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Bharat Heavy Electricals Limited

Regd. Office: BHEL House, Siri Fort, New Delhi-110049

NOTICE

Notice is hereby given that the 39th Annual General Meeting of the Members of BHARAT HEAVY ELECTRICALS LIMITED will be held on 'Tuesday' the 30th September 2003 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, 2003 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 A C Wadhawan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Anand Patkar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri G P Gupta, 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 Ishan Shankar, 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 A Didar Singh, 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."

By Order of the Board of Directors

Sd/-
(N K SINHA)
COMPANY SECRETARY

New Delhi

Dated: 29th August, 2003

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. Shri A C Wadhawan, Dr. Anand Patkar and Shri G P Gupta, directors of the company retire by rotation and, being eligible, offer themselves for re-appointment. However, as per terms of their appointment, the tenure of Shri A C Wadhawan & Dr. Anand Patkar is upto 14.06.2004 and that of Shri G P Gupta upto 13.08.2004.
 5. The Register of Members and Share Transfer Books of the Company shall remain closed from 10th September, 2003 to 30th September, 2003 (both days inclusive) for the purpose of payment of dividend, if any, approved by the Members.
 6. 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.
 7. The dividend on the Equity Shares as recommended by the Board of Directors for the year ended 31st March, 2003 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, 2003, 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 Wednesday, the 10th September, 2003.
 8. 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 1995-96 which remains unclaimed is due to be transferred to the said account after 29th September, 2003 and for the further years commencing from 1996-97 onwards on their respective due dates.
- The members who have not encashed their dividends for the financial year ended 31.03.1996 or any subsequent financial year(s) may approach the company for obtaining payments thereof before expiry of the stipulated 7 years period.
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 2003-2004 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 2003-2004 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 gift 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 & 8 of the accompanying Notice dated 29th August, 2003.

ITEM NO. 7

Shri Ishan Shankar, aged 59 years, is a Mechanical Engineer. As per the direction of the Govt. of India, Shri Ishan Shankar was appointed as Director (Personnel) {now Director (HR)} of the company for a period of five years with effect from 10th October, 1997. He was thereafter granted extension on two occasions for a period of three months each beyond 9th October, 2002 and 9th January, 2003 respectively. The Govt. of India further extended his tenure upto 29th February, 2004 i.e. the date of his superannuation on attaining the age of 60 years. Having been so appointed, Shri Ishan Shankar holds office till the date of 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 Ishan Shankar 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 A. Didar Singh, aged 51 years, is the Joint Secretary to the Government of India, Ministry of Heavy Industries & Public Enterprises, Department of Heavy Industry. As per the direction of the Government of India, Shri Didar Singh was appointed as a Director of the Company with effect from 10.03.2003 vice Shri S V Bhawe. Having been so appointed, Shri Didar Singh holds office till the date of 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 A. Didar Singh 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: 29th August, 2003

Registered Office:

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

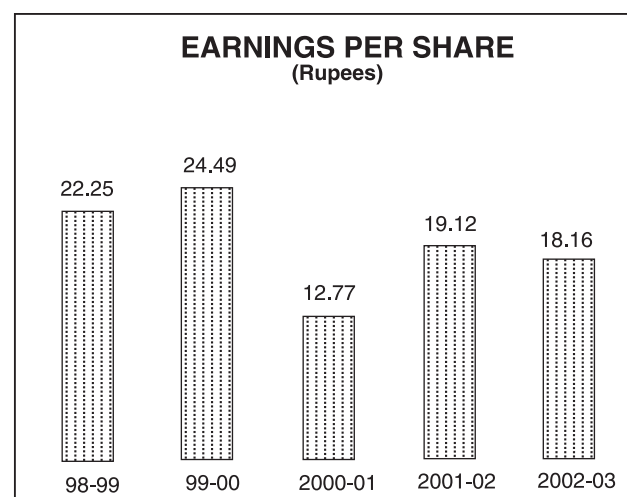
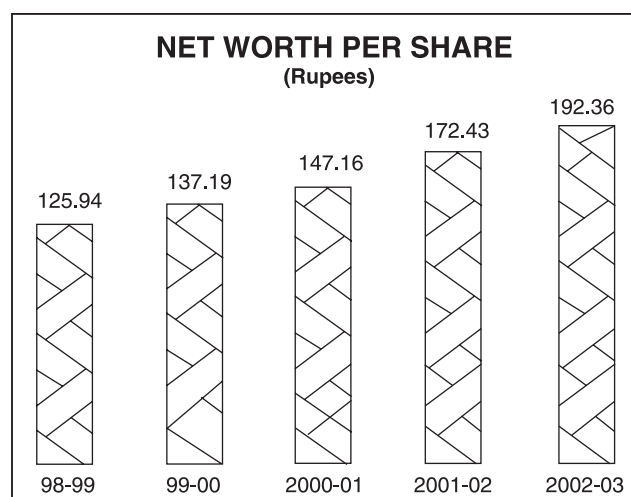
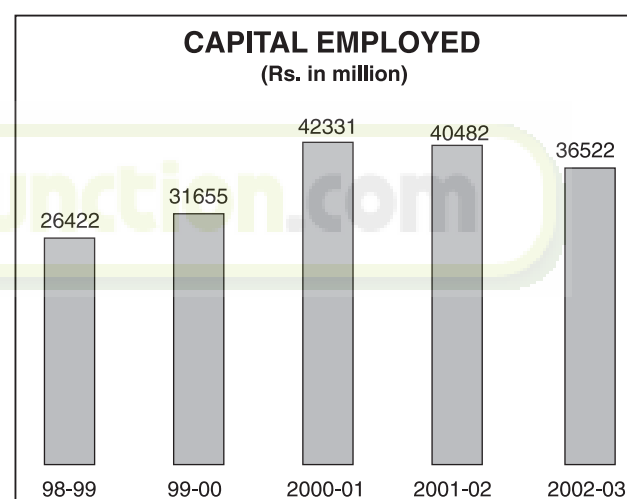
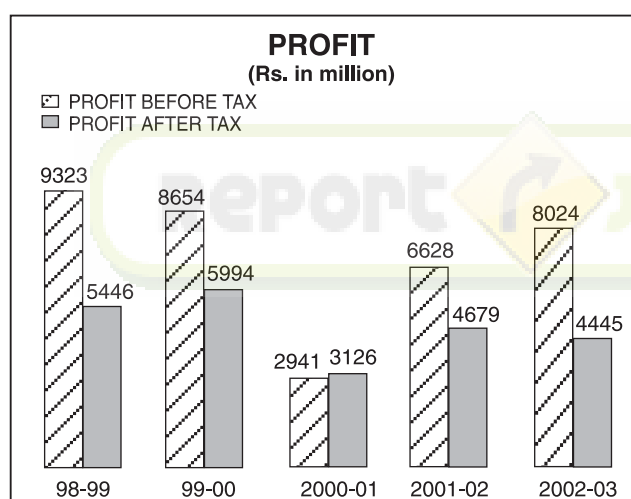
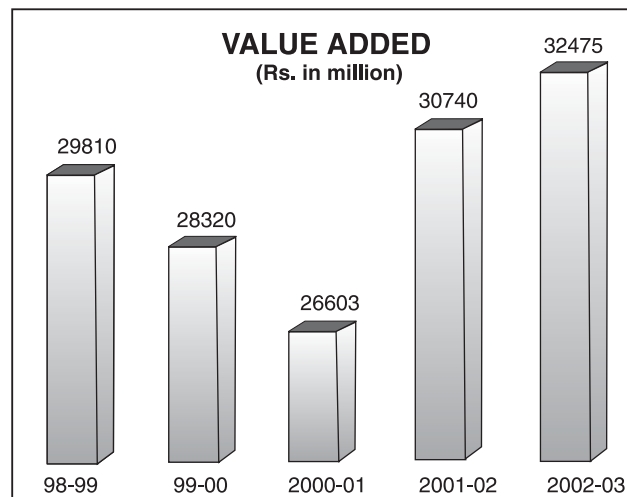
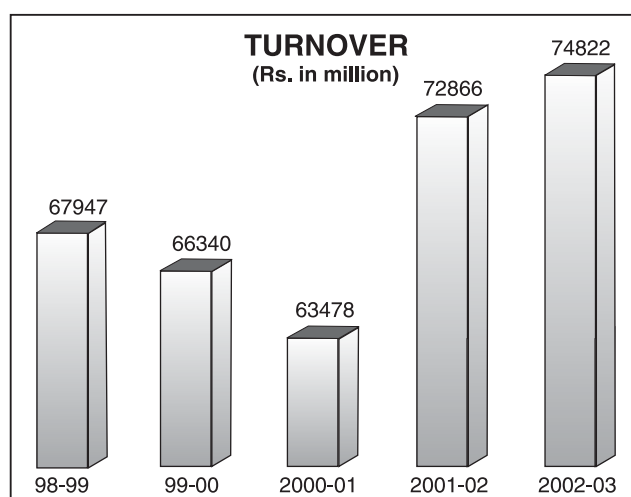
BHEL AT A GLANCE

			(Rs. in million)
	2001-02	2002-03	CHANGE (%)
Turnover	72866	74822	2.68
Value Added	30740	32475	5.64
Employee (Nos.)	47516	46855	-1.39
Profit Before Tax	6628	8024	21.06
Profit After Tax	4679	4445	-5.00
Dividend	979	979	0.00
Dividend Tax	0	125	---
Retained Earnings	3700	3341	-9.70
Total Assets	92950	95879	3.15
Net Worth	42203	47082	11.56
Total Borrowings	6658	5310	-20.25
Debt : Equity	0.16	0.11	-31.25
Per Share (in Rupees) :			
- Net worth	172.43	192.36	11.56
- Earnings	19.12	18.16	-5.02
- Dividend	4.00	4.00	0.00
			(US \$ in million)
Turnover	1503	1581	5.19
Profit Before Tax	137	169	23.36
Profit After Tax	97	94	-3.09

Conversion Rates (Rates as on 31st March) :

1 US \$ = Rs. 48.47 for 2001-02

1 US \$ = Rs. 47.34 for 2002-03



FIVE YEAR SUMMARY

	(Rs.in million)				
	2002-03	2001-02	2000-01	1999-2000	1998-99
I EARNINGS					
Sale of products & services to customers	74822	72866	63478	66340	67947
Other Income	5087	4940	5054	4704	5433
Changes in stock	-453	-373	2507	-237	823
Total Earnings	79456	77433	71039	70807	74203
Materials	31604	33068	30496	28120	30495
Personnel Payments	15046	14446	21702*	11330	12416
Other mfg., admn. & selling expenses	22380	20629	13884**	20951	20204
Outgoings before interest & depr.	69030	68143	66082	60401	63115
Profit before depreciation, interest & tax	10426	9290	4957	10406	11088
Depreciation	1854	1692	1578	1535	1432
Gross Profit	8572	7598	3379	8871	9656
Interest	548	970	438	217	333
Profit before tax	8024	6628	2941	8654	9323
Provision for tax	3579	1949	-185	2660	3877
Profit after tax	4445	4679	3126	5994	5446
Dividend (incl.dividend tax)	1104	979	809	855	679
Retained Profit	3341	3700	2317	5139	4767
* 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	33493	31820	30040	28109	26573
Less accumulated depreciation & lease adj.	21788	20054	18614	17230	15948
Net Block	11705	11766	11426	10879	10625
Capital WIP	587	567	612	724	733
Investments	103	103	103	103	151
Current Assets, Loans & Advances	83484	80514	75762	70190	65385
Total assets	95879	92950	87903	81896	76894
III WHAT THE COMPANY OWED					
Borrowings (incl. Credits for assets taken on lease)	5310	6658	10256	2407	1701
Current liabilities & provisions	47561	47135	41630	45911	44368
Total liabilities	52871	53793	51886	48318	46069
IV NET WORTH OF THE COMPANY					
Share Capital	2448	2448	2448	2448	2448
Reserves & Surplus	45589@	42248	35856	33539	28400
Less : Deferred Revenue Expenditure	955	2493	2286	2409	23
Net Worth	47082	42203	36018	33578	30825
V CAPITAL EMPLOYED	36522	40482	42331	31655	26422
VI VALUE ADDED	32475	30740	26603	28320	29810
VII RATIOS					
PBDIT to assets (%) #	11.0%	10.3%	5.8%	13.1%	15.0%
Gross profit to capital employed (%)#	22.3%	18.3%	9.1%	30.5%	37.4%
Earnings per share (Rs.)	18.16	19.12	12.77	24.49	22.25
Net worth per share (Rs.)	192.36	172.43	147.16	137.19	125.94
Current Ratio	1.76	1.71	1.82	1.53	1.47
Total Debt / Equity	0.11	0.16	0.28	0.07	0.05

@ Includes Rs. 4074 million (prev. year Rs. 3046 million) towards deferred tax assets

On the basis of average assets and capital employed



DIRECTORS' REPORT

Your directors have pleasure in presenting their 39th Annual Report together with audited accounts of the Company for the year ended March 31, 2003.

PERFORMANCE HIGHLIGHTS

Your company has completed another successful year in 2002-2003 and has registered a net profit of Rs. 4445 million. The Net worth of the company has gone up from Rs. 42203 million in 2001-2002 to Rs. 47082 million in 2002-2003, registering an increase of 11.56%. NAV per share has increased from Rs. 172.4 in 2001-2002 to Rs. 192.4 in 2002-2003.

Major highlights of performance during 2002-2003 are summarised below:

	(Rs. in million)		
	2002-2003	2001-2002	Increased/ Decreased by
Turnover	74822	72866	2.68%
Profit before tax	8024	6628	21.06%
Profit After Tax	4445	4679	-5.00%
NAV per share (Rs.)	192.4	172.4	11.56%
Orders booked	112270	98553	13.92%

The turnover was affected due to non shipment of equipment worth Rs. 1249 million on account of war in Iraq. Order inflow during 2002-2003 stood at Rs. 112,270 million. The year ended with an outstanding order book of around Rs. 158,000 million available for execution in 2003-2004 and beyond.

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

	(Rs. in million)	
	2002-2003	2001-2002
Profit after tax	4445	4679
Add : - Balance of Profit b/f from last year	190	—
- Transfer from Foreign Project Reserve	68	49
	<u>4703</u>	<u>4728</u>
Appropriations:		
- Foreign Project Reserve	12	10
- Bond Redemption Reserve	1000	1000
- Dividend - Proposed	979	979
- Corporate Dividend Tax	125	—
- Transfer to General Reserve	2068	2549
- Carried to Balance Sheet	519	190
	<u>4703</u>	<u>4728</u>

A Dividend of 40%, amounting to Rs. 979 million, on the paid up capital of Rs. 2447.60 million, has been recommended for 2002-2003, which is at the same level as was declared for 2001-2002. In addition, a provision of Rs. 125 million has been made for Corporate Dividend Tax thereon.

OPERATIONS OF THE YEAR VIS-À-VIS MOU TARGETS

Performance of BHEL for the year 2001-2002 has been rated as "Excellent" in terms of the Memorandum of Understanding signed with the Government of India. The rating for 2002-2003 is under evaluation.

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, Performance Budget, Revenue Budget, Press Releases, Advertisements, Promotion Orders, Calendars and Diaries are also published bilingually.

In the annual BHEL Hindi Coordinators' 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 the Official Language. Under these competitions, the work done by the 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. In addition, a Kavi Sammelan was also organised.

In compliance with the directives of the Honourable Prime Minister, entries are being made in Confidential Reports of the employees for the "praise-worthy works done in Hindi".

PARTICIPATION IN THE GLOBAL COMPACT OF THE UNITED NATIONS

The "Global Compact" is a partnership between the United Nations, the business community, international labour and NGOs. It provides a forum for them to work together and improve corporate practices through cooperation. BHEL has joined the "Global Compact" and is committed to support it and the set of core values enshrined in its nine principles. Following is a brief report of how the company has addressed each of the 9 principles during the year 2002-03.

Human Rights

- 1) *Business should support and respect the protection of internationally proclaimed human rights;*

The company's policies have been meticulously drafted keeping the principles of human rights, the Constitution of India, labour laws etc. in mind.

- 2) *make sure they are not complicit in human rights abuses.*

There has been no instance of the company having abused human rights in any manner.

Labour Standards

- 3) *Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;*

The Government of India has enacted various laws to adequately protect the interest of the working class. These laws are strictly adhered to in BHEL. All Heads of Units are required to submit a report about compliance with different laws. This is done to ensure that the interests of labourers are protected. Apart from this, BHEL has various bipartite fora for workers where the issues/problems concerning the workers are discussed and settled. BHEL also has an apex level bipartite forum wherein representatives from all Units of BHEL, along with the Central Trade Union Organisations to which the Unions are affiliated, are represented from the workers' side and Management is represented by Chairman and Functional Directors along with the Heads of various Units.

- 4) *the elimination of all forms of forced and compulsory labour;*

The company does not employ forced and compulsory labour.

- 5) *the effective abolition of child labour;*

As per BHEL Recruitment Policy the minimum age for employment is 18 years. No person below this age can be employed in BHEL thereby ensuring that child labour is not employed in BHEL.

- 6) *eliminate discrimination in respect of employment and occupation.*

The company has a uniform set of rules (The Personnel Policy) that applies to all employees, irrespective of factors such as sex, caste, religion, race etc.

Environment

- 7) *Businesses should support a precautionary approach to environment challenges;*

The company has a laid down policy towards the environment and has implemented the same through Management Systems aligned to international standard ISO 14001. M/s Det Norske Veritas (DNV) has certified all Units of the company to this standard after stringent audits.

- 8) *undertake initiatives to promote greater environmental responsibility;*

Some of the initiatives during the year were mass afforestation involving the employees and surrounding community, rain water harvesting, conservation of natural resources, generation of energy from waste, efficient water management etc.

- 9) *encourage the development and diffusion of environmentally friendly technologies*

The company has developed and offers products in the area of non-conventional and renewable sources of energy like wind electric generators, solar photovoltaic systems, solar heating systems, solar lanterns and battery-powered road vehicles. The company has taken up R&D efforts for development of fuel cells and multijunction amorphous silicon solar cells.

VIGILANCE

The vigilance organisation of BHEL is presently headed by CVO. Each Unit / Region of BHEL has an independent vigilance set up headed by a senior vigilance executive functionally reporting to the CVO.

The thrust of BHEL during 2002-2003 was on Preventive Vigilance. Regular training programmes, seminars, debates and discourses on ethical values were organised in all BHEL Units / Regions. Systems studies were also carried out with a view to improve the existing systems and procedures. Interactive sessions were also held with the line executives representing different functional areas, in order to create vigilance awareness and enhance their knowledge about Company's rules, procedures and policies. BHEL Vigilance also brought out the second issue of its annual journal "DISHA" containing a number of articles on Vigilance, check-lists and other related areas.

It was felt that several of the Vigilance objectives could be achieved through implementation of Transparency Measures in various areas of Company operations. Therefore, BHEL Vigilance assumed the role of a catalyst for enhancement of transparency in Company operations especially in areas having interfaces with customers and suppliers. During the year, major units of the Company developed software packages which facilitated exchange of information with the customers and suppliers. Vigilance web pages were created at the Units.

During the period under report, BHEL Vigilance also took up cases for investigation. Wherever lapses / irregularities



directly attributable to Company officials were brought out by investigation, suitable disciplinary proceedings were recommended, resulting in imposition of penalties. Due importance was also given to surprise / routine inspections which resulted in detection of some serious lapses which were taken up for investigation.

Extensive use of Information Technology was made by BHEL Vigilance during the year 2002-2003. Vigilance Home Page was created for information sharing, display of rules, policies and circulars etc., for the benefit of employees. A web-based Vigilance Management Information System was also developed during the year for on-line storage and processing of information relating to all vigilance cases.

SECURITY

The company has a well defined security mechanism. The physical security of most of the major plants of the company is being managed by the CISF. In some of the smaller plants, the company has its own security, while in other plants, Corporate Office and Regional Offices, the security is managed by security personnel taken on deputation from the Central Police Organisations. At the project sites, private security is engaged as per requirement. Recently, one of the small Units, i.e. Rudrapur, has switched over to private security company (UP Ex. Servicemen Welfare Nigam Ltd.) managed by Ex-service Personnel.

Security audit of major plants is being done by the Intelligence Bureau periodically and the additional safeguards, wherever pointed out by them, are immediately complied with by the concerned units. Since security audits by IB are carried out at substantial time gaps, internal security reviews of Hyderabad, Hardwar, Bhopal, Trichy, Corporate Research & Development, Hyderabad and Electronics Division, Bangalore plants were also undertaken. In these reviews, additional security threats which had emerged since the last review and also the required response to such new threats were discussed in detail and several decisions were taken for strengthening the existing security system.

The management, security staff and the employees of the company are fully sensitised to the security needs of the company.

ANNEXURES TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

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

AUDITORS' REPORT

The replies to the points referred to in the Auditors' Report and the Annexure thereto as also the Comments and "Review of Accounts by the Comptroller and Auditor General of India" are given at Annexure 2.

OTHER DISCLOSURES

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1998 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given at Annexure 3.

Information in accordance with the provisions of Clause 49 of the Listing Agreement prescribed by SEBI on Corporate Governance is given at Annexure 4.

None of the employees of the Company is drawing remuneration in excess of the limits prescribed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975.

BOARD OF DIRECTORS

The following changes took place in the constitution of the Board of Directors of the Company since last report.

Appointment

Shri Ishan Shankar was appointed as Director (Personnel) {now Director (HR)} of the company for a period of five years with effect from 10th October, 1997. He was thereafter granted extension on two occasions for a period of three months each beyond 9th October, 2002 and 9th January, 2003 respectively. The Govt. of India further extended his tenure upto 29th February, 2004 i.e. the date of his superannuation on attaining the age of 60 years.

Shri A.Didar Singh, Joint Secretary to the Govt. of India, Ministry of Heavy Industries & Public Enterprises, Deptt. of Heavy Industry, has been appointed as a Part-time Official Director of the Company w.e.f. 10th March, 2003 vice Shri S.V.Bhave.