




Annual Report

2007-2008

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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.

Values

Zeal to Excel and Zest for Change
Integrity and Fairness in all Matters
Respect for Dignity and Potential of Individuals
Strict Adherence to Commitments
Ensure Speed of Response
Faster Learning, Creativity and Team-work
Loyalty and Pride in the Company



Powering progress Brightening lives
Touching Every Indian Home



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Letter to Shareholders



Dear Shareholders,

2007-08 was an eventful and successful year for BHEL. I took over the stewardship of this company in March 2008 when Shri Ashok K. Puri demitted office on his superannuation. Despite the challenges confronting us, we are growing profitably in all our business segments. Let me begin by giving you a brief overview of the financial performance of the company and then share some thoughts from a strategic perspective.

Company performance during 2007-08

BHEL notched up its highest-ever turnover of Rs. 21,401 Crore, registering a growth of 14 % over the previous year. Profit Before Tax (PBT) surged 18.6 % at Rs. 4,430 Crore, during the year, moving past the Rs. 4,000 Crore mark for the first time. Net Profit (PAT) rose 18.4 % at Rs. 2,859 Crore against Rs. 2,415 Crore in the previous year. Other key indicators also testify our success:

- BHEL secured highest orders inflow of Rs. 50,270 Crore during the year, from domestic and overseas markets. At the end of the year, outstanding orders in hand for execution in 2008-09 and beyond, stood at about Rs. 85,200 Crore – the highest ever both in physical and financial terms.
- Manufacturing Capacity of 10,000 MW per annum in place and further augmentation to 15,000 MW per annum underway for completion by December, 2009. Also plans are underway to hike the capacity to 20,000 MW by 2011-12.
- Significant landmark achieved with cumulative projects installed worldwide crossing 1,00,000 MW; 7150 MW of power projects commissioned during the year.
- BHEL's R&D spend at Rs. 464 Crore amounting to 2% of the turnover - a 83% growth over last fiscal.
- Earnings Per Share (EPS) is placed at Rs. 58.41 on the post-bonus equity capital – an increase of 18.4 % over that of 2006-07.
- Economic Value Added (EVA) witnessed a jump 9 % at Rs. 1,810 Crore over that of Rs.1,657 Crore in 2006-07 - commendable performance for an engineering company.

- A final dividend of 62.5% has been proposed by the Board, apart from interim dividend of 90% already paid, making a total of 152.5% for the year 2007-08.

India - an attractive market

We believe that the power equipment market in India will remain attractive going forward. The ordering pattern and technology drivers were evident in 2007-08 with most of the XI Plan schemes getting ordered. Such business opportunities also result in emergence of competition through entry of new players in the market. BHEL is taking necessary steps to face competition in future. Your company introduced new rating thermal sets of 270 MW, 525 MW & 600 MW in subcritical range. Having tie-up technology for supercritical thermal sets, it broke new ground with the first order for Supercritical Boilers (2x660 MW) from NTPC for Barh Stage-II. In addition it also received orders for four advanced-class gas turbines (Fr.9FA). We believe that future success will be dependent on the partnerships that we build and on our ability to execute projects in time.

On the partnership front, we continued to build strategic relationships that extend our presence and opportunity in the marketplace. During 2007-08, BHEL entered into an MoU with TNEB with the intent of forming a JV to set up 2x800 MW Supercritical Thermal Power Project in Tamil Nadu. An MoU was signed with MMTC for enhancing export of power plant equipment and projects leveraging counter trade & bulk buying. An MoU was also signed with NTPC to form a JV for jointly executing EPC projects and power equipment manufacturing.

To make business more resilient to a variety of risks that might emerge, BHEL is also giving strong thrust to non-power plant business areas. Some of them are entry into Coach Building for Indian Railways, bulk ordering for Electric Locomotives, refurbishment and up-gradation of Onshore Drilling Rigs, development of Disc Insulators for 800 kV HVDC applications etc.

We will continue to focus on project execution, attracting new customers, and forging new partnerships. We are well on our way of attaining a sustainable profitable growth with the objective of reaching a turnover level of Rs. 45,000 crore by 2011-12 as per the Strategic Plan of the company.

In conclusion

The Board of Directors and the management have full confidence in the future of the company. All the efforts made in recent years seem to be bearing fruit, and we are putting in place the foundations for our future successes. All this would not have been possible but for our dynamic and motivated employees.

I would like to thank our esteemed customers, shareholders, business associates and various ministries of the Government of India particularly Department of Heavy Industry for their trust, their understanding and their encouragement.

Operating in a challenging environment, we have performed well. Our strategy is sound, and we're well positioned for an exciting future.

With best wishes,

New Delhi
July 21, 2008



(K Ravi Kumar)
Chairman & Managing Director



Board of Directors as on 21.07.2008



Shri K. Ravi Kumar
Chairman & Managing Director



Shri B.S. Meena
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. Ravi
Director



Shri C.S. Verma
Director (Finance)



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



Shri Anil Sachdev
Director (HR)



Shri B.P. Rao
Director (IS & P)



Shri N.K. Sinha
Company Secretary

Management Committee as on 14.07.2008



S/Shri

Sitting I row (left to right) : R.N. Misra, G.V. Rami Reddy, B.P. Rao, C.P. Singh, K. Ravi Kumar, C.S. Verma, Anil Sachdev, R.K. Singh

Sitting II row (left to right) : S.M. Mahajan, M.L. Sah, R.S.V. Prasad, S.N. Daga, S.T.H. Rizvi, O.P. Bhutani, D.K. Mody, V.Viswanathan

Standing III row (left to right) : R.K. Srivastava, Dr. A.L. Chandraker, G. Ganapathiraman, R.K. Pandey, A.V. Krishnan, K.K. Mehrotra, P.R. Shriram, Atul Saraya, WVK Krishna Shankar



K. Ravi Kumar	- Chairman & Managing Director Power Business Power Sector Regions- North, East, South & West Spares & Services Business	R.S.V. Prasad	- Corporate Human Resource Corporate Communication Corporate Productivity Health, Safety & Environment
C.S. Verma	- Corporate Finance Budgeting, Accounts & Audit Banking, Insurance & Treasury Management Direct & Indirect Taxation Cost Management Financial Planning, Policies & Forex Management Internal Audit	S.N. Daga	- Corporate Manufacturing Technology & Investment Planning Corporate Monitoring Materials Management
C.P. Singh	- Engg. Research & Development Corporate Research & Development Corporate Monitoring Materials Management Investment Planning Manufacturing Technology Centralised Stamping Unit Fabrication Plant	S.T.H. Rizvi	- Corporate Engg. & Product Development Advance Research Projects Technology Licensing & Joint Ventures Mergers & Acquisitions Centralised Stamping Unit Fabrication Plant
Anil Sachdev	- Human Resources Human Resources Development Institute Corporate Information Technology	K.K. Mehrotra	- Power Sector- Western Region
B.P. Rao	- Industrial Systems & Products Business including Captive Power Plant Business Transmission Business Transportation Business Ceramics Business Unit Component Fabrication Plant Transformation Programme	S.M. Mahajan	- Central Foundry Forge Plant
		R.K. Srivastava	- Regional Operations Component Fabrication Plant Central Marketing Group
		O.P. Bhutani	- International Operations
		D.K. Mody	- Heavy Electrical Equipment Plant Pollution Control Research Institute
		R.K. Pandey	- Transformer Plant
Permanent Invitees			
M.L. Sah	- Power Sector- Northern Region	Dr. A.L. Chandraker	- Corporate Research & Development
R.K. Singh	- Heavy Electrical Plant Electrical Machines Repair Plant	G. Ganapathiraman	- Project Engineering Management
V. Viswanathan	- Electronics Division Electronics Systems Division Industrial System Group	A.V. Krishnan	- Boiler Auxiliaries Plant
G.V. Rami Reddy	- Heavy Power Equipment Plant	Atul Saraya	- Power Sector - Eastern Region
R.N. Misra	- High Pressure Boiler Plant Seamless Steel Tube Plant Industrial Valves Plant Piping Centre Welding Research Institute	P.R. Shriram	- Power Sector - Southern Region
		W.V.K. Krishna Shankar	- Secretary, Management Committee

Corporate Functional Structure as on 10.06.2008

BOARD OF DIRECTORS

**CHAIRMAN & MANAGING
DIRECTOR**

CORPORATE FUNCTIONS

**Director
Finance**

- Corp. Finance
- Budgeting & Budgetary Control
- Cost Management
- Banking & Insurance
- Treasury Management
- Project Finance
- Accounts & Audit
- Direct Taxation
- Indirect Taxation
- Forex Management
- Financial Planning & Policies
- Internal Audit

**Director
Engineering, R&D**

- Corp. Engg. & Prod. Development
- Advanced Research Projects
- Tech. Licensing & Joint Ventures
- Corporate R&D, Hyderabad
- Ceramic Tech. Institute, Bangalore
- ASSCP, Gurgaon
- Corp. Monitoring
- Corp. Materials Management
- Corp. Manufacturing Technology & Investment Planning
- Centralized Stamping Unit
- Fabrication Plant
- Mergers & Acquisitions

**Director
Human Resource**

- Human Resource
- Corporate Communications
- Corp. Information Technology
- Corp. Health, Safety & Environment
- Human Resource Development Institute
- Corp. Productivity Group
- Medical Services
- Central Public Information Office
- Security

Chief Vigilance Officer

- Vigilance

Corporate Planning & Development

- Strategic Planning
- Investor Relations
- Management Committee Secretariat
- MOU with Government
- Parliament matters

Corporate Quality

- New Quality Initiatives
- Total Quality Management
- Quality certification

**Company Secretary &
Legal Matters**

- Company Law & Legal matters
- Secretarial support
- Annual General meeting

BUSINESS SECTORS

**Director
Power**

**Director
Industrial System
& Products**

International Operations



MANAGEMENT COMMITTEE

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

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

- Overseas Business

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

- Industrial Valves Plant, Goindwal

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

- Piping Center, Chennai

- Boiler Auxilliary Plant, Ranipet

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

* Operating Units

\$ Matrix reporting to Director (IS&P) for Industry Sector Business

Corporate profile

BHEL is the largest engineering and manufacturing enterprise in India in the energy related/infrastructure sector. BHEL was established more than 40 years ago, ushering in the indigenous Heavy Electrical Equipment industry in India, a dream which has been more than realized with a well-recognized track record of performance. It has been earning profits continuously since 1971-72.

BHEL caters to core sectors of the Indian Economy viz., Power Generation and Transmission, Industry, Transportation, Renewable Energy, Defence, etc. The wide network of BHEL's 14 manufacturing divisions, 4 power sector regional centres, 8 service centres, 15 regional offices and a large number of Project Sites spread all over India and abroad enables the Company to promptly serve its customers and provide them with suitable products, systems and services-efficiently and at competitive prices.

BHEL has attained ISO 9001 certification for quality management and all the manufacturing units/divisions of BHEL have been upgraded to the latest ISO-9001: 2000 version. All the major units/divisions of BHEL have been awarded ISO-14001 certification for Environmental Management Systems and OHSAS-18001 certification for Occupational Health and Safety Management Systems. BHEL was the first Public Sector Company in the country to win the coveted 'PRIZE' for its Haridwar unit under the CII Exim Award for business excellence, as per the globally recognized model of European Foundation for Quality Management. The company received EEPC's Top Export Award for Project Exports for the seventeenth year in succession. It has also won the SCOPE Meritorious Award for R&D and Innovation 2005-06 for commendable contribution in the area of R&D and Innovation.

The company achieved the perfect MoU score of 1.00 for the year 2006-07 and has also been selected for the MoU award for highest growth rate in market capitalisation among listed PSEs during 2006-07. 12 out of the 13 power stations awarded with the Ministry of Power's Meritorious Productivity Awards for 2006-07 are equipped with BHEL sets, reaffirming the quality and reliability of BHEL's equipment.

POWER GENERATION

Power Generation Sector comprises Thermal, Gas, Hydro and Nuclear power plant business. As of 31.3.2008, BHEL-supplied sets account for 85,786 MW or around 64% of the total installed capacity of 1,34,697 MW in the country. Significantly, these sets generated an all-time high 454.59 Billion Units of electricity contributing 73% of the total power generated in the country. The cumulative capacity of projects installed worldwide have crossed 1,00,000 MW.

BHEL has proven turnkey capabilities for executing power projects from Concept to Commissioning. The company has introduced new rating thermal sets of 270 MW, 525 MW & 600 MW in subcritical range and possesses the technology & capability to produce large capacity thermal sets with super critical parameters and gas turbine-generator sets. Co-generation and Combined cycle plants have been introduced to achieve higher plant efficiencies. To make efficient use of the high ash content coal available in India, BHEL also supplies Circulating Fluidized Bed Combustion (CFBC) boilers for thermal plants.

The Company manufactures 220/235/500/540 MWe, nuclear turbine-generator sets. Custom-made hydro sets of Francis, Pelton and Kaplan types for different head-discharge combinations are also engineered and manufactured by BHEL.

The Company has proven expertise in Plant Performance Improvement through Renovation, Modernization and Upgrading of a variety of power plant



Dadri Thermal Power Station equipped with BHEL sets - Unit 1 & 2 achieved PLF of above 100 per cent during the year