



भारत हेवी इलेक्ट्रिकल्स लिमिटेड Bharat Heavy Electricals Limited

No. AA/SCY/AGM 49

Date: 3rd October, 2013

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

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

Dear Sir,

**Sub: Minutes of 49th Annual General Meeting of BHEL
held on 20th September, 2013**

Pursuant to **Clause 31(d)** of the Listing Agreement, we are sending herewith a copy of the Minutes of 49th Annual General Meeting of BHEL held on 20th September, 2013, for your information and record.

Thanking you,

Yours faithfully,


(Yogesh R. Chhabra)
Dy. Company Secretary


Encl: As above



BHARAT HEAVY ELECTRICALS LIMITED
NEW DELHI

**Minutes of 49th Annual General Meeting held on
'Friday', the 20th September, 2013 at 10.00 A.M.
At FICCI Auditorium, Barakhamba Road (Tansen Marg), New Delhi**

PRESENT

1. Shri B. Prasada Rao
Chairman & Managing Director & Member
2. Ms. Kusumjit Sidhu
Part-time Official Director
3. Shri Ambuj Sharma
Part-time Official Director
4. Shri S. Ravi
Part-time Non-official Director
Chairman-Board level Audit Committee
5. Shri Trimbakdas S. Zanwar
Part-time Non-official Director
6. Shri Atul Saraya
Director (Power) & Member
7. Shri P.K. Bajpai
Director (Finance)
8. Shri R. Krishnan
Director (HR)
9. Shri W.V.K. Krishna Shankar
Director (IS&P) & Member
10. Shri A.K. Agrawal
Under Secretary, Department of Heavy Industry
Ministry of Heavy Industries & Public Enterprises,
Udyog Bhavan, New Delhi
(As Representative of the President of India, holding 1,65,75,52,000 shares i.e.
67.72% of the total paid up share capital of the Company)

Total 3,782 Members representing 165,78,57,776 shares and 533 Proxies representing 30,43,50,369 shares were present as per duly signed attendance slips submitted by them.

IN ATTENDANCE

Shri I.P. Singh

Company Secretary

Company Secretary welcomed Chairman & Managing Director (CMD), Directors, shareholders and other dignitaries on the occasion of the 49th Annual General Meeting of the Company. Shri B. Prasada Rao, CMD presided over the meeting pursuant to Article 47 of the Articles of Association of the Company.

While welcoming the Members on the occasion of 49th Annual General Meeting of the Company, Chairman introduced all the Directors, sitting on the dais and also Shri A.K. Agrawal, representative of President of India, to the Members.

Chairman informed the members that Shri S. Ravi, Chairman of Board Level Audit Committee (BLAC), was present to provide any clarification on matters relating to Audit.

Chairman announced that the Register of Directors' shareholding maintained pursuant to Section 307 of the Companies Act, 1956, has been placed on the table. He further declared that the requisite quorum was present and as such the meeting was in order.

Chairman further informed that the Company has received a letter from a shareholder Shri N.K. Jain raising certain queries. He announced that replies / clarifications to all relevant questions would be provided at the time of taking up the specific resolutions. He also appealed to the members to maintain peace and decorum till the conclusion of the meeting. He further requested the members to avoid any defamatory remarks about the Company or individual executives of the Company and informed that personal grievances would also not be entertained in this meeting, as it was not the appropriate forum to discuss such issues. He also requested the Members to restrict their questions only to the business as mentioned in the Notice of the 49th Annual General Meeting.

Thereafter, Chairman delivered his speech, which is enclosed as **Annexure I**.

After delivering the speech, Chairman informed the Members that the Annual Report 2012-13 containing Notice of 49th AGM together with Explanatory Statement and Annual Accounts of the Company for the Financial Year ended 31st March, 2013 has already been sent to all the Members by post or by e-mail and as such, he sought permission of the Members to take the aforesaid documents as read. The members present agreed to the request of the Chairman.

Chairman requested Company Secretary to read Directors' Report together with Auditors' Report and Report of Comptroller & Auditor General of India (C&AG) comprising 'NIL' comments. The Members requested Chairman to take the Directors' Report as read. Company Secretary read the Auditor's Report.

Chairman then declared that the proposed resolutions, as per notice would be taken up after providing replies to the relevant queries received. Thereafter, Chairman replied appropriately, all the relevant questions raised by the shareholders relating to all resolutions including the questions raised in the letter received from the shareholder and provided necessary clarifications to the satisfaction of the members.

Thereafter, Chairman took up one by one the proposed resolutions, as per Notice, for consideration by Members.

ORDINARY BUSINESS

1. **To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2013 and the statement of Profit & Loss for the financial year ended on that date together with the Directors' Report and Auditors' Reports thereon**

Chairman requested Company Secretary to read out the resolution. Company Secretary read out the following resolution to be passed as an **Ordinary resolution**:

"RESOLVED THAT the Balance Sheet of the Company as on 31st March, 2013 and the Statement of Profit & Loss for the year ended as on that date, together with the Directors' Report, Cash Flow Statement, Auditors' Report, comments of the Comptroller and Auditor General of India be and are hereby adopted."

Shri C.P. Bahri (DP ID - IN300484 and Client ID - 11885187), a member, proposed and Shri Amit Pal (Folio No. 016332), another member seconded the resolution.

Chairman then put the proposal to vote and requested the Members to raise their hands if they were in favour of adopting the resolution. A majority of members raised their hands in favour of the proposal.

Thereafter, Chairman declared that the Resolution is passed by majority.

2. To Declare dividend for the year 2012-13

Chairman requested Company Secretary to read out the resolution. Company Secretary read out the following resolution to be passed as an **Ordinary resolution**:

"RESOLVED THAT a final dividend @ 164.5% (Rs. 3.29 per share of Rs. 2/- each) on the Paid-up Equity Share Capital of Rs. 489.52 Crores [in addition to an interim dividend @ 106% (Rs. 2.12 per share of Rs. 2/- each) on the Paid-up Equity Share Capital of Rs. 489.52 Crores already paid during the year 2012-13] as recommended by the Board of Directors be and is hereby declared out of the profits of the Company for the year 2012-13 and that the same (including the effect of rounding off) be paid pursuant to the provisions of the Companies Act, 1956."

Shri Deepak Birla (Client ID - 1204470006276685), a member proposed and Shri D.K. Bandopadhyay (DP ID- IN300118 and Client ID - 11306307), another member seconded the resolution.

Chairman then put the proposal to vote and requested the Members to raise their hands if they were in favour of adopting the resolution. A majority of members raised their hands in favour of the proposal.

Thereafter, Chairman declared that the Resolution is passed by majority.

3. To appoint a Director in place of Shri P.K. Bajpai, who retires by rotation and being eligible, offers himself for re-appointment

On request of the shareholders, the brief resume of Shri P.K. Bajpai was taken as read.

Thereafter, Chairman requested Company Secretary to read out the resolution. Company Secretary read out the following resolution to be passed as an **Ordinary resolution**:

"RESOLVED THAT Shri P.K. Bajpai, who retires by rotation and being eligible, be and is hereby re-appointed as Director of the Company."

Shri Amit Pal (Folio No. 016332), a member, proposed and Shri Nand Kishore (Client ID - 1204470006308680), another member seconded the resolution.

Chairman then put the proposal to vote and requested the Members to raise their hands if they were in favour of adopting the resolution. The members raised their hands in favour of the proposal and none opposed the same.

Thereafter, Chairman declared that the Resolution is passed unanimously by the members.

4. **To appoint a Director in place of Shri Atul Saraya, who retires by rotation and being eligible, offers himself for re-appointment**

On request of the shareholders, the brief resume of Shri Atul Saraya was taken as read.

Thereafter, Chairman requested Company Secretary to read out the resolution. Company Secretary read out the following resolution to be passed as an **Ordinary resolution**:

“RESOLVED THAT Shri Atul Saraya, who retires by rotation and being eligible, be and is hereby re-appointed as Director of the Company.”

Shri Chetan Choudhary (DP ID - IN302679 and Client ID - 38568612), a member, proposed and Shri Shashi Kr. Datta (DP ID - IN302679 and Client ID - 33927552), another member seconded the resolution.

Chairman then put the proposal to vote and requested the Members to raise their hands if they were in favour of adopting the resolution. The members raised their hands in favour of the proposal and none opposed the same.

Thereafter, Chairman declared that the Resolution is passed unanimously by the members.

5. **To authorize the board to fix the remuneration of the Auditors for the year 2013-14**

Chairman requested Company Secretary to read out the resolution. Company Secretary read out the following resolution to be passed as an **Ordinary resolution**:

“RESOLVED THAT pursuant to provisions of Section 224(8)(aa) of the Companies Act, 1956, the Board of Directors of the Company be and are hereby authorized to fix the remuneration of the Auditors of the Company appointed by the Comptroller & Auditor General of India for the year 2013-14.”

Smt. Anita Bahri (DP ID – IN300484 and Client ID - 11885195), a member, proposed and Shri Shashi Kr. Datta (DP ID - IN302679 and Client ID - 33927552) another member seconded the resolution.

Chairman then put the proposal to vote and requested the Members to raise their hands if they were in favour of adopting the resolution. The members raised their hands in favour of the proposal and none opposed the same.

Thereafter, Chairman declared that the Resolution has been passed unanimously by the members.

SPECIAL BUSINESS

6. To appoint Ms. Kusumjit Sidhu as Director

On request of the shareholders, the brief resume of Ms. Kusumjit Sidhu was taken as read.

Thereafter, Chairman requested Company Secretary to read out the resolution. Company Secretary read out the following resolution to be passed as an **Ordinary resolution**:

"RESOLVED THAT Ms. Kusumjit Sidhu, who was appointed as an Additional Director pursuant to Article 67(iv) of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f. 10.05.2013 to hold Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a Member, pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

Shri Nand Kishore (Client ID – 1204470006308680), a member, proposed and Shri Rakesh Jerath (DP ID - IN300183 and Client ID – 12168723), another member seconded the resolution.

Chairman then put the proposal to vote and requested the Members to raise their hands if they were in favour of adopting the resolution. A majority of members raised their hands in favour of the proposal.

Thereafter, Chairman declared that the Resolution is passed by majority.

7. To appoint Shri W.V.K. Krishna Shankar as Director

On request of the shareholders, the brief resume of Shri W.V.K. Krishna Shankar was taken as read.

Thereafter, Chairman requested Company Secretary to read out the resolution. Company Secretary read out the following resolution to be passed as an **Ordinary resolution**:

"RESOLVED THAT Shri W.V.K. Krishna Shankar, who was appointed as an Additional Director pursuant to Article 67(iv) of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f. 01.08.2013 to hold Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a Member, pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Shri Chetan Choudhary (DP ID - IN302679 and Client ID - 38568612), a member, proposed and Shri C.P. Bahri (DP ID - IN300484 and Client ID - 11885187) another member seconded the resolution.

Chairman then put the proposal to vote and requested the Members to raise their hands if they were in favour of adopting the resolution. The members raised their hands in favour of the proposal and none opposed the same.

Thereafter, Chairman declared that the Resolution is passed unanimously by the members.

After taking up all the business items as set out in the Notice of the AGM, the Chairman invited members to offer their comments and observations. The members congratulated Chairman and the entire BHEL team for excellent performance of the Company during the year 2012-13.

The Meeting concluded with a vote of thanks, proposed by Shri Atul Saraya, Director (Power), to the members and the chair.

-sd/-
(B. Prasada Rao)
Chairman

Date: 01.10.2013
Place: New Delhi

**Chairman's Address
49th Annual General Meeting
20th September 2013**

Ladies and Gentlemen,

On behalf of the Board of Directors, I extend a very warm welcome to all of you to the 49th Annual General Meeting of your company. The report of the Directors and the Audited Accounts for the year ending 31st March 2013, along with the reports of Auditors and comments of the Comptroller and Auditor General have already been circulated to the shareholders, and with your permission, I shall take them as read.

India's economy has grown at an impressive pace over the last two decades as a result of wide-ranging structural reforms to open up the economy and make it more competitive. More recently, activity has slowed, reflecting not only the weak global environment but also the emergence of strains created by the pressure that rapid economic growth has put on energy, natural resources, infrastructure and skills. Resultant bottlenecks have truncated GDP for the year 2012-13 to just 5% against the average of 8% during 2007-12. Prevailing economic and business environment do not give assurance of recovery in economic and business environment in near future.

The year 2012-13 has been a defining one for BHEL as we became a 'Maharatna' company, crossed Rs 50,000 Crore turnover mark and achieved the highest ever addition of 10,340 MW to India's electricity generation capacity. While navigating through one of the most difficult economic and business environment of our times, every effort is being made to protect the interests of shareholders and enhance their wealth.

I would like to first present the key highlights of your Company's performance during the year gone by:

Key Performance Indicators

- BHEL achieved the highest ever turnover of Rs 50,156 Crore during 2012-13 registering a growth of 1% despite adverse business conditions.
- On the back of strong focus on manufacturing efficiencies, your company achieved the Net Profit of Rs 6,615 Crore and we were able to maintain the level of previous five years (2007-12) average profit margins of 14% which is one of the highest among peer group companies.
- In recognition of consistent high performance over a longer period of time, your company has been bestowed with the coveted 'Maharatna' status by Govt. of India, resulting in further empowerment of the Board for greater business agility.
- A total of Rs 31,650 Crore of orders were received by your company, which was an increase of 43% over 2011-12. It included 8 nos. of Turbo Generators (TG), 9 nos. of Boilers (SG) and 7 nos. of Electrostatic Precipitators (ESP) packages for supercritical sets. Interestingly with a market share of 67% in power sector, BHEL continues to maintain its leadership position in Indian market despite rising intensity of competition.
- Various initiatives taken by your company in the recent past for accelerated project execution have started fetching results. We were able to synchronise/commission an all time high 10,340 MW of power plant equipment including 9,328 MW in utility segment.

- Your company successfully commissioned India's first indigenously manufactured subcritical set of 600 MW rating on EPC basis at North Chennai.
- With the objective of becoming an innovative developer of clean, efficient, reliable and affordable products, systems and technologies, we continue to relentlessly strengthen our technology and innovation capabilities. BHEL spent Rs 1,252 Crore in R&D during the year. The highest ever 385 patents and copyrights were filed, raising the intellectual capital of BHEL to 2,170.
- Economic Value Addition (EVA) and Earnings per Share (EPS) for 2012-13 are Rs. 2,657 Crore and Rs 27.03 respectively.
- A final dividend of 164.5% has been recommended by the Board, in addition to the interim dividend of 106% for the year, making a total of 270.5% for the year. BHEL is maintaining a track record of paying dividends uninterruptedly since 1976-77.

Testimony to our Quality Products

Upholding the tradition of exhibiting cutting edge performance, BHEL Thermal sets (coal based) generated 486 BUs during the year 2012-13 contributing 70% to the country's generation from thermal utility sets.

The average Plant Load Factor (PLF) of coal based sets installed in India came down from 73.3% in 2011-12 to 70.0% in 2012-13 generally due to constraints in fuel supplies. But, plants with equipment manufactured by your company continued to exhibit average PLF of 73.7%, higher than national average by 3.7%. Of these, four units of 200 MW each at NTPC Singrauli, one unit of 250 MW at BSES Dahanu and one unit of 250 MW at NSPCL Bhilai achieved more than 100% PLF. Another 14 Stations registered PLF of over 90% and 21 Stations achieved PLF between 80-90%. Further, during the year, BHEL-supplied 195 MW and above coal based sets, which form the backbone of country's power generation, achieved PLF of 77.3% and operating availability of 89.3%.

As a testimony to the company's prowess in manufacturing superior quality equipment, BHEL's 500 MW thermal sets achieved consistent availability of more than 90% for the last six years - One unit of 200 MW at NTPC Singrauli, one unit of 500 MW at Tata Power Trombay and two units of 67.5 MW each at CESC's Southern Generating Station recorded continuous run of 365 days during the year.

Project Execution

During the year 2012-13, your company commissioned/ synchronized 10,340 MW of power plants - the highest ever in a single year. This includes commissioning of 9,298 MW in utilities comprising 10 nos. of 500 MW sets, India's first indigenously manufactured subcritical set of 600 MW rating at North Chennai, 703 MW in captive sets, and 309 MW in the overseas market.

Performance of Subsidiaries

1. BHPV

In 2012-13, Bharat Heavy Plate and Vessels Ltd. (BHPV) recorded a profit of Rs 35 Crore on a turnover of Rs 240 Crore. The company merged with BHEL with effect from 30th August, 2013 as the 17th manufacturing unit of your company and has been renamed as Heavy Plates and Vessels Plant (HPVP), Vishakhapatnam. This unit has now become the first coast based unit of BHEL and the unit has many inherent strengths. The product profile is unique and the quality is well respected. HPVP's own products like process plant

equipment, cryogenics, defence related equipment like Compact Heat Exchangers, Nuclear products, etc. will add to the wide product profile of your company. I am sure this will definitely prove to be a proud acquisition for your company.

2. BHEL EML

“BHEL Electrical Machines Limited”, Kasargod, was incorporated on 19th January, 2011 with BHEL holding majority stake of 51% and Govt. of Kerala retaining 49%. The company has plans to develop specialised Alternators in various fields. The subsidiary company posted a turnover of Rs. 26.53 Crore during 2012-13. We are leveraging BHEL-EML to make headway in new product areas like Alternators for Traction Applications etc.

Order Inflows under Unfavourable Externalities

The Indian Power Sector is witnessing slowdown in recent years. Issues of coal linkages, environmental clearances, land acquisition and fund constraints have resulted in non-finalization of new projects especially in the private sector, and slow execution of certain ongoing projects.

In the Power Sector business segment, despite these challenges and intense competitive pressures, your company has maintained its market leadership in the domestic market for utility sets. We have secured orders worth Rs 25,560 Crore- 82% up from last year in Power Sector. This includes orders for 8 nos. of Turbine Generator (TG) package, 9 nos. of Boilers for Supercritical sets and 7 nos. of standalone ESP Packages for supercritical sets. Nuclear Power Corporation of India Ltd (NPCIL) has awarded TG package for 2x700 MWe Rajasthan Atomic Power Project (RAPP) Unit-7&8 to BHEL, reinforcing confidence in your company.

In Spares & Services business segment, BHEL secured orders of Rs 2,885 Crore, which is an increase of 28% yoy. BHEL dominated in the area of ESP and C&I retrofit business and secured orders to the tune of Rs 499 Crore against stiff international competition.

Our valued customers have appreciated a number of efforts by BHEL, viz. improvements in existing systems, completion of works ahead of schedule in challenging conditions, etc. in the form of appreciation letters, award and accolades. Appreciations were received from many reputed customers like Jindal Power Ltd., Karnataka Power Corporation Limited, Andhra Pradesh Power Generation Corporation Limited, Rajasthan Rajya Vidyut Utpadan Nigam Limited, Damodar Valley Corporation, MSPGCL, NTPC, TANGEDCO etc. for the excellent support given by BHEL.

In Industry Sector, BHEL secured orders worth Rs 4500 Crore in Captive Power, Rail Transportation, Power Transmission, Oil & Gas, Renewable Energies and other industrial segments. Major orders were 2 Solar Photo Voltaic (SPV) Power plants of 10 MW each for Unchahar & Talcher from NTPC- the highest rated SPV Power Plant order received by BHEL so far, orders for 319 sets of Electrics for conventional AC EMU/DEMU, 756 nos. of Traction Motors and 252 nos. of Traction Alternators from Indian Railways.

Your company has achieved yet another landmark by entering into 765 kV transformer business, securing two significant orders: 765 kV auto transformers and shunt reactors along with other transformers from Megha Engineering & Infrastructures Ltd. for upgradation of Western UP Transmission System; 765 kV generator transformers, auto transformers and shunt reactors from BIDCO for the upcoming Lalitpur 3x660 MW TPS. The orders envisage design, manufacturing, testing and supply of total 53 nos. of 765 kV

transformers and reactors that would be manufactured at BHEL's state-of-the-art transformer plant at Bhopal. BHEL's foray into 765 kV range transformers has further strengthened the position of your company in EHV segment.

In International Business, the last few years witnessed economic uncertainties and political turmoil, constraining capital investments specially in our target markets. New projects are not forthcoming and planned projects are also being put on hold or on slow execution path. In spite of such challenging trends, BHEL has been able to sustain its exports momentum with a physical export order inflow of Rs 2,004 Crore from 20 countries in 2012-13, registering an eight fold growth over the previous year.

Sustaining Leadership... Engineering New Growth Avenues

Global Competitiveness Report 2012-13 ranks India 59th amongst 144 world economies in the Global Competitiveness Index, down three places from last year. India continues to be penalized in the ranking for its largely insufficient and ill-adapted transport, ICT, and energy infrastructure. In today's globalised economy, innovation and R&D are the source of competitiveness for a nation. However, India's economy predominantly continues to concentrate on absorption of existing technology rather than development of new products based on R&D or innovation at the global knowledge frontier.

As per a recent EEPIC study, the import-export gap in engineering goods is overly negative at USD 17 billion (2012-13) despite the fact that engineering items are among the largest contributors to India's total export basket. These large imports of engineering goods are exerting pressure on the country's economy. It indicates that India has not been able to completely exploit its multitude of advantages in terms of engineering skills, a burgeoning domestic market, an established raw material base and availability of a large pool of skilled labour, which has resulted in poor industry competitiveness. We must lower the manufacturing and engineering trade deficit through development of products and systems with 'India identity' by promoting economy-wide transfer and diffusion of domestic and internationally available technologies.

Your company is doing it by adopting innovation and R&D as the key source of competitiveness for sustaining half a century of leadership in Indian market and building 'India' brand.

In alignment with the above strategy, BHEL places strong emphasis on innovation and creative development. Your company has adopted a new R&D Policy to transform R&D and innovation in a structured and focussed manner aimed not only at improving the performance and efficiency of the existing products, but also developing new products using state-of-the-art technologies and processes, relevant to the needs of the country to remain current both in terms of technology and features vis-à-vis global benchmarks. The company has identified 15 Mission Projects and 131 Technology Plans which are cascaded into more than 1500 development initiatives, with leaders and timelines defined. The company invested Rs 1,252 crore on R&D during the year, which is 2.5% of total turnover and 4.4% more than the previous year. This is the highest R&D spend by an Indian company in engineering and manufacturing segment. Further, in-house developed products and services clocked a turnover of Rs 9,643 Crore, which is approx. 19% of the total turnover of the company. BHEL's efforts for encouraging innovation have resulted in raising BHEL's IPR capital tally to 2170 nos. with the highest ever IPRs (385 nos.) filed during the year.

In recent years, your company has indigenously developed, manufactured and tested 333 MVA, 1200 kV Class Ultra High Voltage Transformer for efficient bulk energy transmission systems and first 765 kV, 80 MVAR single phase Shunt Reactor. Further, in response to competition, we were quick to offer 250/270/300/525/600 MW Subcritical and 660/700/800 MW Supercritical Sets to our customers. Your company successfully developed and type tested IGBT based 3-phase drive propulsion systems for Electric Loco, ACEMU and DEMU. IGBT Drive system for Electric Loco has already been installed in the 6000 HP Electric Loco. Continually striving to improve the economies of solar PV systems, BHEL has developed its largest size 300 Watt PV Module using 156-mm Size Multi Crystalline Silicon Solar Cells resulting in increase in production throughput. As part of its initiative to increase its portfolio of clean coal technologies, BHEL is developing Integrated Gasification Combined Cycle (IGCC) technology. Under the aegis of the National Mission on Clean Coal Technology, your company in association with IGCAR and NTPC is developing Advanced Ultra Supercritical Technology. In addition to these, your company has already developed Steam Generators for 700 MWe Nuclear power plants.

With a strong innovation ecosystem in place, your company is enhancing its competitiveness on global platform for sustaining leadership and engineering new growth avenues with the objective of fulfilling its responsibilities as a global engineering and manufacturing enterprise of India.

Positioning for the Future

We are at a critical juncture in our history as we endeavour to sustain growth momentum and engineer new growth avenues. We are proud of the work your company has done to augment manufacturing capacity, enhance pace of project execution, strengthen engineering and technology capabilities, and people development in recent years.

Turning now to the future, as envisaged in Strategic Plan 2012-17 we are well positioned to steer the company towards becoming "A Global Engineering Enterprise". Major components of our strategy are expanding our offerings in Power Sector by enlarging EPC capability, enhancing share of our business in a power plant, focus on industry business, and expansion of spares & services business.

Given the high demand-supply deficit and current impasse in Indian power sector, power sector will continue to offer maximum growth opportunities in future for the company. Nevertheless, we want to diversify the portfolio of growth opportunities by augmenting capabilities in Transmission, Transportation, Defence, Water, Solar and Nuclear businesses to reduce the risk of uncertainties in power sector.

As intensity of competition is increasing, your company is focusing on improving its cost competitiveness by making supply chain agile and accelerating project execution through sustained focus on vendor base expansion, scaling up procurement through technology initiatives, advanced manufacturing action, global sourcing, integrated operations improvement initiatives and indigenization of supercritical technology etc. In addition, as the employees of your company are getting younger, BHEL will have another lever of cost competitiveness in its favour.

We are working towards developing lower rating sets with supercritical parameters providing alternatives to the Utilities to take advantage of this eco-friendly and fuel efficient technology. Further, to expand our nuclear energy portfolio, efforts to increase scope by offering products beyond conventional island in nuclear business are under way.

Considering the ageing of Indian power plants, we have constituted R&M Systems Group (RMSG) to address emerging opportunities in Renovation and Modernisation.

As we are operating in a highly integrated global business environment, your company has been exploring various avenues of collaboration with business partners for mutual growth. The benefits of our efforts over the last few years to expand the industry business have never been more apparent. Our MOU with Indian Railways for setting up a greenfield Mainline Electrical Multiple Unit (MEMU) Coach factory in Rajasthan is one such step in this direction.

Our well entrenched culture of innovation is our core strength. To uphold our reputation for excellence in our core capability, we will continue to upgrade existing products to contemporary levels and develop new products through continuous in-house efforts as well as through acquisition of new technologies.

Solutions for a Better Tomorrow

Worldwide, there is an increasing realization that societal challenges arising out of poverty, environmental degradation and climate change pose an unprecedented threat to the future sustainability of business. Your company, in agreement with this concern, evinced its commitment towards environment in all its activities, products and services by providing safe and healthy working environment to all stakeholders. BHEL continued with environment improvement projects including tree-plantation, water harvesting, installation of effluent treatment plants, energy & resource conservation projects, utilization of renewable energy sources, and noise level reduction systems to mention a few. Further, as commitment towards sustainable development, BHEL is establishing a 5 MWp grid-interactive SPV power plant at its Ranipet Unit. Energy audit was completed in twenty projects during the year.

Your company strongly feels it has a higher responsibility in making its customers achieve sustainability. This, we do by facilitating our customers manage their environmental and social impacts throughout the entire operational lifecycle of the power plants by offering them state-of-the-art engineering and technology inputs for reducing greenhouse gas emissions, water consumption, lesser auxiliary power consumption, and best heat rates resulting in fuel savings.

Analysis of thermal power plant performance reports from Central Electricity Authority (CEA), India and North American Electric Reliability Corporation (NERC), USA explicitly indicates superior performance of BHEL thermal sets in terms of Plant Load factor, Operating Availability, and Forced & Planned Outages. This ultimately leads to the most optimal utilization of fossil fuels in such power plants.

Continuing with its commitment to optimum utilization of natural resources, your company has developed dynamic classifier system to improve combustion efficiency of boiler and reduction of NO_x emission. Supplementing its efforts to reduce greenhouse gas emissions, the company has geared up for the manufacture and supply of state-of-the-art pollution control equipment called Flue Gas Desulphurisation (FGD) system for removal of Sulphur Dioxide (SO₂) from flue gas.

BHEL undertook socio-economic and community development programs to promote education, improvement of living conditions, health and hygiene in villages and communities located in the vicinity of its manufacturing plants and project sites. Your company financially supported 100 brilliant girl children to pursue higher education up to

Post-graduation level under program titled 'Udayan Shalini'. The company has joined hands with the Govt. of India's 'Project Udaan' for enhancing the employability of the youth of J&K.

BHEL's company-wide campaign titled 'Vision to All- BHEL's Call' resulted in more than 51,000 pledges from employees and their families for donation of their eyes. The company has also ventured into yet another noble cause for organ donation. As part of social commitment, 6,139 Apprentices were trained in the company and 8390 students/trainees from various professional institutions underwent vocational training.

Corporate Governance

Your company has established a sound framework of Corporate Governance which underlines commitment to quality of governance, transparency disclosures, consistent stakeholders' value enhancement and corporate social responsibility. BHEL endeavours to transcend much beyond the regulatory framework and basic requirements of Corporate Governance, focusing consistently on building confidence of its various stakeholders. The Company has developed a framework for ensuring transparency, disclosure and fairness to all, especially minority shareholders.

The Corporate Governance Policy of your company rests upon the four pillars of Transparency, Full Disclosure, Independent Monitoring and Fairness to all. To strengthen this, BHEL signed an MoU with Transparency International and has adopted 'Integrity Pact'. Our corporate structure, business procedures and disclosure practices have attained a sound equilibrium with our Corporate Governance Policy resulting in achievement of goals as well as high level of business ethics.

Recognition of Excellence

Continuing its tradition of winning prestigious national and international awards, the organization and its employees won several awards during the year 2012-13. Notable among these are India Pride Award for Excellence in Heavy Industries 2012-13; PSE Excellence Award in the R&D, Technology & Innovation; National Energy Conservation Award 2012; AIMA Managing India Award; NDTV Profit Business Leadership Award 2012; DSIJ Award for the Fastest Growing Maharatna PSU; Best PSU in the Electrical & Electronics category by Dun & Bradstreet; Golden Peacock National Training Award 2012; 37th ELCINA-EFY Award; Enertia Award 2011; EEPC's Top Export Award; SKOCH Digital Inclusion 2012; BT-Star Award 2013 for Excellence in Innovation; Gold Award under the National Awards for e-Governance 2012-13; 7 - 'Prime Minister's Shram Awards' including 1 - Shram Bhushan, 5 - Shram Devi, 1 - Shram Shree and 3 - Vishwakarma Rashtriya Puraskars for innovative suggestions leading to cost reduction, higher productivity, safety and quality of products; 5- National Safety Awards 2010 and Dainik Bhaskar India Pride Gold Award 2012.

Gratitude to all our Stakeholders

I am grateful to my fellow Directors on the Board and the members of the Management Committee for their support. I would also like to extend special thanks to each and every shareholder of BHEL, whose trust and confidence have been the motivating force in all our endeavours. I thank all our customers and business associates in India and abroad for their unstinted loyalty and steadfast patronage of our products and services. Various ministries of Government of India, particularly the Department of Heavy Industry, have been providing valuable guidance and support in all our efforts. In fact Department of Heavy

Industry has been a great source of strength for policy level interventions, export promotion and taking up issues with State governments and other departments of Govt. of India for growth of the industry. Finally, a word of thanks to more than 48,000 employees of BHEL and their families who are making these successes happen. I am extremely proud of their high level of commitment to the company and their outstanding performance over this period. I have full confidence in their ability to deliver even greater success going forward.

Five years after the global financial crisis, the economy and the industry are still reeling under the crisis of confidence in India as well as in the world. We too are affected by this crisis but we are not allowing the crisis go waste. Your company is building new competitive advantages by experimenting new ideas and methods rapidly, frequently, and economically—not only with products and services but also with business models, processes, and strategies. While we may have to go through some pains in short term, I have absolutely no doubt that your company's inherent technology strength, highly committed manpower, manufacturing prowess and innovation ecosystem will enable us to recapture the growth once Indian economy moves to another growth trajectory in near future.

With these concluding words, I look forward to your unwavering support in our challenging but exciting journey.

Thank you.

New Delhi
September 20, 2013

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(B Prasada Rao)
Chairman & Managing Director