

BOARD OF DIRECTORS

(As on 01.08.2002)

K.G. Ramachandran

Chairman and Managing Director

K.K. Jaswal

(Upto 02.07.2002)

Director

V.K. Malhotra

(From 30.07.2002)

Director

S.V. Bhawe

Director

A.C. Wadhawan

Director

Dr. Anand Patkar

Director

G.P. Gupta

Director

Sharad Upasani

(From 26.12.2001)

Director

Ishan Shankar

Director (HR)

M.K. Mittal

(Upto 31.10.2001)

Director (ER&D)

H.W. Bhatnagar

Director (IS&P)

R.C. Aggarwal

Director (Power)

C. Srinivasan

Director (Finance)

Virendra Kumar

(From 01.11.2001)

Director (ER&D)

N.K. Sinha

Company Secretary

MANAGEMENT COMMITTEE

(As on 01.08.2002)

K.G. Ramachandran - Chairman & Managing Director

Ishan Shankar

- Human Resources
- Human Resource Development Institute
- Health, Safety, Environment
- Corporate Productivity
- Corporate Information Technology
- International Operations Business
- Corporate Communication

H.W. Bhatnagar

- Industrial Systems & Products Business
- Industrial Systems Group
- Ceramics Business Unit
- Oil Sector R&M Business Group

R.C. Aggarwal

- Power Business
- Power Sector Regions - North, East, South & West
- Project Engineering Management

C. Srinivasan

- Finance
- Internal Audit & Taxation
- Financial Services
- Project Finance

Virendra Kumar

- Engg. Research & Development
- Corporate Research & Development
- Component Fabrication Plant

S.S. Rao

- Power Sector - Human Resources
- Power Sector - Management Services

Dr. T. Adhikari

- Industry Sector Business
- Transmission Business
- Regional Operations Division

S.N. Roy

- Heavy Electrical Plant
- Transformer Plant

A.K. Puri

- Power Sector - Marketing
- Integrated Spares Business

A.N. Jagadeeswaran

- Heavy Power Equipment Plant

Baboo Ram

- Power Sector - Quality, Technical Services & Project Management

S.K. Jain

- Heavy Electrical Equipment Plant
- Central Foundry Forge Plant
- Pollution Control Research Institute
- Heavy Equipment Repair Plant

A.K. Chakraborty

- Corporate Finance

A.K. Mathur

- High Pressure Boiler Plant
- Seamless Steel Tube Plant
- Boiler Auxiliaries Plant
- Industrial Valves Plant
- Piping Centre
- Welding Research Institute

Ramji Rai

- Electronics Division
- Electronics Systems Division

P.T. Deo

- Secretary, Management Committee

C O N T E N T S

Proxy Form / Attendance Slip

ECS Form

Nomination Form

Notice of AGM 9

BHEL at a Glance 12

Five Year Summary 14

Directors' Report 15

Report

- Management Discussion
and Analysis

- Auditors' Report &
CAG Comments

- Conservation of Energy etc.

- Corporate Governance

- Resume of Directors proposed for
appointment/re-appointment as per
Listing Agreement

Audited Accounts 56

- Significant Accounting Policies

- Balance Sheet

- Profit & Loss Account

- Schedules

Cash Flow Statement 95



Bharat Heavy Electricals Limited

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

NOTICE

Notice is hereby given that the 38th Annual General Meeting of the Members of BHARAT HEAVY ELECTRICALS LIMITED will be held on 'Monday' the 30th September, 2002 at 10.00 A.M. at FICCI Auditorium, Barakhamba Road (Tansen Marg), New Delhi-110001, to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2002 and the Profit & Loss Account for the financial 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 H W Bhatnagar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri R C Aggarwal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri C Srinivasan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To fix the remuneration of the Auditors.

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT Shri Virendra Kumar, who was appointed as a Director pursuant to Article 67 of the Articles of Association of the Company read with 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 pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."
8. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT Shri Sharad Upasani, who was appointed as a Director pursuant to Article 67 of the Articles of Association of the Company read with

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 pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT Shri V. K. Malhotra, who was appointed as a Director pursuant to Article 67 of the Articles of Association of the Company read with 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 Department of Heavy Industry, Government of India on behalf of the President of India as a shareholder, proposing his candidature for the office of a Director, pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

By Order of the Board of Directors

Sd/-
(N K SINHA)
COMPANY SECRETARY

New Delhi
Dated: 2nd September, 2002

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. Brief resume of each of the Directors proposed for appointment and re-appointment is given as Annexure-5 to the Directors' Report.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from 10th September, 2002 to 30th September, 2002 (both days inclusive) for the purpose of payment of dividend, if any, approved by the Members.
5. Members are advised to submit their Electronic Clearing Service (ECS) mandates in the form (given elsewhere in the Annual Report) duly filled in and signed, to enable the Company to make remittance by means of ECS.
6. The dividend on the Equity Shares as recommended by the Board of Directors for the year ended 31st March, 2002 when sanctioned at the Annual General Meeting of the Company will be payable within 30 days from the date of declaration of dividend by the members i.e. on or before 29th October, 2002, 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 Tuesday, the 10th September, 2002. Pursuant to the amendments introduced by the Finance Act, 2002, tax will be deducted at source at the applicable rates on such dividend where dividend exceeds Rs. 2,500/-. Shareholders whose annual income is not likely to exceed the taxable limit are requested to submit Form-15G duly filled in, signed and verified in the manner prescribed in the said form, to the Company's Share Department/RTA Karvy Consultants Ltd. latest by 25th September, 2002, to enable the Company to pay such dividend without deduction of tax at source.
7. Pursuant to Section 205A read with section 205C of the Companies Act, 1956, the dividend amounts which remains unpaid/unclaimed for a period of 7 years, are required to be transferred to the Investor's Education & Protection Fund of the Central Government. After that there remains no claim of the members whatsoever on the said amount. Accordingly, the dividend for the Financial Year 1994-95 which remains unclaimed is due to be transferred to the said account after 27th September, 2002 and for the further years commencing from 1995-96 onwards on their respective due dates.

The members who have not encashed their dividends for the financial year ended 31.03.1995 or any subsequent financial year(s) may approach the company for obtaining payments thereof before expiry of the stipulated 7 years period.

8. In terms of Section-139A (5) & (5A) of the Income Tax Act, 1961, the company will be able to issue tax deduction certificate, wherever applicable, only if Permanent Account Number (PAN) together with the designation and particulars of the ward/circle or range of the assessing officer is furnished. Hence, kindly do furnish the said particulars for issue of TDS Certificates.
9. Members may avail facility of nomination in terms of Section 109A of the Companies Act, 1956 by nominating in the Form-2B (given elsewhere in the Annual Report) a person to whom their shares in the Company shall vest in the event of their death.
10. Pursuant to Section 619(2), the Auditors of a Government Company shall be appointed or re-appointed by the Comptroller and Auditor General of India and in terms of Clause (aa) of sub-section (8) of Section 224, their remuneration has to be fixed by the Company in the Annual General Meeting. The appointment of Statutory Auditors of the Company for the year 2002-2003 is awaited from C&AG of India. The General Meeting may, authorise the Board to fix up an appropriate remuneration of Auditors for the year 2002-2003 after taking into consideration the increase in volume of work and prevailing inflation.
11. A corporate member shall be deemed to be personally present only if it is represented in accordance with Section-187 of the Companies Act, 1956 i.e. only if the corporate member sends certified true copy of the board resolution/ power of attorney authorising the representative to attend and vote at the Annual General Meeting.
12. Members are requested to notify immediately any change of address:
 - a) to their Depository Participants (DPs) in respect of their electronic share accounts, and
 - b) to the Company at its Registered Office in respect of their physical shares, if any, quoting their folio number, Banker's name and account number to ensure prompt and safe receipt of dividend warrants.
13. 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.

14. 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 a week prior to the date of the meeting, so that the information required can be made readily available at the meeting.
15. Members are requested:-
 - i) to bring their copies of Annual Report, Notice and Attendance Slip at the time of the meeting.
 - ii) to quote their Folio Nos. in all correspondence.
 - iii) to note that no briefcase or bag will be allowed to be taken inside the auditorium for security reasons.
 - iv) to note that no gifts will be distributed in the AGM.

By Order of the Board of Directors

Sd/-
(N K Sinha)
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. 7 to 9 of the accompanying Notice dated 2nd September, 2002

ITEM NO. 7

Shri Virendra Kumar aged 58 years is a Mechanical Engineer. As per the direction of the Govt. of India, Shri Virendra Kumar was appointed as Director (ER&D) of the Company w.e.f. 01.11.2001 to hold the Office till 31.01.2004 i.e. the date of his superannuation. Having been so appointed, Shri Virendra Kumar holds office till the ensuing Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act 1956, the Company has received a Notice in writing along with 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 Virendra Kumar is in any way concerned or interested in the resolution.

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

ITEM NO. 8

Shri Sharad Upasani aged 63 years is an M.com and L.L.B from University of Bombay and MBA from USA. As per the direction of the Govt. of India, Shri Upasani was appointed as Director of the Company w.e.f 26.12.2001 to hold the Office for a period of three years i.e. upto 25.12.2004. Having been so appointed, Shri Upasani holds office till the ensuing Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act, 1956, the Company has received a Notice in writing along with 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 Upasani is in any way concerned or interested in the resolution.

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

ITEM NO. 9

Shri V K Malhotra aged 56 years is the Additional Secretary & Financial Advisor to the Government of India, Ministry of Commerce & Industry, Department of Industrial Policy and Promotion. As per the direction of the Government of India, Shri Malhotra was appointed as a Director of the Company with effect from 30.07.2002 vice Shri K K Jaswal. Having been so appointed, Shri Malhotra holds office till the ensuing Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act 1956, the Company has received a Notice in writing along with a deposit of Rs.500/- from the Department of Heavy Industry, Government of India on behalf of the President of India as a shareholder, proposing his candidature for the Office of Director of the Company.

None of the Directors of the Company except Shri Malhotra 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/-
(N K Sinha)
COMPANY SECRETARY

New Delhi.

Dated: 2nd September, 2002

Registered Office:

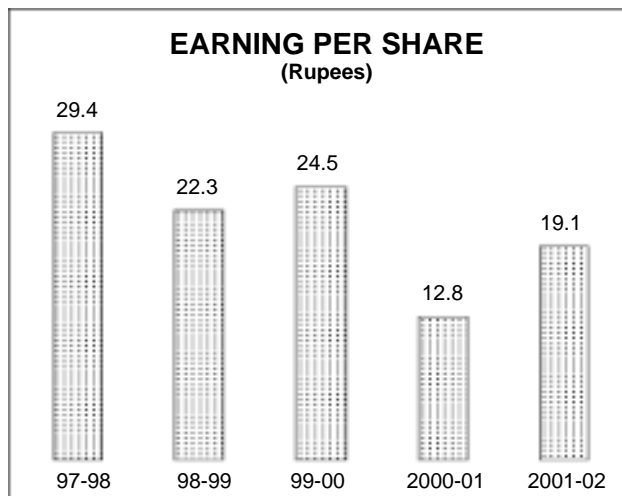
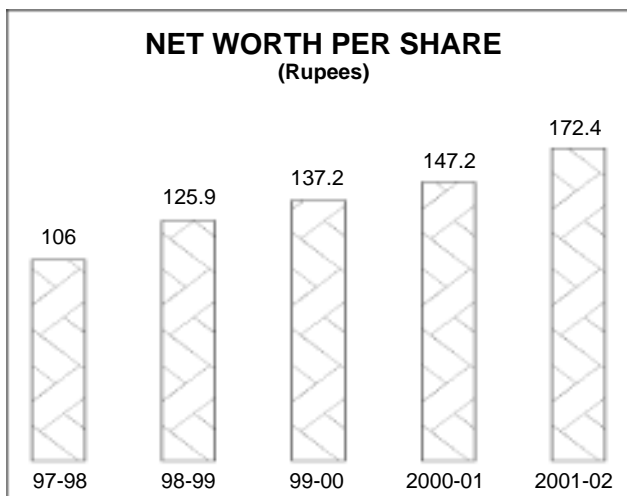
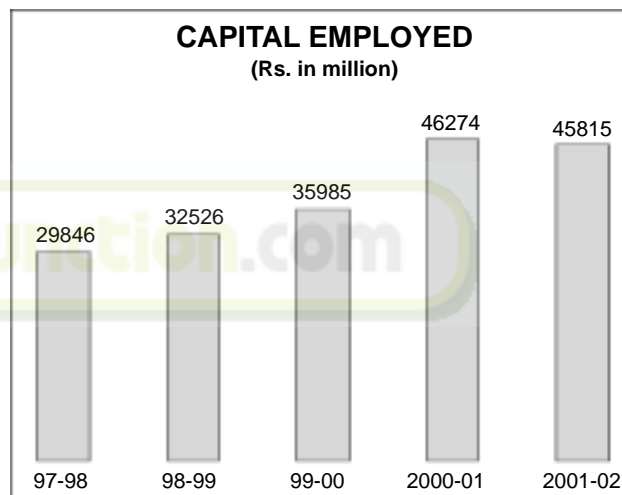
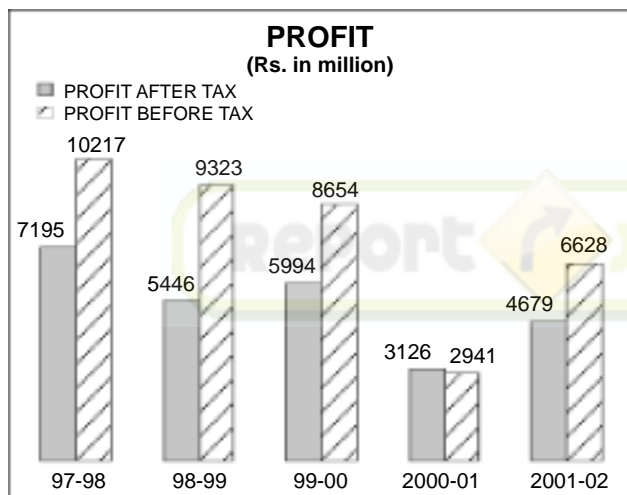
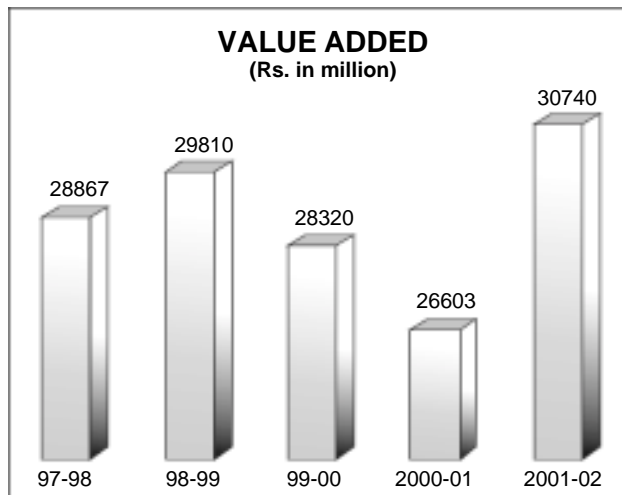
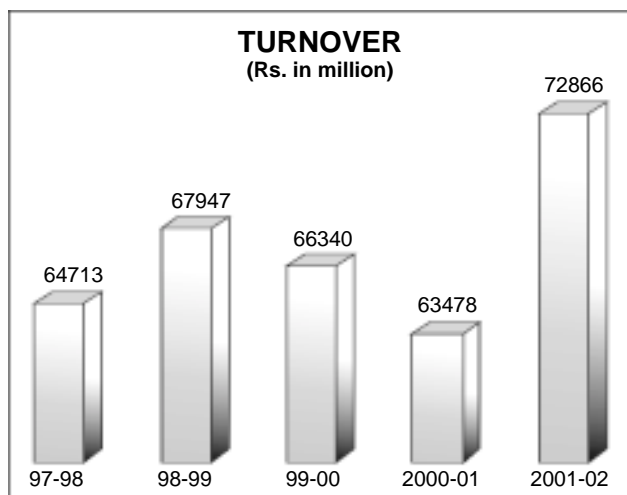
"BHEL House", Siri Fort, New Delhi-110 049.



BHEL AT A GLANCE

(Rs. in million)

	<u>2000 - 01</u>	<u>2001 - 02</u>	<u>CHANGE (%)</u>
Turnover	63478	72866	14.79
Value Added	26603	30740	15.55
Employee (Nos.) as on 1.1.2001/2002	52225	47729	-8.61
Profit Before Tax	2941	6628	125.37
Profit After Tax	3126	4679	49.69
Dividend	734	979	33.38
Dividend Tax	75	0	-100.00
Retained Earnings	2317	3700	59.69
Net Assets	87903	92974	5.77
Net Worth	36018	42203	17.17
Total Borrowings	10256	6658	-35.08
Debt : Equity	0.28	0.16	-44.60
Per Share (in Rupees) :			
- Net worth	147.16	172.43	17.17
- Earnings	12.77	19.12	49.69
- Dividend	3.00	4.00	33.38



FIVE YEAR SUMMARY

(Rs. in million)

	2001-02	2000-01	1999-2000	1998-99	1997-98
I EARNINGS					
Sale of products & services to customers	72866	63478	66340	67947	64713
Other Income	5046	5350	4959	5824	3785
Changes in stock	-373	2507	-237	823	-133
Total Earnings	77539	71335	71062	74594	68365
Materials	33068	30496	28120	30495	28382
Personnel Payments	14446	21702 *	11330	12416	9525
Other mfg., admn. & selling expenses	20735	14180**	21206	20595	18403
Outgoings before interest & depr.	68249	66378	60656	63506	56310
Profit before depreciation, interest & tax	9290	4957	10406	11088	12055
Depreciation	1692	1578	1535	1432	1242
Gross Profit	7598	3379	8871	9656	10813
Interest	970	438	217	333	596
Profit before tax	6628	2941	8654	9323	10217
Provision for tax	1949	-185	2660	3877	3022
Profit after tax	4679	3126	5994	5446	7195
Dividend (incl.dividend tax)	979	809	855	679	673
Retained Profit	3700	2317	5139	4767	6522
* includes arrears of wage revision of Rs.7078 million from 1.1.97 to 31.3.2000					
** after withdrawal of provision in respect of wage arrears Rs.5140 million					
II WHAT THE COMPANY OWNED					
Gross Block	31820	30040	28109	26573	24236
Less accumulated depreciation & lease adj.	20054	18614	17230	15948	14651
Net Block	11766	11426	10879	10625	9585
Capital WIP	567	612	724	733	635
Investments	103	103	103	151	241
Current Assets, Loans & Advances	80538	75762	70190	65385	60282
Total net assets	92974	87903	81896	76894	70743
III WHAT THE COMPANY OWED					
Borrowings (including credits for assets taken on lease)	6658	10256	2407	1701	3896
Current liabilities & provisions	47159	41630	45911	44368	40897
Total liabilities	53817	51886	48318	46069	44793
IV NET WORTH OF THE COMPANY					
Share Capital	2448	2448	2448	2448	2448
Reserves & Surplus	42248 @	35856	33539	28400	23633
Less : Deferred Revenue Expenditure	2493	2286	2409	23	131
Net Worth	42203	36018	33578	30825	25950
V VALUE ADDED	30740	26603	28320	29810	28867
VI CAPITAL EMPLOYED	45815	46274	35985	32526	29846
VII RATIOS					
PBDIT to net assets (%) #	10.3%	5.8%	13.1%	15.0%	17.1%
Gross profit to capital employed (%) #	16.5%	8.2%	25.9%	30.9%	37.5%
Earnings per share (Rs.)	19.12	12.77	24.49	22.25	29.39
Net worth per share (Rs.)	172.43	147.16	137.17	125.92	106.00
Current Ratio	1.71	1.82	1.53	1.47	1.47
Total Debt / Equity	0.16	0.28	0.07	0.05	0.15

@ includes Rs. 3046 million towards deferred tax assets as on 31.03.2002

On the basis of average net assets and capital employed

DIRECTORS' REPORT

Your directors have pleasure in presenting their 38th Annual Report together with audited accounts of the Company for the year ended March 31, 2002.

PERFORMANCE HIGHLIGHTS

Your company has completed another successful year in 2001-2002 defying the downward trend being witnessed in the industry and has registered a net profit of Rs. 4679 million. Net worth of the company has gone up from Rs. 36018 million in 2000-2001 to Rs. 42203 million in 2001-2002 registering an increase of 17.17%. NAV per share has increased by 17.17% from Rs. 147.16 in 2000-2001 to Rs. 172.43 in 2001-2002.

Major highlights of performance during 2001-2002 are summarised below:

	(Rs. in million)		
	<u>2001-2002</u>	<u>2000-2001</u>	<u>Increased by</u>
Turnover	72866	63478	14.79%
Profit before tax	6628	2941	125.37%
Net profit	4679	3126	49.69%
Orders booked	98553	55572	77.34%
EPS (Rs.)	19.12	12.77	49.69%
NAV per share (Rs.)	172.43	147.16	17.17%

Order inflow during 2001-2002 stood at Rs. 98553 million. The year ended with an outstanding order book of around Rs. 1,25,000 million available for execution in 2002-2003 and beyond.

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

	(Rs. in million)	
	<u>2001-2002</u>	<u>2000-2001</u>
Profit before tax	6628	2941
Less : Tax Provision		
- For the year	2455	—
- For earlier years	—152	—185
- Deferred tax	<u>—354</u>	<u>—</u>
	1949	— 185
Profit after tax	4679	3126
Add : Transfer from Reserves		
- Foreign Project Reserve	49	151
	<u>4728</u>	<u>3277</u>
Appropriations:		
- Foreign Project Reserve	10	15

- Bond Redemption Reserve	1000	—
- Dividend – Proposed	979	734
- Corporate Dividend Tax	—	75
- Transfer to General Reserve	2549	2453
- Carried to Balance Sheet	190	—
	<u>4728</u>	<u>3277</u>

Dividend @ 40% on the paid up capital of Rs. 2447.60 million has been recommended for 2001-2002, as compared to 30% paid in 2000-2001.

OPERATIONS OF THE YEAR VIS-À-VIS MOU TARGETS

Performance of BHEL for the year 2000-2001 has been rated as 'Good' in terms of Memorandum of Understanding signed with the Government of India. The rating for 2001-2002 is under evaluation.

MANAGEMENT DISCUSSION AND ANALYSIS

A report on Management Discussion and Analysis is placed at Annexure-1.

OFFICIAL LANGUAGE IMPLEMENTATION

Official Language Implementation Committees have been constituted in all the regional offices/units of BHEL. All the committees meet regularly and appropriate steps are taken to promote the use of Hindi. Manuals of the company are available in bilingual form. Annual Report, MOU, Promotion Orders, Calendars and Diaries are also published bilingually.

During the year, 4 Hindi Officers, 6 Asstt. Hindi Officers, 8 Hindi Translators, One Hindi Stenographer and 2 Clerks were appointed through redeployment of internal sources. A Rajbhasha orientation programme for Hindi Officers, Asstt. Hindi Officers and translators was organised from 28th January, 2002 to 13th February, 2002 in BHEL, HRDI Noida to improve their efficiency in the area of Hindi implementation.

Like every year, BHEL Hindi Co-ordinators' Meet was held this year too. In the Meet, a special presentation was made to promote Hindi on computer and for maximum use of Information Technology in promotion of Hindi. Work oriented competitions were conducted to encourage the implementation of official language. Under these competitions, the work done by the officers/employees in Hindi was evaluated at the end of every quarter and winners were awarded. A number of Hindi workshops were conducted to encourage employees to work in Hindi.

Shri Shambhu Ratan Awasthi, AGM, BHEL Indira Sagar Hydro Project, Narmda Nagar Site was awarded **Dr. Meghnad Saha Puraskar** for the year 1998-99 for his book '**Hydrogenerator ke vyavaharik paksha**'. The award was given to Sh. Awasthi by Sh. Bachchi Singh Rawat,