for Buyback by the Company shall be subject to verification as per the Buyback Regulations and any further directions issued in this regard.

Registrar to the Buyback will verify such bids based on the documents submitted on a daily basis and till such verification, BSE shall display such bids as 'unconfirmed physical bids'. Once Registrar to the Buyback confirms the bids, they will be treated as 'Confirmed Bids'.

20.22 Additional requirements in respect of tenders by Non-resident shareholders:

a) While tendering their Equity Shares under the Buyback Offer, all Eligible Shareholders being Non-resident Shareholders should provide relevant confirmations/ declarations vide the duly filled-in and signed (by all shareholders in case the Equity Shares are held in joint names) Tender Forms (including a copy of the permission received from RBI wherever applicable). In the event relevant confirmations / declarations are not provided in the Tender Forms or there is ambiguity in the information provided, the Company reserves the right to reject such Tender Forms.

b) FII/FPI shareholders should also enclose a copy of their SEBI registration certificate.

c) In case the Equity Shares are held on repatriation basis, the Non-Resident Shareholders should enclose documents in support of the same. Such documents should include:

- a copy of the permission received by them from RBI at the time of the original acquisition of Shares
- a letter from the Eligible Shareholder's authorized dealer/bank confirming that at the time of acquiring the said Equity Shares, payment for the same was made by the Non-Resident shareholder from the appropriate account as specified by RBI in its approval.
- Any other document which evidences repatriability of sale proceeds in respect of the tendered Shares.

In case the Non-Resident shareholder is not in a position to produce supporting documents towards enabling repatriation, the Shares would be deemed to have been acquired on non-repatriation basis and in that case the Non-Resident Shareholder shall submit a consent letter addressed to the Company, allowing the Company to make the payment on a non-repatriation basis in respect of the valid Shares accepted under the Offer.

d) If any of the above stated documents, as applicable, are not enclosed along with the Tender Form, the Equity Shares tendered under the Buyback Offer are liable to be rejected.

20.23 In case any Eligible Shareholder has submitted Equity Shares in physical form for dematerialisation, such Eligible Shareholders should ensure that the process of getting the Equity Shares dematerialised is completed well in time so that they can participate in the Buyback Offer before Buyback Closing Date.

20.24 Non-receipt of the Letter of Offer by, or accidental omission to dispatch the Letter of Offer to any Eligible Shareholder, shall not invalidate the Buyback Offer in any way.

20.25 In case of non-receipt of the Letter of Offer / Tender Form:

a) **In case the Equity Shares are in dematerialised form**: If the Eligible Shareholder who has been sent the Letter of Offer through electronic means wishes to obtain a physical copy of the Letter, they may send a request in writing to the Company or Registrar at the address or email id mentioned at the

cover page of the Letter of Offer, stating name, address, number of Equity Shares held on the Record Date, client ID number, DP name/ DP ID, beneficiary account number, and upon receipt of such request, a physical copy of the Letter of Offer shall be provided to such Eligible Shareholder. An Eligible Shareholder may participate in the Offer by downloading the Tender Form from the website of the Company i.e. www.bhel.com or send an application in writing on plain paper signed by all Eligible Shareholders (in case of joint holding) stating name and address of Shareholder(s) to the Shareholder Broker, number of Equity Shares held as on the Record Date, Client ID number, DP Name/ID, beneficiary account number, number of Equity Shares tendered for the Buyback.

b) **In case the Equity Shares are in physical form**: An Eligible Shareholder may participate in the Buyback Offer by providing an application in writing on a plain paper signed by all Eligible Shareholders (in case of joint holding) stating name, address, folio number, number of Equity Shares held, share certificate number, number of Equity Shares tendered for the Buyback Offer and the distinctive numbers thereof, enclosing the original share certificate(s), copy of Eligible Shareholders' PAN card(s), executed share transfer form in favour of the Company and other necessary documents. The transfer form SH-4 can be downloaded from the Company's website i.e. www.bhel.com. Shareholders/Shareholder Broker must ensure that the Tender Form, along with TRS and the requisite documents, reach the Registrar to the Buyback no later than 2 (two) days from the Buyback Closing Date i.e. Saturday, December 29, 2018 (by 05:00 p.m). If the signature(s) of the Eligible Shareholders provided in the plain paper application differs from the specimen signature(s) recorded with the Registrar of the Company or are not in the same order (although attested), such applications are liable to be rejected under this Buyback Offer.

Please note that Eligible Shareholder(s) who intend to participate in the Buyback will be required to approach their respective Shareholder Broker (along with the complete set of documents for verification procedures) and have to ensure that their bid is entered by their respective Shareholder Broker or broker in the electronic platform to be made available by the Designated Stock Exchange before the Buyback Closing Date, otherwise the same are liable to be rejected.

The Company shall accept Equity Shares validly tendered by the Shareholder(s) in the Buyback on the basis of their shareholding and entitlement as appearing in the records of the Company as on the Record Date. Eligible Shareholder(s) who intend to participate in the Buyback using the 'plain paper' option as mentioned in this paragraph are advised to confirm their entitlement from the Registrar to the Buyback, before participating in the Buyback.

20.26 The acceptance of the Buyback Offer made by the Company is entirely at the discretion of the Eligible Shareholders. The Company does not accept any responsibility for the decision of any Eligible Shareholder to either participate or not to participate in the Buyback Offer. The Company will not be responsible in any manner for any loss of Share certificate(s) and other documents during transit and the Eligible Shareholders are advised to adequately safeguard their interest in this regard.

20.27 The instructions and authorizations contained in the Tender Form constitute an integral part of the terms of this Buyback Offer.

20.28 Acceptance of orders

The Registrar shall provide details of order Acceptance to Clearing Corporation within specified timelines.

20.29 Method of Settlement

Upon finalization of the basis of acceptance as per Buyback Regulations:

(i) The settlement of trades shall be carried out in the manner similar to settlement of trades in the secondary market and as intimated by the Clearing Corporation from time to time.

(ii) The Company will pay the consideration to the Company's Broker on or before the pay-in date for settlement who in turn will transfer the funds for pay-in, in the settlement account of ICCL, as per the settlement schedule announced by ICCL.

(iii) For Equity Shares accepted under the Buyback, the Eligible Shareholder will receive funds payout

in their settlement bank account from the Clearing Corporation. If Equity Shareholders' bank account details are not available or if the fund transfer instruction is rejected by RBI or relevant bank, due to any reasons, then the amount payable to Eligible Equity Shareholders will be transferred to the Shareholder Broker's settlement account for onward transfer to the Equity Shareholder.

(iv) In case of certain client types viz. NRI, Foreign Clients etc. (where there are specific RBI and other regulatory requirements pertaining to funds pay-out) who do not opt to settle through custodians, the funds pay-out would be given to their respective Shareholder Broker's settlement accounts for releasing the same to their respective Shareholder's account onward. For this purpose, the client type details would be collected from the Registrar to the Buyback.

(v) In case of bids confirmed by custodian, settlement will be released to custodians' settlement account.

(vi) The Equity Shares bought back in the demat form would be transferred directly to the demat escrow account of the Company (the "**Demat Escrow Account**") on receipt of the Equity Shares from the clearing and settlement mechanism of the BSE/Clearing Corporation.

(vii) Excess dematerialized Equity Shares or unaccepted dematerialized Equity Shares, if any, tendered by the Eligible Shareholders would be returned to them by Clearing Corporation as part of the exchange payout process, not later than Monday, January 07, 2019. If the securities transfer instruction is rejected in the Depository system, due to any issue then such securities will be transferred to the Shareholder brokers's depository pool account for onward transfer to the respective Eligible Shareholder. In case of custodian participant orders, excess demat Shares or unaccepted demat Shares, if any, will be returned to the respective custodian depository pool account.

(viii) Equity Shares in Physical form, to the extent tendered but not accepted, will be returned back to the concerned Shareholders directly by Registrar to the Buyback. The Company has authorized the Registrar to split the share certificate and issue new share certificate for unaccepted Equity Shares. The Company will issue a new consolidated share certificate for all the unaccepted and excess physical shares and return the same to the sole/first Shareholder (in case of joint Shareholders). Share certificates in respect of unaccepted and excess/ rejected Shares and other documents, if any, will be sent by Registered Post / Speed Post at the Shareholders' sole risk to the sole/first Shareholder (in case of joint Shareholders), at the address recorded with the Company.

(ix) Clearing Corporation would settle the trades by making direct funds pay-out to the Equity Shareholders and the Shareholder Broker would issue contract note to the Eligible Shareholders tendering Equity Shares in the Buyback. Company's Broker would also issue a contract note to the Company for the Equity Shares accepted under the Buyback.

(x) Shareholders who intend to participate in the Buyback should consult their respective Shareholder Broker for payment to them of any cost, applicable taxes, charges and expenses (including brokerage) that may be levied by the Shareholder Broker upon the selling Eligible Shareholders for tendering Equity Shares in the Buyback (secondary market transaction). The Buyback consideration received by the selling Eligible Shareholders, in respect of accepted Equity Shares, could be net of such costs, charges and expenses (including brokerage). The Manager to the Buyback and the Company accepts no responsibility to bear or pay such additional cost, charges and expenses (including brokerage) incurred solely by the selling Shareholders.

(xi) The Equity Shares lying to the credit of the Demat Escrow Account and the Equity Shares bought back and accepted in physical form will be extinguished in the manner and following the procedure prescribed in the Buyback Regulations and Companies Act, 2013.

20.30 Settlement of Funds/ Payment Consideration

The settlements of fund obligation for dematerialised and physical Equity Shares shall be effected as per the SEBI Circulars and as prescribed by the Stock Exchange and Clearing Corporation from time to time. For Equity Shares accepted under the Buyback, the Eligible Shareholders holding Equity Shares in dematerialised form will receive funds payout in the Shareholder's bank account as provided by the

Depository system from Clearing Corporation and in case of physical shares the Clearing Corporation will release the funds to the Shareholder Broker(s) as per secondary market pay out mechanism. If Eligible Shareholders' bank account details are not available or if the funds transfer instruction is rejected by RBI/Bank, due to any issue then such funds will be transferred to the concerned Shareholder Brokers' settlement bank account for onward transfer to their respective Eligible Shareholders.

20.31 Special Account opened with the Clearing Corporation

The details of transfer of the dematerialised Equity Shares to the Special Account by trading member or custodians shall be informed in the issue opening circular that will be issued by BSE or Clearing Corporation.

20.32 Rejection Criteria

The Equity Shares tendered by Eligible Shareholders would be liable to be rejected on the following grounds:

For Eligible Shareholders holding shares in the dematerialized form if:

a. the Shareholder is not an Eligible Shareholder of the Company as on the Record Date; or
b. if there is a name mismatch in the dematerialised account of the Shareholder and PAN.

For Eligible Shareholders holding Equity Shares in the physical form if:

a. The documents mentioned in the Tender Form for Eligible Shareholders holding Equity Shares in physical form are not received by the Registrar on or before the close of business hours of Saturday, December 29, 2018 by 05:00 p.m.;
b. If the share certificate of the Company is not enclosed with the Tender Form;
c. If the transfer/ transmission of Equity Shares is not completed, and the Equity Shares are not in the name of the Eligible Shareholders;
d. If the Eligible Shareholders bid the Equity Shares but the Registrar does not receive the physical Equity Share certificate; or
e. In the event the signature in the Tender Form and Form SH-4 do not match as per the specimen signature recorded with Company or Registrar.

21 NOTE ON TAXATION

Disclosures in this paragraph are based on expert opinion sought by the Company.

THE SUMMARY OF THE TAX CONSIDERATIONS IN THIS SECTION ARE BASED ON THE CURRENT PROVISIONS OF THE TAX LAWS OF INDIA AND THE REGULATIONS THEREUNDER, THE JUDICIAL AND THE ADMINISTRATIVE INTERPRETATIONS THEREOF, WHICH ARE SUBJECT TO CHANGE OR MODIFICATION BY SUBSEQUENT LEGISLATIVE, REGULATORY, ADMINISTRATIVE OR JUDICIAL DECISIONS. ANY SUCH CHANGES COULD HAVE DIFFERENT TAX IMPLICATIONS.

IN VIEW OF THE PARTICULARISED NATURE OF TAX CONSEQUENCES, SHAREHOLDERS ARE REQUIRED TO CONSULT THEIR TAX ADVISORS FOR THE APPLICABLE TAX PROVISIONS INCLUDING THE TREATMENT THAT MAY BE GIVEN BY THEIR RESPECTIVE TAX OFFICERS IN THEIR CASE, AND THE APPROPRIATE COURSE OF ACTION THAT THEY SHOULD TAKE.

THE COMPANY DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR OTHERWISE OF SUCH ADVICE. THEREFORE, SHAREHOLDERS CANNOT RELY ON THIS ADVICE AND THE SUMMARY TAX IMPLICATIONS RELATING TO THE TREATMENT OF INCOME TAX IN THE CASE OF BUY BACK OF LISTED EQUITY SHARES ON THE STOCK EXCHANGE SET OUT BELOW SHOULD BE TREATED AS INDICATIVE AND FOR GUIDANCE PURPOSES ONLY.

1. GENERAL

The basis of charge of Indian income-tax depends upon the residential status of the taxpayer during a tax year. The Indian tax year runs from April 1 until March 31. A person who is an Indian tax resident is liable to taxation in India on his worldwide income, subject to certain tax exemptions, which are provided under the Income Tax Act, 1961 **("the Income Tax Act")**.

A person who is treated as non-resident for Indian income-tax purposes is generally subject to tax in India only on such person's India sourced income or income received by such person in India. In case of shares of a Company, the source of income from shares would depend on the "situs" of such shares. As per judicial precedents, generally the "situs" of the shares is where company is "incorporated" and where its shares can be transferred. Accordingly, since Bharat Heavy Electricals Limited is incorporated in India, the shares of Bharat Heavy Electricals Limited would be "situated" in India and any gains arising to a non-resident on transfer of such shares should be taxable in India under the Income Tax Act. Further, the non-resident can avail the beneficial provisions of the Double Taxation Avoidance Agreement ('**DTAA**') between India and the respective jurisdiction of the shareholder subject to meeting relevant conditions and providing and maintaining necessary information and documents as prescribed under the Income Tax Act.

The Income Tax Act also provides for different tax regimes/ rates applicable to the gains arising on buyback of shares, based on the period of holding, residential status and category of the shareholder, nature of the income earned, etc. The summary tax implications on buyback of listed equity shares on the stock exchange is set out below. All references to equity shares in this note refer to listed equity shares unless stated otherwise.

2. CLASSIFICATION OF SHAREHOLDERS

Based on the provisions of the Income Tax Act, shareholders can be classified under the following categories:

a) Resident Shareholders being:

- Individuals, Hindu Undivided Family (HUF), Association of Persons (AOP) and Body of Individuals (BOI)
- Others

b) Non Resident Shareholders being:

- Non Resident Indians (NRIs)
- Foreign Institutional Investors (FIIs)
- Foreign Companies
- Others

3. CLASSIFICATION OF INCOME

Shares can be classified under the following two categories:

a) Shares held as investment (Profit or Gains arising from transfer taxable under the head "Capital Gains")

b) Shares held as stock-in-trade (Profit or Gains arising from transfer taxable under the head "Profits and Gains from Business or Profession")

Gains arising from the transfer of shares may be treated either as "capital gains" or as "business income" for tax purposes, depending upon whether such shares were held as a capital asset or trading asset (i.e. stock-in-trade). Traditionally, the issue of characterisation of income arising from sale of shares has been a subject matter of litigation with the tax authorities. There have been various judicial pronouncements on whether gains from transactions in securities should be taxed as "business profits" or as "capital gains". However, these pronouncements, while laying down certain guiding principles have largely been driven by the facts and circumstances of each case. Central Board of Direct Taxation (CBDT) the apex body of Income-Tax has issued Circular No. 6 of 2016, as per which, if the taxpayer opts to consider the shares as stock-in-trade, the income arising from the transfer of such shares would be treated as its business income. Also, if such shares are held for a period of more than 12 months, if the taxpayer desires to treat the income arising from the transfer thereof as "capital gains", the same shall not be put to dispute by Income Tax Authorities. However, the choice on characterization, once taken by the taxpayer should be consistent, and shall apply for subsequent years as well.

Further, investments by FIIs in any securities in accordance with the regulations made under the Securities Exchange Board of India Act, 1992 would be treated as capital asset under the provisions of the Income Tax Act.

3.1 SHARES HELD AS INVESTMENT

As per the provisions of the Income Tax Act, where the shares are held as investments, income arising from the transfer of such shares is taxable under the head "Capital Gains". Capital gains on buyback of shares are governed by the provisions of section 46A of the Income Tax Act and would attract capital gains in the hands of shareholders as per provisions of section 48 of the Income Tax Act. The provisions of Income Tax Act related to buy back of shares under section 115QA in Chapter XII-DA of the Income Tax Act do not apply to shares listed on the stock exchange.

3.1.1 Period of holding

Depending on the period for which the shares are held, the gains would be taxable as 'short term capital gain' or 'long term capital gain':

A. In respect of equity shares which are listed on a recognised Stock Exchange, held for a period less than or equal to 12 months prior to the date of transfer, the same shall be treated as a 'short-term capital asset', and the gains arising therefrom shall be taxable as 'short term capital gains' ("STCG").

B. Similarly, where equity shares which are listed on a recognised Stock Exchange held for a period more than 12 months prior to the date of transfer, the same shall be treated as a 'long-term capital asset', and the gains arising therefrom shall be taxable as 'long-term capital gains' ("LTCG").

3.1.2 Buyback of shares through a recognized stock exchange

Where transaction for transfer of such equity shares (i.e. buyback) is executed through a recognized stock exchange, they are liable to Securities Transaction Tax ('STT'). STT is a tax payable in India on the value of securities on every purchase or sale of securities that are listed on the Indian Stock Exchange. Currently, the STT rate applicable on the purchase or sale of shares on the stock exchange is 0.1% of the value of security.

The taxability of buyback proceeds would be as under:

- As per the provisions of the Income Tax Act as amended by the Finance Act, 2018, the exemption provided u/s. 10(38) of Income Tax Act for LTCG has been withdrawn and tax @10% shall be levied on LTCG exceeding ₹1 Lac in a financial year arising on transfer of listed equity shares without allowing the benefit of indexation. However, gains accrued on such equity shares till 31st January, 2018 have been exempted by providing that the cost of acquisition in respect of such equity shares which would be transferred on or after 1st April, 2018 shall be higher of:

    i) the actual cost of acquisition of such equity shares acquired before 1st February, 2018 or

    ii) the lower of the following:

        a) the highest price of such equity shares quoted on the recognised stock exchange on the 31st January, 2018; or
        b) the actual sale value of such equity shares.

However, as per Income Tax Notification No. 60/2018 [F. NO. 370142/9/2017-TPL] dated 01.10.2018, an exemption from the requirement of STT being paid at the time of acquisition of shares provided to certain modes of acquisition including acquisition of shares by a non-resident under the FDI policy. If acquisition is made in such specified modes, the rates specified above shall continue to apply, even if no STT was paid at the time of acquisition of the shares.

If STT is not paid at the time of acquisition of the shares being bought back, entire LTCG arising to the shareholder shall be subject to tax @ 10% under Section 112 of the IT Act (or 20% after claiming indexation benefit which is relevant in case of resident shareholders).

- STCG arising from such transaction would be subject to tax @ 15% under section 111A of the Income Tax Act, without any restriction on the mode of acquisition.

Further, resident corporate shareholders would also be subject to Minimum Alternate Tax under section 115JB of the Income Tax Act at the rate of 18.50%. This would however be available for offset against taxes payable by such corporate shareholders under normal tax provisions (subject to conditions). In addition to the Tax, Surcharge and Health and Education Cess are leviable *(Please refer to Note 5 for rate of surcharge and cess).*

In case of resident Individual or HUF, the benefit of maximum amount which is not chargeable to income-tax is considered while computing the tax on such STCG taxable under section 111A of the Income Tax Act. In addition to the above STCG tax, Surcharge and Health and Education Cess are leviable (Please refer to Note 5 for rate of surcharge and cess).

Non-resident shareholders can avail beneficial provisions of the applicable Double Taxation Avoidance Agreement ('DTAA') entered into by India with relevant country in which the shareholder is resident but subject to fulfilling relevant conditions and submitting/ maintaining necessary documents prescribed under the Income Tax Act.

As an overall point, since the buyback is undertaken on the stock exchange, such transaction is chargeable to Securities Transaction Tax ("STT"). STT is a tax payable in India on the value of securities on every purchase or sale of securities that are listed on the Indian Stock Exchange. Currently, the STT rate applicable on the purchase or sale of shares on the stock exchange is 0.1% of the transaction value separately in the hands of the Seller and the Company.

3.2 SHARES HELD AS STOCK-IN-TRADE

If the shares are held as stock-in-trade by any of the shareholders of the Company, then the gains would be characterized as business income and taxable under the head "Profits and Gains from Business or Profession". In such a case, the provisions of section 46A of the Income Tax Act would not apply.

3.2.1 Resident Shareholders

A. For individuals, HUF, AOP, BOI, profits would be taxable at slab rates.

B. Domestic Company having turnover or gross receipts not exceeding INR 250 crore of the previous year 2016-17 would be taxable @ 25%.

C. For persons other than stated in (A) & (B) above, profits would be taxable @ 30%.

In addition to the above, Surcharge and Health and Education Cess are leviable *(Please refer to Note 5 for rate of surcharge and cess)*.

No benefit of indexation by virtue of period of holding would be available in any case.

3.2.2 Non Resident Shareholders

a) Non-resident shareholders can avail beneficial provisions of the applicable Double Taxation Avoidance Agreement ('DTAA') entered into by India with relevant country to which shareholder belongs but subject to fulfilling relevant conditions and submitting/ maintaining necessary documents prescribed under the Income Tax Act.

b) Where DTAA provisions are not applicable:

- For non-resident individuals, HUF, AOP, BOI, profits would be taxable at slab rates
- For foreign companies, profits would be taxed in India @ 40%
- For other non-resident shareholders, such as foreign firms, profits would be taxed in India @ 30%.

In addition to the above, Surcharge and Health and Education Cess are leviable *(Please refer to Note 5 for rate of surcharge and cess)*.

4. TAX DEDUCTION AT SOURCE (TDS)

4.1 In case of Resident Shareholders

In the absence of any specific provision under the Income Tax Act, the Company is not required to deduct tax on the consideration payable to resident shareholders pursuant to the said Buyback.

4.2 In case of Non-resident Shareholders

Under the Income Tax laws, any capital gains paid to a non-resident is subject to deduction of tax at source, unless capital gains are realised by FIIs. However, since the buy-back is through the stock exchange, the company will not be able to withhold any taxes, and thus, the company believes that the responsibility of withholding/discharge of the taxes due on such gains (if any) is solely on the custodians/ authorised dealer/ non-resident shareholder with no recourse to the company.

It is therefore important that the non-resident shareholder consult their custodians / authorised dealers / tax advisors appropriately and immediately pay taxes in India (either through deduction at source or otherwise). In the event the company is held liable for the tax liability of the shareholder, the same shall be to the account of the shareholder and to that extent the company is entitled to be indemnified by such shareholder. The non-resident shareholders also to provide undertaking to the Company, to provide on demand, the relevant details in respect of the taxability/ non-taxability of the proceeds arising on buyback of Equity Shares by the Company, copy of tax return filed in India, evidence of the tax paid etc.

5. RATE OF SURCHARGE AND CESS

In addition to the basic tax rate, Surcharge and Health and Education Cess are leviable as under:

5.1 Surcharge

- In case of domestic companies: Surcharge @ 12% is leviable where the total income exceeds ₹10 crores and @ 7% where the total income exceeds ₹ 1 crore but upto ₹ 10 crores.

- In case of companies other than domestic companies: Surcharge @ 5% is leviable where the total income exceeds ₹ 10 crores and @ 2% where the total income exceeds ₹ 1 crore but upto ₹ 10 crores.

- In case of Individuals, Hindu Undivided family, Association of Persons, and Body of Individuals: Surcharge @15% is leviable where the total income exceeds ₹ 1 crore and @ 10% where the total income exceeds ₹ 50 Lakhs but upto ₹ 1 crore.

- In case of Firms, Co-operative Societies, or Local Authorities: Surcharge @ 12% is leviable where the total income exceeds ₹ 1 crore.

5.2 Cess

Health and education cess @ 4% is leviable on income taxe and surcharge, as applicable.

6. THE TAX RATE AND OTHER PROVISIONS MAY UNDERGO CHANGES.

SHAREHOLDERS ARE ADVISED TO CONSULT THEIR TAX ADVISORS FOR THE TREATMENT THAT MAY BE GIVEN BY THEIR RESPECTIVE ASSESSING OFFICERS IN THEIR CASE, AND THE APPROPRIATE COURSE OF ACTION THAT THEY SHOULD TAKE. THE COMPANY DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR OTHERWISE OF SUCH ADVICE.

The above note on taxation sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the disposal of equity shares. This note is neither binding on any regulators nor can there be any assurance that they will not take a position contrary to the comments mentioned herein. Hence, shareholders should consult their own tax advisors for the tax provisions applicable to their particular circumstances.

22 DECLARATION BY THE BOARD OF DIRECTORS

Declaration as required under clause (ix) and clause (x) of Schedule I to the Buyback Regulations:

The Board of Directors made the below mentioned declaration as on the date of passing the board resolution approving the Buyback i.e. October 25, 2018:

i. There are no defaults subsisting in the repayment of deposits or interest payment thereon, redemption of debentures or interest payment thereon or redemption of preference shares or payment of dividend due to any shareholder, or repayment of any term loans or interest payable thereon to any financial institution or banking company.

ii. it has made a full enquiry into the affairs and prospects of the Company and that based on such full enquiry conducted into the affairs and prospects of the company, the Board of Directors has formed an opinion that:

   a. immediately following the date of the Board meeting held on 25th October 2018 approving the Buyback, there will be no grounds on which the Company could be found unable to pay its debts;

   b. as regards the Company's prospects for the year immediately following the date of the Board meeting held on 25th October 2018, and having regard to the Board's intention with respect to the management of Company's business during that year and to the amount and character of the financial resources, which will, in the Board's view be available to the Company during that year, the Company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from the date of this Board meeting approving the Buyback; and

   c. in forming an opinion as aforesaid, the Board has taken into account the liabilities as if the Company was being wound up under the provisions of the Companies Act or the Insolvency and Bankruptcy Code, 2016 (including prospective and contingent liabilities).

   This declaration is made and issued by the Board of Directors in terms of the resolution passed at its meeting held on October 25, 2018.

For Bharat Heavy Electricals Limited

Sd/-
(I.P. Singh)
Company Secretary

23 AUDITOR'S CERTIFICATE

Report addressed to the Board of Directors by the Company's Auditor on the permissible capital payment and the opinion formed by directors regarding insolvency:

The text of the report dated October 25, 2018 received from the Statutory Auditors of the Company viz. M/s. Bhatia & Bhatia, Chartered Accountants; M/s. Tiwari & Associates, Chartered Accountants and M/s. Mahesh C. Solanki & Co. , Chartered Accountants, addressed to the Board of Directors of the Company is reproduced below:

Quote:

Statutory Auditor's Report as prescribed in Clause (xi) of Schedule I of the Securities Exchange Board of India (Buyback of Securities) Regulations, 2018

To,
The Board of Directors
Bharat Heavy Electricals Limited
BHEL House, Siri Fort,
New Delhi – 1110049

Dear Sirs,

Sub: Proposed buyback of Equity Shares of not exceeding 10% of the aggregate of the fully paid-up equity share capital and free reserves as per the standalone audited accounts of the Company for the financial year ended March 31, 2018, on a proportionate basis (the "Buyback"), from the Eligible Shareholders by way of a tender offer through the stock exchange mechanism by Bharat Heavy Electricals Limited (the "Company").

1. This report is issued in accordance with the terms of engagement letter dated October 25, 2018. We, M/s Bhatia & Bhatia, Chartered Accountants, M/s Tiwari & Associates, Chartered Accountants and M/s Mahesh C. Solanki & Co., Chartered Accountants the Statutory Auditors of the Company, have been informed that the Board of Directors of the Company in their meeting held on October 25, 2018 have decided to buy back the Company's fully paid up equity shares in pursuance of the provisions of Section 68, 69 and 70 of the Companies Act, 2013 at a price of ₹ 86 (Rupees Eighty Six) per share, and in terms of the requirements of Clause (xi) of Schedule I of the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 2018 (hereinafter the **"SEBI Buyback Regulations"**).

2. The responsibility for preparing the statement of permissible capital payment **("Annexure A"**) as at March 31, 2018 (hereinafter referred together as the **"Statement"**) is prepared by the management of the Company, and same is initialled by us for identification purpose only.

Management Responsibility Statement

3. The preparation of the Statement in accordance with Section 68 (2)(b) of the Companies Act, 2013 and the compliance with the SEBI Buyback Regulations, is the responsibility of the management of the Company, including the computation of the amount of the permissible capital payment, the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Statement and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Auditors' Responsibility Statement

4. Pursuant to the requirements of the SEBI Buyback Regulations, it is our responsibility to provide reasonable assurance:

   (i) Whether we have inquired into the state of affairs of the Company in relation to the audited standalone financial statement for the year ended March 31, 2018.

   (ii) If the amount of permissible capital payment as stated in Annexure "A", has been properly determined considering the audited standalone financial statements in accordance with Section 68(2)(b) of the Companies Act, 2013; and

   (iii) If the Board of Directors in their meeting dated October 25, 2018, have formed the opinion as specified in clause (x) of Schedule I to the SEBI Buyback Regulations, on reasonable grounds and that the Company, having regard to its state of affairs, will not, be rendered insolvent within a period of one year from that date.

5. The standalone financial statements referred to in paragraph 4 above, which we have considered for the purpose of this report, have been audited by M/s. DSP & Associates, Chartered Accountants, M/s. Dhawan & Co., Chartered Accountants and M/s. Mahesh C. Solanki & Co., Chartered Accountants, the previous statutory auditors of the Company (the **"Previous Auditors"**), on which they have issued an unmodified audit opinion vide their report dated May 29, 2018.

6. We have conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes, issued by The Institute of Chartered Accountant of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by The Institute of Chartered Accountant of India.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

8. Based on inquires conducted and our examination as above, we report that:

   (i) We have inquired into the state of affairs of the Company in relation to its audited financial statements as at and for the year ended March 31, 2018.

   (ii) The amount of permissible capital payment (including premium) towards the proposed buy back of equity shares computed in the Statement attached herewith is in our view has been properly determined in accordance with Section 68 (2) (b) of the Companies Act, 2013.

   (iii) The Board of Directors of the Company in their meeting held on October 25, 2018, have formed their opinion as specified in clause (x) of Schedule I of the SEBI Buyback Regulations, on reasonable grounds and that the Company having regard to its state of affairs, shall not be rendered insolvent within a period of one year from that date.

Restriction on Use

9. The report is addressed to and provided to the Board of Directors of the Company pursuant to the requirements of the SEBI Buyback Regulations solely to enable the Board of Directors of the Company to include it in Public Announcement, the Draft Letter of Offer and the Letter of Offer and other documents pertaining to the buyback to be sent to the shareholders of the Company and / or filed with various statutory, regulatory or governmental authorities / agencies such as Registrar of Companies, Securities and Exchange Board of India, stock exchanges and for providing to other parties, including the Manager to the offer, in connection with buyback of not exceeding 18,93,36,645 (Eighteen Crores Ninety Three Lakhs Thirty Six Thousand Six Hundred and Forty Five Only) equity shares, in pursuance of provisions of section 68,69 and 70 of the Companies Act, 2013, the SEBI Buyback Regulations and should not be used for any other purpose or by any other person.

For M/s Bhatia & Bhatia	For M/s Tiwari & Associates	For M/s Mahesh C. Solanki & Co
Chartered Accountants	Chartered Accountants	Chartered Accountants
FRN - 003202N	FRN – 002870N	FRN – 006228C
Sd/-	Sd/-	Sd/-
(CA. Anant Bhatia)	(CA. Sandeep Sandill)	(CA. Mahesh Solanki)
Partner	Partner	Partner
M. No. 507832	M. No. 085747	M. No. 074991

Place : New Delhi
Date : October 25, 2018

Annexure A

Statement of permissible capital payment (including premium)

Computation of amount of permissible capital payment towards buyback of equity shares of Bharat Heavy Electricals Limited in accordance with the provisions of Section 68(2)(b) of the Companies Act, 2013 and the SEBI Buyback Regulations.

Sl. No.	Particulars	Amount (in ₹)
A.	**Issued, subscribed and fully paid up equity share capital as on March 31, 2018** (3,67,14,00,000 Equity Shares of ₹ 2 each fully paid up)	**7,34,28,00,000**
B.	**Free Reserves as on March 31, 2018**	
	General reserve	3,21,04,96,29,826
	Other comprehensive income	(22,05,00,000)
	Surplus in the statement of profit and loss (Retained Earnings)	(2,51,29,00,000)
	Securities Premium account	-
	Total	**3,18,31,62,29,826**
	Total - C = A+B	**3,25,65,90,29,826**
	Maximum amount permissible for the Buyback i.e., 10% of the aggregate fully paid-up equity share capital and free reserves pursuant to Section 68(2)(b) of the Companies Act, 2013 requiring Board Resolution	32,56,59,02,983
	Amount approved by the Board of Directors of the Company for Buyback in the meeting held on October 25, 2018	16,28,29,51,470

For M/s Bhatia & Bhatia Chartered Accountants FRN - 003202N	For M/s Tiwari & Associates Chartered Accountants FRN – 002870N	For M/s Mahesh C. Solanki & Co. Chartered Accountants FRN – 006228C
Sd/- (CA. Anant Bhatia) Partner M. No. 507832	Sd/- (CA. Sandeep Sandill) Partner M. No. 085747	Sd/- (CA. Mahesh Solanki) Partner M. No. 074991

Place : New Delhi
Date : October 25, 2018

Unquote:

24 DOCUMENTS FOR INSPECTION

The following material documents are available for inspection by the shareholders of BHEL at the Registered Office: BHEL House, Siri Fort, New Delhi-110049, India from 10.00 a.m. to 5.00 p.m. on any day, except Saturdays, Sundays and public holidays, upto the date of closure of the Buyback.

i. Copy of the Certificate of Incorporation;
ii. Memorandum and Articles of Association of Bharat Heavy Electricals Limited;
iii. Copy of the annual reports of Bharat Heavy Electricals Limited for the financial years ended March 31, 2018, March 31, 2017 and March 31, 2016 and unaudited limited reviewed financials for the three months ended June 30, 2018;
iv. Copy of the resolution passed by the Board of Directors at the meeting held on October 25, 2018 approving proposal for Buyback;
v. Copy of Report dated October 25, 2018 received from M/s. Bhatia & Bhatia, Chartered Accountants; M/s. Tiwari & Associates, Chartered Accountants and M/s. Mahesh C. Solanki & Co., Chartered

Accountants, the Statutory Auditors of the Company, in terms of clause (xi) of Schedule I of the Buyback Regulations;

vi. Copy of Declaration of solvency and an affidavit verifying the same in Form SH-9, as prescribed under Section 68(6) of the Companies Act;

vii. SEBI Comments vide letter no. SEBI/HO/CFD/DCR-1/OW/P/2018/32672/1 dated November 29, 2018;

viii. Copy of Escrow Agreement dated November 14, 2018 amongst Bharat Heavy Electricals Limited, Escrow Agent and SBI Capital Markets Limited;

ix. Copy of the certificate from M/s. Bhatia & Bhatia, Chartered Accountants; M/s. Tiwari & Associates, Chartered Accountants and M/s. Mahesh C. Solanki & Co., Chartered Accountants, the Statutory Auditors of the Company, dated October 25, 2018 certifying that the Company has adequate funds for the purposes of Buyback;

x. Copy of Public Announcement dated October 26, 2018 published in the newspapers on October 29, 2018 regarding Buyback of Equity Shares; and

xi. Opinion dated October 25, 2018 obtained by the Company on taxation.

25 DETAILS OF THE COMPLIANCE OFFICER

Shri Rajeev Kalra
Dy. Company Secretary
Bharat Heavy Electricals Limited
BHEL House, Siri Fort,
New Delhi-110049, India
Tel: +91 (011) 66337251
Fax: +91 (011) 66337533
Email: dcs@bhel.in

Investor may contact the Compliance Officer for any clarification or to address their grievances, if any, during office hours i.e. 10:00 a.m. and 5:00 p.m. on all working days except Saturday, Sunday and Public holidays.

26 DETAILS OF THE REMEDIES AVAILABLE TO THE SHAREHOLDERS/ BENEFICIAL OWNERS

In case of any grievances relating to the Buyback (i.e. non-receipt of the Buyback consideration, Share certificate, demat credit, etc.) the investor can approach the Compliance Officer and/or Manager to the Buyback and/or Registrar to the Buyback for redressal.

If the Company makes any default in complying with the provisions of Section 68, 69, 70 of the Companies Act, 2013 or rules made thereunder, the Company or any officer of the Company who is in default shall be punishable with imprisonment for a term and its limit, or with a fine and its limit or with both in terms of the Companies Act, 2013.

The address of the concerned office of the Registrar of Companies is as follows:

The Registrar of Companies (New Delhi)
4th Floor, IFCI Tower,
61, Nehru Place,
New Delhi - 110019

27 DETAILS OF INVESTOR SERVICE CENTRE

In case of any query, the shareholders may contact the Registrar & Transfer Agent on any day except Saturday, Sunday and Public holidays between 10:00 a.m. and 5:00 p.m. at the following address:

KARVY FINTECH PRIVATE LIMITED
Karvy Selenium Tower B, Plot No. 31-32, Financial District,
Nanakramguda, Serilingampally,
Hyderabad- 500 032

Contact Person: Mr. M. Murali Krishna
Tel: +91 (040) 6716 2222
Fax: +91 (040) 2343 1551
E-mail:bhel.buyback@karvy.com
Investor Grievance Email: einward.ris@karvy.com
Website: www.karvyfintech.com
SEBI Registration Number: INR000000221
CIN: U67200TG2017PTC117649

28 DETAILS OF THE MANAGER TO THE BUYBACK

SBI CAPITAL MARKETS LIMITED
202, Maker Tower E, Cuffe Parade, Mumbai 400 005
Contact person: Mr. Karan Savardekar/ Mr. Aditya Deshpande
Tel: + 91 (22) 2217 8300
Fax: +91 (22) 2218 8332
Email: bhel.buyback@sbicaps.com
Website: www.sbicaps.com
SEBI Registration Number: INM000003531
Validity Period: Permanent
CIN: U99999MH1986PLC040298

29 DECLARATION BY THE DIRECTORS REGARDING AUTHENTICITY OF THE INFORMATION IN THIS LETTER OF OFFER

As per Regulation 24(1)(a) of the Buyback Regulations, the Board of Directors of the Company accept full responsibility for the information contained in this Letter of Offer and confirm that the information in this Letter of Offer contain true, factual and material information and does not contain any misleading information. This Letter of Offer is issued under the authority of the Board of Directors by the Buyback Committee through Resolution passed by the Buyback Committee at its meeting held on November 30, 2018.

For and on behalf of the Board of Directors of
Bharat Heavy Electricals Limited

Sd/-	Sd/-	Sd/-
Shri Atul Sobti **Chairman and Managing Director** **(DIN: 06715578)**	**Shri Subodh Gupta,** **Director (Finance)** **(DIN : 08113460)**	**Shri I.P. Singh** **Company Secretary** **(M. Number: ACS 10546)**

Date: **November 30, 2018**
Place: **New Delhi**