

Annual Report 2006 - 2007

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Building capacity and capability for the future



Brightening lives... Powering progress.



Vision

A World-Class Engineering Enterprise Committed to
Enhancing Stakeholder Value

Mission

To be an Indian Multinational Engineering Enterprise
providing Total Business Solutions through Quality
Products, Systems and Services in the fields of Energy,
Industry, Transportation, Infrastructure and other
potential areas.

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Letter to Shareholders



Dear Shareholders,

It gives me great pleasure to share with you the progress made by your company during 2006-07 which was a year of solid execution and growth in almost all of BHEL's businesses and we have maintained the momentum we established during the last three years.

Let me briefly share with you, the Company's financial achievements in the year just gone by.

Company Performance during 2006-07

BHEL's turnover of Rs. 18739 crore was more than 29% higher than the comparable figure a year earlier. Key aspects of this growth were:

- Net profit of Rs. 2415 crore was an increase of nearly 44% over last year
- Turnover and Orders inflow have doubled in three years, while Profit Before Tax and Net Profit doubled in just two years.
- The Company secured orders worth Rs. 35643 crore and closed the year with outstanding orders in hand at Rs. 55000 crore.
- We continued on International foot print expansion by entering new markets and building up existing ones. Physical exports reached Rs.1071 crore.
- R&D spend was Rs. 238 crore, 66% higher than the previous year.
- Economic Value Addition (EVA) reached Rs.1657 crore from Rs.1079 crore in the year before.
- Commissioned 7863 MW of power plants catering to domestic utilities, captive power plants for industry and overseas customers.

A final dividend of 60%, Rs. 293.71 crore, on the enhanced paid-up share capital consequent to 1:1 bonus issue, equivalent to 120% on the pre-bonus equity share capital for the year 2006-07 is the other highlight. An interim dividend of 125%, Rs. 305.95 crore, on share capital of Rs. 244.76 crore, has already been paid for the year 2006-07. Thus the total dividend payment for the year 2006-07 amounts to Rs. 599.66 crore (exclusive of dividend tax) as against Rs. 354.90 crore paid in the previous fiscal.

Future is both daunting as well as challenging. Your company is preparing to face the future with optimism and I would like to share with you the challenges and the road map developed to maintain our profitable growth in future.

Meeting Challenges

The country is planning to add 78,000 MW in the XI Plan and over 85,000 MW in the XII Plan period. This means average capacity additions of around 15,000 to 17,000 MW per annum during these two plan periods. Higher rating thermal sets with super critical parameters, advanced class Gas Turbines and higher rating Nuclear Power Plants are planned to be introduced during the XI, XII Plan and beyond. All these mean exciting opportunities in the core business for your Company.

Building Capacity and Capability for the future

Expansion of our activities in the market segments that we operate in is the core element that will drive our growth strategy in future. In line with this, the Company has drawn up a 'Strategic Plan 2012' for ensuring a sustainable profitable growth over the next five years with the objective of reaching a turnover level of US \$ 10 billion by 2011-12. The implementation of the Plan is being taken up with full vigour.

With the establishment of 10,000 MW p.a. manufacturing capacity by the end of 2007, BHEL is on its way to enhance this further to 15,000 MW p.a. by Dec 2009. This enhancement of manufacturing capacity is possible only because of the availability of basic infrastructure and qualified and trained technical manpower in BHEL. The enhanced manufacturing capacity, together with state-of-the-art technology to produce higher rating supercritical thermal sets and a skilled workforce will further strengthen the position of the company in the domestic and international markets.

Over the next five year period, in the pursuit of achieving globalization aspirations of your company, we aim to grow the physical exports by six times the current size. Spares & services business is expected to be the next growth plan for the Company where revenues are expected to increase four-fold from present levels. R&D spend will be increased by at least four times the size of 2006-07.

Conclusion

The dedication and commitment of Company's employees at all levels has continued to be our major strength. I would like to thank my fellow directors for their support and valuable input that they have provided over the past year. I deeply appreciate the co-operation extended by all our customers, shareowners, business associates, and various ministries of the Government of India particularly the Department of Heavy Industry. I believe that by maintaining our strength, stability and focus, we will be able to grow our businesses and remain a well managed company.

With best wishes,

New Delhi
July 30, 2007

(Ashok K. Puri)
Chairman & Managing Director

Board of Directors as on 30.07.2007



Shri Ashok K. Puri
Chairman & Managing Director



Shri N. Gokulram
Director



Dr. Surajit Mitra
Director



Shri Sanjay M. Dadlika
Director



Shri Ashok K. Aggarwal
Director



Shri Manish Gupta
Director



Shri Shekhar Datta
Director



Shri Madhukar
Director



Shri S.K. Jain
Director (HR)



Shri A.K. Mathur
Director (IS&P)



Shri K. Ravi Kumar
Director (Power)



Shri C.S. Verma
Director (Finance)



Shri C.P. Singh
Director (E,R&D)



Shri N.K. Sinha
Company Secretary

Management Committee

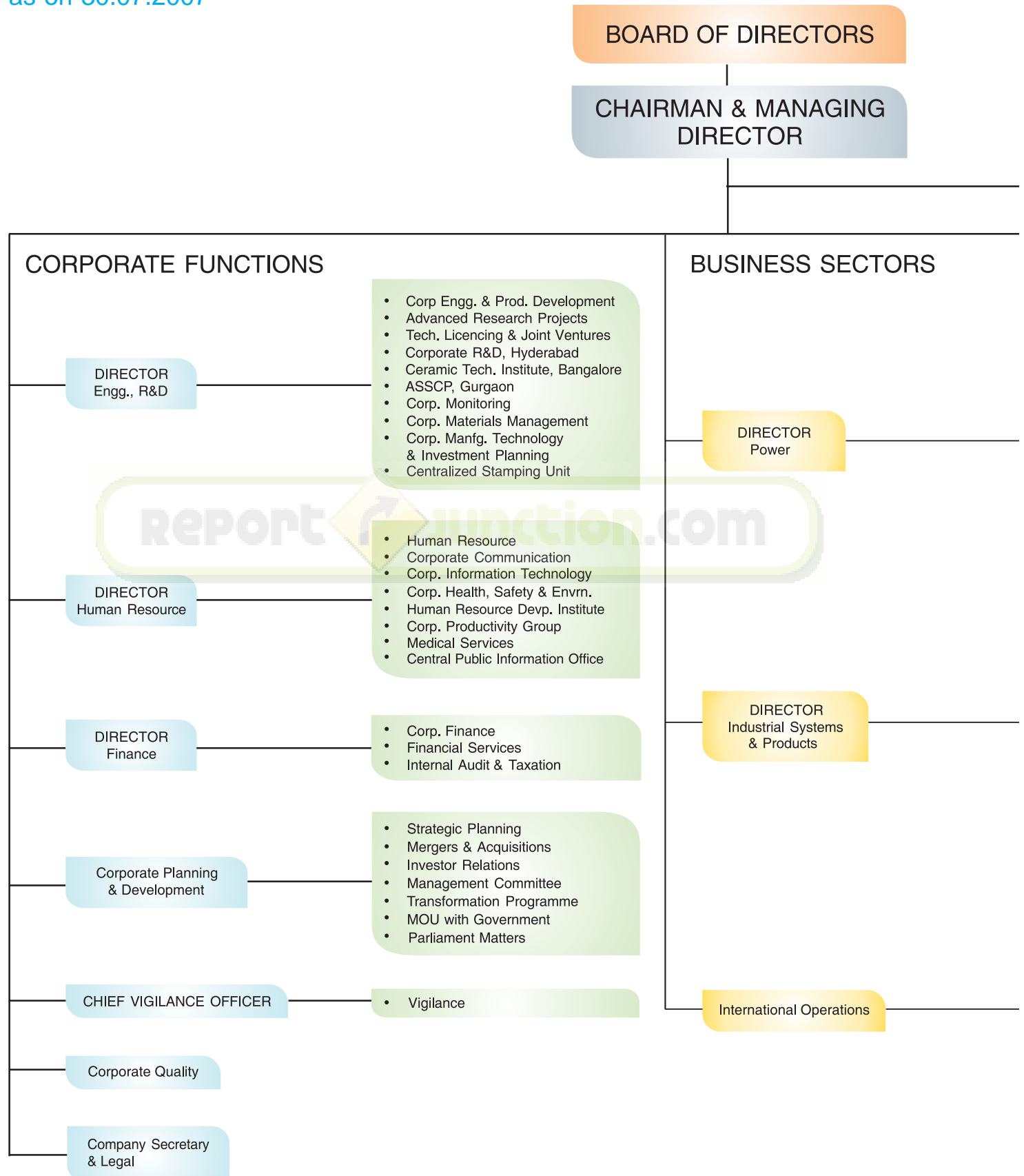
as on 24.07.2007



Ashok K Puri	- Chairman and Managing Director	E. Meenakshi Sundaram	- Power Sector-Southern Region
S.K. Jain	- Human Resources Human Resources Development Institute Corporate Information Technology	S.K. Goyal	- Corporate Research & Development
K. Ravi Kumar	- Power Business Power Sector Regions - North, East, South & West Spares & Services Business	K.V. Muthukrishnan	- Power Sector-Technical Services & Project Management Group
A.K. Mathur	- Industrial Systems & Products Business Transmission Business Transportation Business Ceramics Business Unit Component Fabrication Plant	G.V. Rami Reddy	- Heavy Power Equipment Plant
C.S. Verma	- Finance Internal Audit & Taxation Financial Services	R.N. Misra	- High Pressure Boiler Plant Seamless Steel Tube Plant Industrial Valves Plant Piping Centre Welding Research Institute
C.P. Singh	- Engg. Research & Development Corporate Research & Development Corporate Monitoring, Materials Management Investment Planning, Manufacturing Technology	R. Saraswathan	- Corporate Finance
R.K. Belapurkar	- Corporate Planning & Development	K.K. Mehrotra	- Power Sector-Western Region
R.K. Bhattacharya	- Corporate Engg. & Product Development Advance Research Project Technology Licensing & Joint Ventures	R.S.V. Prasad	- Power Sector-Human Resources
V. Viswanathan	- Electronics Division Electronics Systems Division Industrial System Group	S.N. Daga	- Corporate Manufacturing Technology & Investment Planning Corporate Monitoring
R.K. Singh	- Heavy Electrical Plant Electrical Machines Repair Plant	S.M. Mahajan	- Central Foundry Forge Plant
M.L. Sah	- Power Sector-Eastern Region	S.T.H. Rizvi	- Project Engineering Management
G. Arunagiri	- Boiler Auxiliaries Plant	R.K. Srivastava	- Regional Operations, Ceramic Business Unit, Component Fabrication Plant & Central Marketing Group
M.R. Ganesan	- Power Sector - Marketing Spares & Services Business	Anil Sachdev	- Corporate Human Resource Corporate Communication Corporate Productivity Health, Safety & Environment
V.K. Jain	- Transformer Plant	O.P. Bhutani	- International Operations
Pankaj Sharma	- Power Sector-Northern Region	B.P. Rao	- Industry Sector Business including Captive Power Plant Business Transportation Business Project Management
		D.K. Mody	- Heavy Electrical Equipment Plant Pollution Control Research Institute
		W.V.K. Krishna Shankar	- Secretary, Management Committee

Corporate Functional Structure

as on 30.07.2007



MANAGEMENT COMMITTEE

- Power Sector - Marketing
- Power Sector - Regions (NR, ER, WR, SR)
- Project Engineering Management
- Project Management
- Technical Services
- Spares & Services Business Group
- Heavy Equipment Repair Plant, Varanasi
- Human Resources

- Captive Power Plant Business
- Industrial Products Business (Elect. & Mech.)
- Transmission Business
- Transportation Business
- Defence Business
- Central Marketing Group for NCES
- Ceramic Business Unit, Bangalore
 - Electro Porcelains Division, Bangalore*
 - Insulator Plant, Jagdishpur*
- Component Fabrication Plant, Rudrapur*
- Regional Operations Division
- Project Management & Customer Response

- Marketing
- Projects

OPERATIONS

- Heavy Electrical Plant, Bhopal
- Centre for Electric Transportation, Bhopal
- EMRP, Mumbai

- Transformer Plant, Jhansi

- Heavy Electrical Equipment Plant, Haridwar
- Pollution Control Research Institute, Haridwar

- Central Foundry Forge Plant, Haridwar

- Heavy Power Equipment Plant, Hyderabad

- High Pressure Boiler Plant, Trichy
- Seamless Steel Tube Plant, Trichy
- Welding Research Institute, Trichy

- Industrial Valves Plant, Goindwal

- Piping Centre, Chennai

- Boiler Auxiliaries Plant, Ranipet

- Electronics Division, Bangalore
- Electronics Systems Division, Bangalore
- Industrial Systems Group, Bangalore

* Operating Units

Corporate profile

Bharat Heavy Electricals Ltd. (BHEL) is the largest engineering and manufacturing enterprise of its kind in India and is one of the leading international companies in the field of power equipment manufacture. The first plant of BHEL, set up at Bhopal in 1956, signalled the dawn of the Heavy Electrical Industry in India. In the sixties, three more major plants were set up at Haridwar, Hyderabad and Tiruchirapalli that form the core of the diversified product range, systems and services that BHEL offers today. BHEL's range of services extends from project feasibility studies to after-sales-service, successfully meeting diverse needs through turnkey capability. The company has 14 manufacturing units, 4 power sector regions, 8 service centers and 15 regional offices, besides project sites spread all over India and abroad. BHEL has a well recognised track record of performance, making profits continuously since 1971-72 and paying dividends since 1976-77.

BHEL manufactures over 180 products under 30 major product groups and caters to core sectors of the Indian economy viz., Power Generation and Transmission, Industry, Transportation, Renewable Energy etc. The quality and reliability of its products is due to the emphasis on design, engineering and manufacturing to international standards by acquiring and adapting some of the best technologies from leading companies in the world, together with technologies developed in its own R&D centers. The Company has been constantly adapting itself to face the challenges thrown-up by the business environment.

BHEL has already attained ISO 9000 certification for quality management and all the manufacturing units /divisions have been upgraded to the latest ISO 9001-2000 version. BHEL has also secured ISO 14001 certification for environmental management systems & OHSAS -18001 certification for occupational health and safety management systems for all its units/divisions. BHEL is continuing its journey towards Business Excellence.

BHEL has committed to support the Global Compact & the set of core values enshrined in its ten principles in the areas of human rights, labour standards and environment.

BHEL's VISION

BHEL's vision is to become "a world-class engineering enterprise committed to enhancing stakeholder value".

BUSINESS SECTORS

BHEL's operations are organised around three business sectors, namely Power, Industry including Transmission, Transportation & Renewable Energy, and International Operations. This enables BHEL to have a strong customer orientation and respond quickly to the changes in the market.

POWER SECTOR

Power is the focal area for BHEL and comprises thermal, nuclear, gas, diesel and hydro businesses. BHEL has taken India from a position of total dependence on overseas sources to complete self-reliance in power plant equipment. Today, BHEL sets account for nearly 65% of the total installed power generating capacity in the country. Significantly these sets contribute 73% of the total power generated in the country.

BHEL has contracted for boilers and auxiliaries, turbo generator sets and associated controls, piping and station



1,000 MW Simhadri STPS set up by BHEL on turnkey basis in 45 months

Control & Instrumentation of up to 500 MW unit rating and has the technology and capability to produce thermal sets of higher unit ratings including 1000 MW.

BHEL has access to technology for higher size gas turbines and can supply gas turbines of up to 279 MW unit size. It engineers and constructs custom built combined cycle power plants. Hydro sets of Francis, Pelton, Kaplan and bulb types for different head - discharge combinations, with matching generators, are also designed and manufactured by BHEL.

To give a thrust to refurbishing and modernisation for plant performance improvement of old fossil fuel power plants and provide repair and service for GE design gas turbines, two joint venture companies have been floated with Siemens and GE respectively, which have completed nine full financial years of commercial operation.

With a focus to provide a single window facility to the customers for services & spares of power generation equipments, a 'Spares & Services Business Group' has been created.