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Bharat Heavy Electricals Limited

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

NOTICE

Notice is hereby given that the 41st Annual General Meeting of the Members of BHARAT HEAVY ELECTRICALS LIMITED will be held on 'Thursday', the 29th September, 2005 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, 2005 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 Ramji Rai, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri S. K. Jain, who retires by rotation and being eligible, offers himself for re-appointment.
5. To fix the remuneration of the Auditors.

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 A. K. Mathur, 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."
7. To consider and, if thought fit, to pass with or without modification, the following resolution as an

Ordinary Resolution:

"RESOLVED THAT Shri K. Ravi 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 Dr. Surajit Mitra, 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 C. S. Verma, 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."

10. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, and subject to approval of the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, Government of India, the Articles of Association of the Company be and is hereby altered in the following manner:

- A) By deletion of existing Article 69 (22) together with all the conditions vide (i) to (iii) provided thereunder and substituting therefor Article 69 (22) with marginal notes reading as “To establish Joint Ventures and Wholly Owned Subsidiaries” as follows:

69 (22)	To establish financial Joint Ventures and Wholly Owned Subsidiaries in India or abroad provided the equity investment of the Company is limited to the following: i) 15 per cent of the networth of the Company in one project limited to Rs.1000 Crores. ii) 30 per cent of the networth of the Company in all projects put together.
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- B) By insertion of new sub-clause 23 under existing Article 69 numbered as Article 69(23) immediately after Article 69 (22) with the marginal notes reading as “Mergers and Acquisitions”.

69 (23)	To approve Mergers & Acquisitions subject to conditions that: (i) It shall be as per the growth plan and in the core area of functioning of the Company. (ii) Conditions / limits shall be as in the case of establishing joint ventures / subsidiaries, and within the overall ceiling of 30 per cent of the networth of the Company for Joint ventures/subsidiaries, Mergers & Acquisitions put together. (iii) The Cabinet Committee on Economic Affairs (CCEA) shall be kept informed in case of investments abroad.
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- C) By insertion of new sub-clause (d) under existing Article 69 (4) numbered as Article 69 (4) (d) with the marginal notes reading as “Sub-delegation of powers relating to Human Resource Management”.

69(4)(d)	to further delegate the powers relating to Human Resource Management (appointments, transfer, posting, etc.) of below Board level executives to sub-committees of the Board or to executives of the Company, as may be decided by the Board of Directors.”
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By Order of the Board of Directors

Sd/-
(N. K.SINHA)
COMPANY SECRETARY

New Delhi

Dated: 1st September, 2005

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 HOURS) 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- 2 to the Directors' Report.
4. Shri Ramji Rai and Shri S.K. Jain, Directors retire by rotation and being eligible, offer themselves for reappointment. However, as per terms of their appointment, the tenure of Shri Ramji Rai is upto 31.08.2006 and Shri S.K. Jain upto 31.08.2007.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from 9th September, 2005 to 29th September, 2005 (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, 2005 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 28th October, 2005, 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 Friday, the 9th September, 2005.
8. Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, as amended, the dividend amounts which remain unpaid / unclaimed for a period of 7 years, are required to be transferred to the Investors 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 1997-98 which remains unclaimed is due to be transferred to the said account after 30th September 2005 and for the further years commencing from 1998-99 onwards on their respective due dates.

Members who have not claimed / encashed their Dividend so far for the financial year ended 31st March 1998 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) any person to whom their shares in the Company shall vest in the event of their death.
10. Pursuant to Section 619(2) read with Section 224 (8) (aa), the Companies Act, 1956, the Auditors of a Government Company shall be appointed or Meeting. The appointment of Statutory Auditors of the Company for the year 2005-2006 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 2005-2006 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 authorizing the representative to attend and vote at the Annual General meeting.
12. Members are requested to notify immediately any change of address:
 - i. to their Depository Participants (DPs) in respect of their electronic share accounts, and
 - ii. 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 atleast 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 item Nos. 6 to 10 of the accompanying Notice dated 1st September, 2005.

ITEM NO. 6

Shri Arun Kumar Mathur aged 58 years is a Mechanical Engineer. As per the direction of the Govt. of India, Shri Mathur was appointed as Director (IS & P) of the Company w.e.f. 16.05.2005 till the date of superannuation (31.08.2007) or until further orders, whichever event occurs the earliest, vice Shri H.W. Bhatnagar. Having been so appointed, Shri Mathur 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. K. Mathur 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 Krishnaswamy Ravi Kumar aged 56 years is M. Tech. As per the direction of the Govt. of India, Shri Ravi Kumar was appointed as Director (Power) of the Company w.e.f. 16.05.2005 till the date of superannuation (30.06.2009) or until further orders, whichever event occurs the earlier. Having been so appointed, Shri Ravi Kumar 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 K. Ravi 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

Dr. Surajit Mitra, aged 53 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 Govt. of India, Dr. Mitra was appointed as Director of the Company w.e.f. 28.07.2005 vice Shri D. R. S. Chaudhary. Having been so appointed, Dr. Mitra 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 Dr. Surajit Mitra, 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 C. S. Verma aged 46 years is M. Com., MBA, FCS and AICWAI. As per the direction of the Govt. of India, Shri Verma was appointed as Director (Finance) of the Company for a period of five years with effect from the date of assumption of charge of the post i.e. 01.09.2005 or till the date of his superannuation or until further orders, whichever event occurs the earliest. Having been so appointed, Shri Verma 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 Verma is, in any way concerned or interested in the resolution.

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

ITEM NO. 10

The Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises, Government of India vide their Office Memorandum (OM) No. 18(24)/2003-GM- GL.64 dated 05.08.2005 have enhanced the delegated powers to Boards' of Navratna Public Sector Enterprises (PSEs).

Accordingly, in conformity with the guidelines stipulated in the aforesaid O.M. dated 05.08.2005, your Directors consider it necessary to effect alteration / addition in the Articles of Association of the company.

A copy of the existing Memorandum and Articles of Association of the Company together with the proposed alterations are available for inspection between the hours of 3 PM to 5 PM on all working days upto the date of the Annual General Meeting.

Your Directors, therefore, place before you the proposal and recommend amendments of the Articles of

Association of the Company, as listed out in the proposed resolution, which are self-explanatory.

None of the Directors of your Company is interested or concerned in this Resolution.

By Order
of the Board of Directors
Sd/-
(N. K. SINHA)
COMPANY SECRETARY

New Delhi.

Dated: 1st September, 2005

Registered Office:

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

BHEL AT A GLANCE

(Rs. in million)

	<u>2003-04</u>	<u>2004-05</u>	<u>CHANGE (%)</u>
Turnover	86625	103364	19.32
Value Added	36800	42540	15.60
Employee (Nos.)	43952	43302	-1.48
Profit Before Tax	10148	15816	55.85
Profit After Tax	6582	9534	44.85
Dividend	1469	1958	33.29
Dividend Tax	190	266	40.00
Retained Earnings	4923	7310	48.49
Total Assets	116564	144915	24.32
Net Worth	52781	60269	14.19
Total Borrowings	5400	5370	-0.56
Debt : Equity	0.10	0.09	-10.90
Per Share (in Rupees) :			
- Net worth	215.64	246.24	14.19
- Earnings	26.89	38.95	44.86
- Dividend	6.00	8.00	33.33

(US \$ in million)

Turnover	1976	2371	19.98
Profit Before Tax	232	363	56.71
Profit After Tax	150	219	45.65

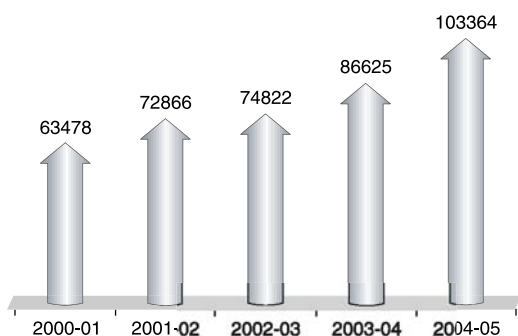
Conversion Rates (Rate as on 31st March):

1 US \$ = Rs. 43.83 for 2003-04

1 US \$ = Rs. 43.59 for 2004-05

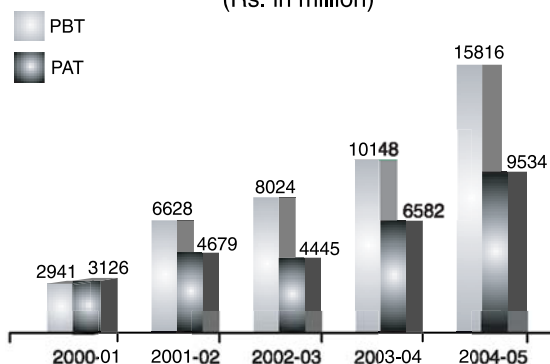
TURNOVER

(Rs. in million)



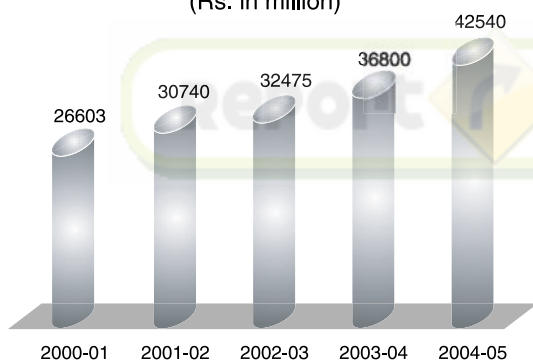
PROFIT

(Rs. in million)



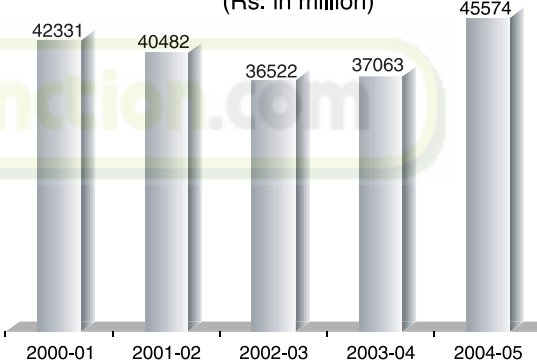
VALUE ADDED

(Rs. in million)



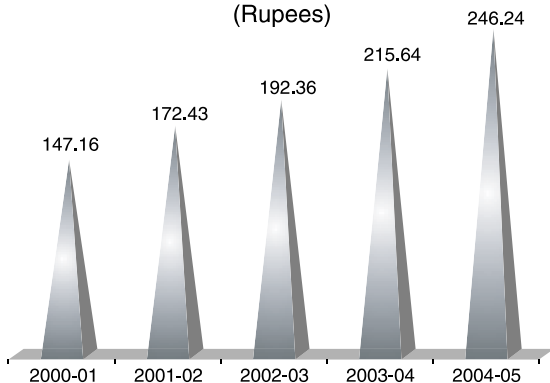
CAPITAL EMPLOYED

(Rs. in million)



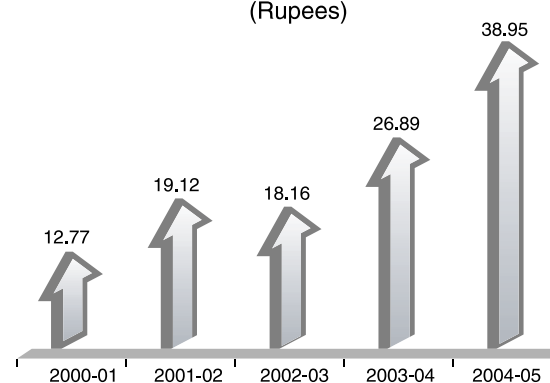
NET WORTH PER SHARE

(Rupees)



EARNINGS PER SHARE

(Rupees)



FIVE YEAR SUMMARY

(Rs.in million)

	2004-05	2003-04	2002-03	2001-02	2000-01
EARNINGS					
Sale of products & services to customers	103364	86625	74822	72866	63478
Other Income	6556	5127	5087	4940	5054
Changes in stock	5398	-306	-453	-373	2507
Total Earnings	115318	91446	79456	77433	71039
Materials	50977	36347	31604	33068	30496
Personnel Payments	16504	16395	15046	14446	21702 *
Other mfg., admn. & selling expenses	29018	25975	22380	20629	13884 **
Outgoings before interest & depr.	96499	78717	69030	68143	66082
Profit before depreciation, interest & tax	18819	12729	10426	9290	4957
Depreciation	2189	1980	1854	1692	1578
Gross Profit	16630	10749	8572	7598	3379
Interest	814	601	548	970	438
Profit before tax	15816	10148	8024	6628	2941
Provision for tax	6282	3566	3579	1949	-185
Profit after tax	9534	6582	4445	4679	3126
Dividend (incl.dividend tax)	2224	1659	1104	979	809
Retained Profit	7310	4923	3341	3700	2317
* 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					
WHAT THE COMPANY OWNED					
Gross Block	36289	34596	33493	31820	30040
Less : accumulated depreciation & lease adj.	25847	23655	21788	20054	18614
Net Block	10442	10941	11705	11766	11426
Capital WIP	953	1086	587	567	612
Investments	90	290	103	103	103
Current Assets, Loans & Advances	133430	104247	83484	80514	75762
Total assets	144915	116564	95879	92950	87903
WHAT THE COMPANY OWED					
Borrowings (incl. Credits for assets taken on lease)	5370	5400	5310	6658	10256
Current liabilities & provisions	84459	63369	47561	47135	41630
Total liabilities	89829	68769	52871	53793	51886
NET WORTH OF THE COMPANY					
Share Capital	2448	2448	2448	2448	2448
Reserves & Surplus	57821	50512	45589	42248	35856
Less : Deferred Revenue Expenditure	0	179	955	2493	2286
Net Worth	60269	52781	47082	42203	36018
CAPITAL EMPLOYED	45574	37063	36522	40482	42331
VALUE ADDED	42540	36800	32475	30740	26603
RATIOS					
PBDIT to total assets (%) #	14.4%	12.0%	11.0%	10.3%	5.8%
Gross profit to capital employed (%) #	40.2%	29.2%	22.3%	18.3%	9.1%
Earnings per share (Rs.)	38.95	26.89	18.16	19.12	12.77
Net worth per share (Rs.)	246.24	215.64	192.36	172.43	147.16
Current Ratio	1.58	1.65	1.76	1.71	1.82
Total Debt / Equity	0.09	0.10	0.11	0.16	0.28

On the basis of average net assets and capital employed