

ANNUAL REPORT
1998-99



Bharat Heavy Electricals Limited

BOARD OF DIRECTORS

K.G. Ramachandran (From 20.10.1998)
Chairman and Managing Director

A.V. Singh
Director

Pradeep Kumar
Director

J. Jayaraman
Director

Dr. J.J.Irani
Director

Shekhar Datta
Director

Ms. Tarjani Vakil
Director

K.C. Lahiry
Director (Power)

K.S. Rao
Director (IS&P)

Ishan Shankar
Director (Personnel)

M.K. Mittal
Director (ER&D)

A.K. Chakraborty
Company Secretary

MANAGEMENT COMMITTEE

AS ON 01/08/1999

- | | |
|--------------------------|---|
| K.G. Ramachandran | - Chairman & Managing Director |
| K.C. Lahiry | - Power Business
Power Sector Regions - North, East, South & West |
| K.S. Rao | - Industrial Systems & Products Business
Electronics Division & Industrial Systems Group
Electroporcelain Division
Insulator plant |
| Ishan Shankar | - Personnel
Human Resource Development Institute
Health, Safety, Environment & Productivity Group
International Operations Business
Corporate Communication |
| M.K. Mittal | - Engg. Research & Development
Corporate Research & Development
Component Fabrication Plant |
| K.P. Mathur | - Project Engineering Management
Technical Services |
| P. Sasamka Babu | - Heavy Power Equipment Plant |
| R.C. Jain | - Corporate Personnel & Administration
Corporate Management Services
Human Resource Development Institute |
| R.N. Agarwal | - Corporate Finance |
| C.K.M. Sastry | - Advanced Research Projects
Corporate Quality |
| R.C. Aggarwal | - Heavy Electrical Plant
Transformer Plant
Electrical Machines Repair Plant |
| Krishan Kumar | - Power Sector - Commercial Management |
| V.P. Singh | - Corporate Planning & Development |
| V.K. Bhatnagar | - Electronics Division
Industrial Systems Group |
| Virendra Kumar | - Regional Operations Division |
| H.W. Bhatnagar | - Heavy Electrical Equipment Plant
Central Foundry Forge Plant
Pollution Control Research Institute
Heavy Equipment Repair Plant |
| S.S. Rao | - Power Sector - Personnel & Administration
Power Sector - Management Services |
| Dr. Y.P. Abbi | - Corporate Engineering & Product Development
Component Fabrication Plant |
| Dr. Y.V. Bhalla | - Power Sector - Western Region |
| S.N. Roy | - Power Sector - Eastern Region |
| V.K. Gopinath | - High Pressure Boiler Plant
Seamless Steel Tube Plant
Boiler Auxiliaries Plant
Industrial Valves Plant
Piping Centre
Welding Research Institute |
| A. Bhattacharya | - Secretary, Management Committee |



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Bharat Heavy Electricals Limited

Regd. Office: BHEL House, Siri Fort, New Delhi - 110 049

NOTICE

Notice is hereby given that the 35th Annual General Meeting of the Members of BHARAT HEAVY ELECTRICALS LIMITED will be held on 'Thursday', the 30th September, 1999 at 10.00 A.M. at FICCI Auditorium, Barakhamba Road (Tansen Marg), New Delhi-110 001, to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 1999 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Ishan Shanker, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri M.K. Mittal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri J. Jayaraman, who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Shri K.S. Rao who was appointed as a Director of the Company pursuant to Article 67 of the Articles of Association of the Company and Section 260 of the Companies Act 1956, and who holds Office upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing, from the Director himself proposing his candidature for the office of a Director, under the provisions of Section 257 of the Companies Act, 1956, alongwith a deposit of Rs.500/- and who is eligible for appointment to the office of a Director, be and is hereby

appointed as a Director of the Company liable to retire by rotation."

7. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Shri K.C. Lahiry who was appointed as a Director of the Company pursuant to Article 67 of the Articles of Association of the Company and Section 260 of the Companies Act 1956, and who holds Office upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing, from the Director himself proposing his candidature for the office of a Director, under the provisions of Section 257 of the Companies Act, 1956, alongwith a deposit of Rs.500/- and who is eligible for appointment to the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

By Order of the Board of Directors

Sd/-

(A. K. Chakraborty)
COMPANY SECRETARY

Dated: 2nd September, 1999

Registered Office:

"BHEL House", Siri Fort, New Delhi-110 049.

Notes:-

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM DULY COMPLETED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS (48 HRS) BEFORE THE SCHEDULED TIME OF THE ANNUAL GENERAL MEETING. BLANK PROXY FORM IS ENCLOSED.

2. Relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business as set out above is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from Friday, the 10th September, 1999 to Thursday, the 30th September, 1999 (both days inclusive) for the purpose of payment of dividend, if any, approved by the Members.
4. The dividend on the Equity Shares as recommended by the Board of Directors for the year ended 31st March, 1999 when sanctioned at the Annual General Meeting of the Company will be payable within forty two days from the date of declaration of dividend by the members i.e. on or before 11th November, 1999 to those shareholders whose name appears on the Company's Register of Members or as the beneficial owner of shares in the records of the Depository as on Thursday the 30th September, 1999.
5. **Members attending the meeting are requested to complete the enclosed Attendance Slip and deliver the same at the entrance of the meeting venue. However, entry to the Auditorium will be strictly on the basis of the entry slip available at the counters at the venue and to be exchanged with attendance slip.**
6. **No briefcase or bag will be allowed to be taken inside the auditorium for security reasons.**
7. Members are requested to notify immediately change in their address, if any, with Pincode to the Registered Office of the Company, quoting their Folio Number, Banker's Name and Account Number, to ensure prompt and safe receipt of dividend warrants.
8. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Company at least seven days in advance of the meeting so that the information required can be made readily available at the meeting.
9. Members are requested to take note of the address of the Share Transfer Agent of the Company, M/s. Karvy Consultants Ltd., UNIT: BHEL, Business Park, (Basement), 25, Shivaji Marg, New Delhi-110 015.
10. Members are requested:
 - a) to bring their copies of Annual Report, Notice and

Attendance Slip at the time of the meeting.

b) to quote their Folio Nos. in all correspondence.

c) to note that no gifts will be distributed in the AGM.

By Order of the Board of Directors

Sd/-

(A.K. Chakraborty)
Company Secretary

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

The following explanatory statement sets out the material facts relating to the business mentioned in items No. 6 and 7 of the accompanying Notice dated 2nd September, 1999.

ITEM NO. 6

Shri K. S. Rao aged about 59 years is an Electrical Engineer with 36 years of rich experience of working in various capacities in BHEL. As per the direction of the Govt. of India, Shri Rao was appointed as Director (IS&P) of the Company with effect from 16.02.1996 upto the age of superannuation on 30.09.1998. Consequent to increase in the age of retirement from 58 years to 60 years, he was granted extension upto 30.09.2000 by the Govt. of India. Having been appointed as Additional Director by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company Shri Rao holds office till the ensuing Annual General Meeting and is eligible for re-appointment.

Shri Rao has wide and rich experience in the fields of Design & Engineering, Marketing, Research & Development, Project Management, Erection & Commissioning and Non-conventional Energy Sources. After completing his Masters Degree in Electrical Engineering from IIT, Kharagpur, he joined BHEL in 1963 and was trained in USSR for Technology & Design of Turbo Generators. He was also responsible for the introduction of Non-conventional Energy Systems as a Business area in BHEL. Since the date of his joining the Board of BHEL as Director (IS&P), he has contributed significantly for the benefit of the Company.



In terms of Section 257 of the Companies Act 1956, the Company has received a Notice in writing alongwith a deposit of Rs. 500/- from the Director himself proposing his candidature for the Office of Director of the Company.

None of the Directors of the Company except Shri K.S. Rao is in any way concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

ITEM NO. 7

Shri K.C. Lahiry aged about 59 years is an Electrical Engineer with 39 years of rich experience of working in various capacities in BHEL. As per the direction of the Govt. of India, Shri Lahiry was appointed as Director (Power) of the Company for a period of five years with effect from 09.07.93. He was thereafter granted extension for a period of three months with effect from 09.07.98, further for a period of two months with effect from 08.10.98, and further upto 30.11.2000 i.e., date of superannuation by the Govt. of India. Having been appointed as Additional Director by virtue of Section 230 of the Companies Act, 1956, read with Article 67(iv) of the Articles of Association of the Company Shri Lahiry holds office till the ensuing Annual General Meeting and is eligible for re-appointment.

Shri Lahiry has wide and rich experience in the fields of Engineering, Production, Project Management, Management of Technology, R&D and Power Sector Business. He is a Fellow of Institution of Engineers and a

Fellow of Institute of Standards Engineers. He was a member of the Governing Council of IIT, Kanpur and is currently on the Board of Andhra Pradesh Gas Power Corporation Ltd., member of Governing Council of Central Power Research Institute, Ministry of Power and member of several other National Level Committees. Since the date of his joining the Board of BHEL as Director (Power), he has contributed significantly for the benefit of the Company.

In terms of Section 257 of the Companies Act 1956, the Company has received a Notice in writing alongwith a deposit of Rs. 500/- from the Director himself proposing his candidature for the Office of Director of the Company.

None of the Directors of the Company except Shri K.C. Lahiry is in any way concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

By Order of the Board of Directors

Sd/-
(A.K. Chakraborty)
Company Secretary

New Delhi
Dated: 2nd September, 1999

Registered Office:
"BHEL House", Siri Fort, New Delhi-110 049

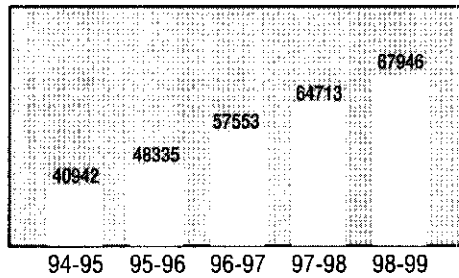
BHEL AT A GLANCE

(Rs. in million)

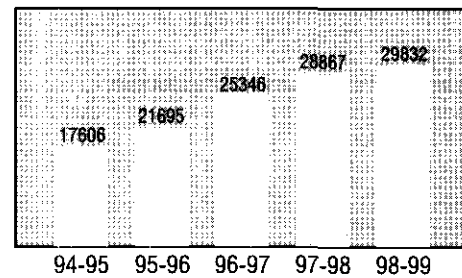
	1997-98	1998-99	CHANGE (%)
TURNOVER	64713	67946	5.00
VALUE ADDED	28867	29832	3.34
EMPLOYEES (NOS.)	62502	62212	-0.46
PROFIT BEFORE TAX	10217	9323	-8.75
PROFIT AFTER TAX	7195	5446	-24.31
DIVIDEND	612	612	-
DIVIDEND TAX	61	67	9.84
RETAINED EARNINGS	6522	4767	-26.91
NET ASSETS	70743	76894	8.69
NET WORTH	25950	30825	18.78
BORROWINGS	3896	1701	-56.34
DEBT : EQUITY	0.15	0.05	-66.67
PER SHARE (IN RUPEES) :			
- NET WORTH	106	126.0	
- EARNINGS	29.4	22.3	
- DIVIDEND	2.5	2.5	

TURNOVER

(Rs. in million)

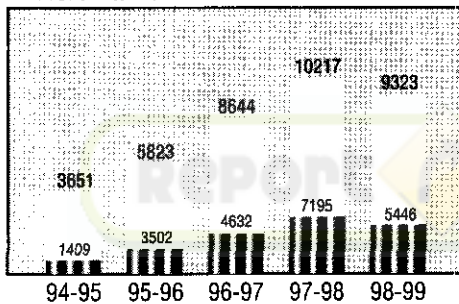
**VALUE ADDED**



(Rs. in million)

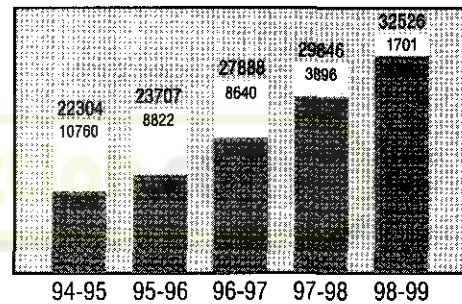
**PROFIT**

(Rs. in million)

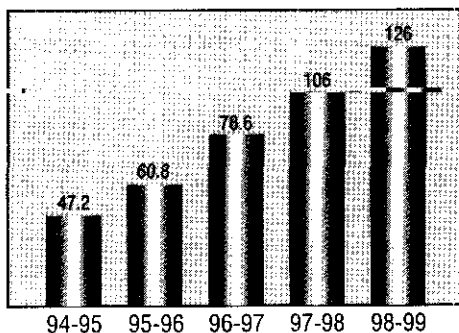
-  Profit Before Tax
 Profit After Tax

**CAPITAL EMPLOYED**(Capital Employed = Networth + Borrowings)
(Rs. in million)

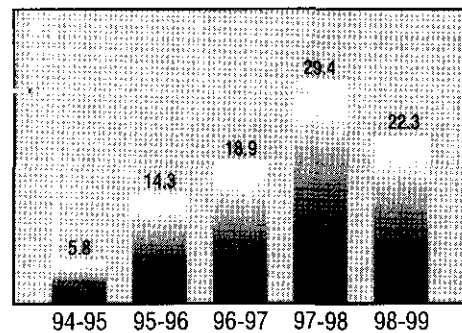
-  Borrowings
 Net Worth

**NET ASSET VALUE**

(Rupees)

**EARNING PER SHARE**

(Rupees)



FIVE YEAR SUMMARY

(Rs. in million)

	1998-99	1997-98	1996-97	1995-96	1994-95
I. EARNINGS					
Sale of products & services to customers	67946	64713	57553	48335	40942
Other income	5833	3785	3187	3093	3297
Changes in stock	823	-133	-201	2259	615
Total earnings	74602	68365	60539	53687	44854
Materials	30495	28382	26091	23879	19910
Personnel payments	12416	9525	8739	10366	6817
Other mfg., admn. & selling expenses	20618	18403	14394	11522	12514
Outgoings before interest & depr.	63529	56310	49224	45767	39241
Operating profit	11073	12055	11315	7920	5613
Depreciation	1433	1242	1080	968	923
Gross profit	9640	10813	10235	6952	4690
Interest	317	596	1591	1129	1039
Profit before Tax	9323	10217	8644	5823	3651
Provision for Tax	3877	3022	4012	2321	2242
Profit after Tax	5446	7195	4632	3502	1409
Dividend (incl. dividend tax)	679	673	539	490	367
Retained profit	4767	6522	4093	3012	1042
II. WHAT THE COMPANY OWNED					
Gross block incl. capital WIP	27306	24871	21715	19310	17988
Less accumulated depreciation & lease adj.	15948	14651	13515	12456	11528
Net block (incl. capital WIP)	11358	10220	8200	6854	6460
Investments	151	241	1351	3370	3370
Current assets & loans and advances	65385	60282	60880	55608	51442
Total net assets	76894	70743	70431	65832	61272
III. WHAT THE COMPANY OWED					
Borrowings	1701	3896	8640	8822	10760
Current liabilities and provisions	44368	40897	42543	42125	38968
Total liabilities	46069	44793	51183	50947	49728
IV. NET WORTH OF THE COMPANY					
Share capital	2448	2448	2448	2448	2448
Reserves & surplus	28400	23633	17110	13017	10007
Deferred revenue expenditure	-23	-131	-310	-580	-911
Net worth (Less : DRE)	30825	25950	19248	14885	11544
V. VALUE ADDED	29832	28867	25346	21695	17606
VI. CAPITAL EMPLOYED	32526	29846	27888	23707	22304
VII. RATIOS					
Operating profit to net assets (%)*	15.0%	17.0%	16.6%	12.5%	9.7%
Gross profit to capital employed (%)*	30.9%	37.5%	39.7%	30.2%	20.3%
Earnings per share	22.3	29.4	18.9	14.3	5.8
Net worth per share	126.0	106.0	78.6	60.8	47.2
Current ratio	1.47	1.47	1.43	1.32	1.32
Debt/equity ratio	0.05	0.15	0.45	0.59	0.93

*On the basis of average net assets and capital employed.



DIRECTORS' REPORT

Your Directors have pleasure in presenting their 35th Annual Report together with audited accounts of the Company for the year ended March 31, 1999.

PERFORMANCE HIGHLIGHTS

Your Company has completed yet another successful year in 1998-99, despite operating in a highly competitive environment and subdued industrial climate in the country which witnessed declining trend in the sale price of products. Major highlights of performance during the year 1998-99 are summarised below:

- Turnover Rs. 67946 million, up by 5%
- Net Worth Rs. 30825 million, up by 18.8%
- N.A.V Per Share Rs. 125.94, up by 18.8%

Orders inflow during 1998-99 stood at Rs.58351 million taking the total outstanding order book at the end of March 1999 to over Rs. 100,000 million available for execution in 1999-2000 & beyond.

The details of appropriation of profit for the year are as follows:

	(Rs/million)	
	1998-99	1997-98
Profit before tax	9323	10217*
Less: tax provision		
- For the year	3930	3960
- For the earlier years	- 53	-938
Profit after tax	5446	7195**
Add : transfer from reserves		
- Extraordinary Exchange Variation Reserve	500	0
- Investment Allowance		
Utilisation Reserve	70	75
- Foreign Project Reserve	90	116
Sub total	6106	7386
Less: appropriations		
- Foreign Project Reserve	32	136
- Proposed Dividend	612	612
- Transfer to General Reserve	5395	6607
- Corporate Dividend Tax	67	61
	6106	7386

* Includes extra-ordinary interest income of Rs.82 crores on Income Tax refund pertaining to earlier years.

** Includes extra-ordinary interest income Rs.82 crores on Income Tax refund and withdrawal of excess provision of Income Tax of Rs.94 crores pertaining to earlier years.

Dividend of 25% on the paid up capital of Rs.2447.60 million has been recommended for 1998-99 which is at the same level as that paid for 1997-98.

OPERATIONS OF THE YEAR VIS-A-VIS MOU TARGETS

BHEL has been successful in achieving the overall goals set out in the MOU signed with Government of India for 1998-99 (based on provisional results) and this performance has qualified the Company for placement in "Excellent" category for the tenth year in succession.

FINANCIAL OPERATIONS

Turnover in 1998-99 touched an all time high of Rs. 67946 million against Rs. 64713 million in 1997-98, an increase of 5%. The increase which is probably unique for a company in our line of business during 1998-99 in view of the severely adverse business environment, has been achieved along with a modest growth in the order book position. While Power Sector bagged orders worth Rs. 32811 million in 1998-99 against Rs. 26850 million in 1997-98, an increase of 21.4%, it was a slack year for Industry Sector products which registered an order inflow of Rs.23040 million against Rs.30770 million in 1997-98. This was due to impact of industrial slow down in the country resulting in an overall contraction in demand by 25% in comparison to the previous year. Export turnover including deemed export turnover was placed at Rs.19703 million in 1998-99.

Value addition which stood at Rs.29832 million registered a modest increase of 3.3% with reference to 1997-98, which was mainly due to change in the product mix of turnover, general increase in the cost of inputs and declining sale price of products. This was also a contributory factor in profit before tax declining by 8.75% to Rs. 9323 million with reference to 1997-98. An additional factor responsible for decline in profit before tax and profit after tax was the absence of extraordinary items such as the interest income of Rs. 82 crores on Income Tax Refund received during 1997-98 and withdrawal of excess provision of Income Tax of Rs. 94 crores in 1997-98 pertaining to earlier years.

On the working capital front, there was an increase of Rs. 411 million during the year (other than cash and bank balances) brought about mainly by:

- a. increase in sundry debtors and inventory by Rs.4113 million,
- b. decrease in loans and advances & other current assets by Rs.232 million and increase in current liabilities and provisions by Rs.3470 million.