



ANNUAL REPORT 2009-2010

*Powering progress... Brightening lives
Touching Every Indian Home*



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
Foster Learning, Creativity and Teamwork
Loyalty and Pride in the Company

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Letter to Shareholders



Dear Shareholders,

I am pleased to report that in 2009-10, BHEL recorded another successful year with excellent results. Your Company managed to capitalize on the continuing demand from power and other infrastructure sectors and, thanks to strong competitive positioning and better execution, was once more able to achieve record turnover and profits. The improvement in global macroeconomic conditions was reflected in the turnaround of Indian economy driven largely by robust domestic demand.

I would like to briefly take you through the results for the FY 2009-10.

Performance during 2009-10

BHEL has increased its turnover by three times and net profit by four times in the last five years. The top line in 2009-10 grew by 22% with turnover reaching ₹34,154 Crore. Profit Before Tax was ₹6,591 Crore, a 36% yoy growth and Net Profit rose to ₹4,311 Crore, a 37% yoy growth. There have been a number of significant achievements and these include:

- In the utility segment, the company secured highest ever orders from Private Sector in 2009-10. Out of the total orders of 16,489 MW for power plant equipment received by BHEL during the year, the orders received from Private Power Utilities alone accounted for 14,689 MW constituting nearly 89% of the total orders booked in Power Sector.
- As a result of increased customer focus and sustained efforts for entry into new business areas, Industry Sector order booking recorded an all-time high growth of 40% over the previous year. Out of the total order booking of ₹59,037 Crore by BHEL in 2009-10, its Industry business segment contributed an order inflow of ₹14,366 Crore.
- First supercritical order from the private sector for 3x660 MW Bara, Prayagraj Power Generation Company Ltd. of the Jaypee Group was received.
- Company registered a 27% growth in its Intellectual Capital in the year with filing of 263 patents & copy rights, marking filing of one patent/copyright every working day.
- BHEL invested ₹829 Crore on R&D - 20% higher than the previous year. With the spend amounting to 2.43% of the turnover, BHEL is the highest spender on R&D in India in its kind of industry.
- Economic Value Addition (EVA) reached ₹2670 Crore, a 33% increase over that of ₹2008 Crore in the year before.
- Earning per share (EPS) increased to ₹88.06 against previous year's ₹64.11.
- A final dividend of 123% has been recommended by Board, in addition to the interim dividend of 110% for the year, making a total of 233% for the year.
- The company successfully concluded a ten year wage agreement with its employees.

Now, I would like to focus on how we plan to strengthen BHEL and execute our strategy to extend our market leadership.

Agenda for Growth & Leadership

Your company is witnessing a time of immense opportunities but also of great challenges. With GDP growing at an average of 8.5% during 2003-09 and energy demand at more than 7%, the Indian power sector is still plagued with peak deficit and T&D losses of around 16% and 27% respectively. It is essential to reduce this huge power demand-supply gap to enable our economy to maintain its high growth trajectory of more than 8%.

In this context, we have responded to the opportunities and challenges by continuing to execute various strategy initiatives while creating superior shareholder value.

The company has established capability to deliver 15,000 MW of power equipment p.a. as of end March'10 and further expansion to 20,000 MW p.a. by March 2012 is well under way. During XI plan period a capital investment of ₹5,500 Crore is being envisaged towards capacity augmentation of existing products along with introduction of higher rating nuclear sets, 765 kV transformers and other associated T&D equipments for 1200 kV.

Your company is taking all necessary strategic initiatives to quickly capture emerging growth opportunities in nuclear power, transmission, transportation and renewable energy as these are expected to be the growth engines in the future. BHEL would continue to pursue strategic alliances by way of Joint Ventures to leverage equipment sales in supercritical arena, and for sourcing of technology, critical inputs and equipments.

To expand international footprint, BHEL would be consolidating its presence in existing international markets and also tapping opportunities in new markets. Focus would be on EPC opportunities, augmentation of EPC capabilities & gearing-up the organization accordingly.

Further to improve operational efficiencies, your company is actively pursuing implementation of SAP/ERP and other capability-building initiatives like Design to Cost (DTC), Lean Manufacturing and Purchase & Supply Management (PSM).

Your company plans to further increase investment in R&D efforts and strengthen engineering & technology character of the organization.

Commensurate with our capacity building programme, we have also added around 12,000 employees during the period 2007-10.

BHEL has been contributing to the environmental cause by developing and promoting renewable energy based products on a sustained basis. Your company is enhancing its focus on low Carbon Path Technologies such as Supercritical, IGCC, Solar Power etc. and is an active participant in the national efforts on Ultra Supercritical Power Plants.

BHEL is committed to its responsibility towards socio-economic and community development programmes in various villages located near its areas of operations as part of its CSR policy.

Conclusion

I am grateful to my fellow Directors on the Board and the members of the Management Committee for their support. I would also like to extend a special thanks to each and every shareholder of BHEL, whose trust and confidence have been the motivating force in all our endeavours. I thank all our customers and business associates in India and abroad for their unstinted loyalty and steadfast patronage of our products and services. Various ministries of Government of India particularly the Department of Heavy Industry have been providing valuable guidance and support in all our efforts. Finally, a word of thanks to more than 46,000 employees of BHEL who are making these successes happen. I am extremely proud of their high level of commitment to the company & their outstanding performance over this period and have full confidence in their ability to deliver even greater success going forward.

With all the ingredients of success; dedicated people, engineering and technological excellence and right business strategies in place, your company is well poised to meet the demands of a growing industry and deliver consistent results for which your company is known for.

I look forward to your unwavering support while continuing the company's growth momentum in coming years too.

With best wishes,

New Delhi
August 12, 2010

(B. Prasada Rao)
Chairman & Managing Director

Board of Directors as on 31.07.2010



Shri B. Prasada Rao
Chairman & Managing Director



Shri Saurabh Chandra
Director



Shri Rajiv Bansal
Director



Shri S. Ravi
Director



Shri Ashok Kumar Basu
Director



Shri M.A. Pathan
Director



Smt. Reva Nayyar
Director



Shri V.K. Jairath
Director



Shri Anil Sachdev
Director



Shri Atul Saraya
Director



Shri O.P. Bhutani
Director



Shri I.P. Singh
Company Secretary

Management Committee

as on 28.07.2010



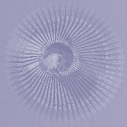
S/Shri

Standing (left to right) : R.K. Srivastava, N. Khandelwal, T.N. Veeraraghavan, B. Shankar, P.K. Bajpai, Jainender Kumar, Subodh Gupta, Jitender Kumar, P.K. Agarwal, R. Krishnan, P.K. Uppal, W.V.K. Krishna Shankar, S. Gopalakrishnan

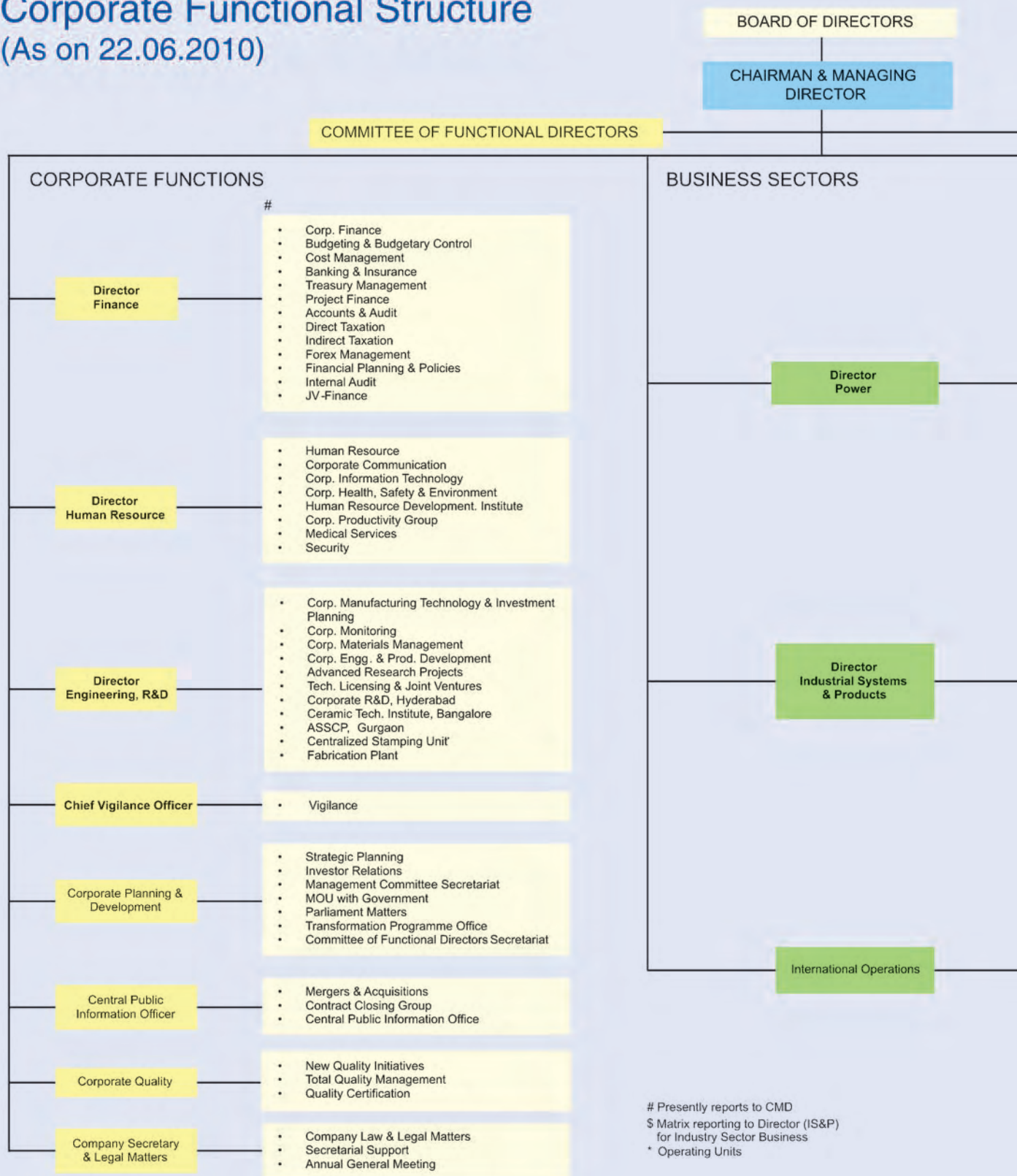
Sitting R-2 (left to right) : M. Rajiv Kumar, R.K. Wanchoo, U.K. Das, D. Ashok, Dr. H.S. Jain, Ranjan Sahi, G.S. Bindra, A. Chandrababu, Prabhat Kumar, A.V. Krishnan, M.K. Dube

Sitting R-1 (left to right) : A. Aurangabadkar, D.K. Mody, O.P. Bhutani, Atul Saraya, B. Prasada Rao, Anil Sachdev, P.R. Shriram, G. Ganapathiraman, V. Pandhi

B. Prasada Rao	<ul style="list-style-type: none"> - Chairman & Managing Director - Mergers & Acquisitions - Corporate Finance - Taxation - Financial Services - Internal Audit - Industrial Systems & Products Business Including <ul style="list-style-type: none"> - Captive Power Plant Business - Transmission Business - Transportation Business - Defence Business - Renewable Energy - Regional Operations 	V. Pandhi	<ul style="list-style-type: none"> - Transportation Business - Industrial Products- Mechanical - Industrial Products- Electrical
Anil Sachdev	<ul style="list-style-type: none"> - Human Resource - Corporate Communication - Corporate Information Technology - Corporate Health, Safety & Environment - Human Resource Development Institute - Corporate Productivity 	M.K. Dube	<ul style="list-style-type: none"> - Heavy Electrical plant - Electrical Machines Repair Plant
Atul Saraya	<ul style="list-style-type: none"> - Power Business - Power Sector Regions - North, East, South & West - Spares & Services Business - Project/System Engineering Management - Project Management 	A.V. Krishnan	<ul style="list-style-type: none"> - High Pressure Boiler Plant - Seamless Steel Tube Plant - Industrial Valves Plant - Piping Centre - Welding Research Institute
O.P. Bhutani	<ul style="list-style-type: none"> - Corporate Engg. & Product Development - Corporate Research & Development - Corporate Manuf. Technology & Invest. Planning - Corporate Monitoring - Corporate Materials Management - Technology Licensing & Joint Ventures - Centralised Stamping Unit - Fabrication Plant - Advance Research Projects 	Prabhat Kumar	- Transformer Plant
R.K. Srivastava	<ul style="list-style-type: none"> - Regional Operations - Component Fabrication Plant - Central Marketing Group 	A. Chandrababu	- Boiler Auxiliaries Plant
D.K. Mody	<ul style="list-style-type: none"> - Heavy Electrical Equipment Plant - Pollution Control Research Institute 	G.S. Bindra	- Project Engineering Management
P.R. Shriram	- Power Sector - Southern Region	Ranjan Sahi	<ul style="list-style-type: none"> - Corporate Manufacturing Technology & Investment Planning - Corporate Monitoring - Corporate Materials Management
A. Aurangabadkar	- Power Sector - Western Region	Dr. H.S. Jain	- Corporate Research & Development
G. Ganapathiraman	<ul style="list-style-type: none"> - Electronics Division - Electronics Systems Division - Industrial Systems Group 	S. Gopalakrishnan	- Power Sector Marketing - Thermal & Gas
		U.K. Das	- Spares and Services Business
		R.K. Wanchoo	- Project Engineering & Systems
		M. Rajiv Kumar	- Power Sector - Eastern Region
		P.K. Uppal	- International Operations
		R. Krishnan	- Heavy Power Equipment Plant
		P.K. Agarwal	- Power Sector Marketing - Nuclear & Hydro
		Jitender Kumar	- Power Sector - Northern Region
		D. Ashok	- Ceramic Business
		Subodh Gupta	<ul style="list-style-type: none"> - Captive Power Plant Business - Industry Sector - Project Management - Defence Business
		Jainender Kumar	- Power Sector - Project Management
		P.K. Bajpai	- Financial Services - Corporate Office
		B. Shankar	- Human Resource & Corporate Communication
		T.N. Veeraraghavan	- Transmission Business
		W.V.K. Krishna Shankar	<ul style="list-style-type: none"> - Corporate Planning & Development - Member Secretary, Management Committee
		Permanent Invitee	
		N. Khandelwal	- Central Foundry Forge Plant



Corporate Functional Structure (As on 22.06.2010)



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
- Management Services & Human Resources

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- Captive Power Plant Business
- Industrial Products Business (Elect & Mech.)
- Transmission & Distribution Business
- Transportation Business
- Defense 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
- Project Engineering & Systems Division

- 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, Tiruchirappalli
- Seamless Steel Tube Plant, Tiruchirappalli
- Welding Research Institute, Tiruchirappalli

- Piping Center, Chennai

- Boiler Auxiliaries Plant, Ranipet

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

Corporate Profile

BHEL is the largest engineering and manufacturing enterprise in India in the energy related/infrastructure sector today. Since its inception more than four decades ago, BHEL has been at the helm of indigenous Heavy Electrical Equipment industry in India with a sustained track record of earning profit since 1971-72. BHEL has grown in stature over the years with continued inflow of orders, manufacturing prowess, continued thrust on technology leading to a strong presence in domestic and international markets as a major supplier of power plant equipment besides establishing substantial inroads in select segment of products in Industrial sector and Railways. The company has realised the capability to deliver 15,000 MW p.a and the capacity expansion programme is underway to reach 20,000 MW p.a by 2012. Currently, 74% of the total power generated in the country is through BHEL sets.

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 15 manufacturing divisions, 2 repair units, 4 power sector regions, 8 service centres, 15 regional offices, 1 subsidiary 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. The company has entered into a number of strategic joint ventures in supercritical coal fired power plants to leverage equipment sales besides living up to the commitment for green energy initiatives.

The Quality Systems as per ISO-9000 have taken deep roots in BHEL. The company has made significant achievements in Total Quality Management (TQM) by adopting the CII/EFQM model for Business Excellence. With six CII-EXIM Commendations secured during 2009-10, BHEL stands highest among public and private sector companies in the country. In recognition to BHEL's excellent performance on sustainability development, the CII-ITC Sustainability Award 2009 was conferred on BHEL's Hyderabad unit. In recognition of BHEL's contribution to the greening of the Lakshadweep Islands, BHEL was awarded the 'India Power-Jury Award 2009'. For the fourth consecutive year, BHEL's performance was recognised by the prestigious publication 'Forbes Asia', which featured

BHEL in its fourth annual 'Fabulous 50' list of the 'Best of Asia-Pacific's Publicly-Traded Companies' with revenues or market capitalisation of at least US\$ 5 billion, having highest long-term profitability and sales & earnings growth. BHEL is one of the only four Indian companies, ranked at 590, in 'The Global Innovation 1000' of Booz & Co., a list of 1,000 Publicly-Traded Companies which are the biggest spenders on R&D in the world. Significantly, BHEL won EEPIC's Top Export Award for the nineteenth year in succession. BHEL and its 6 units were awarded 'ICWAI Awards for Excellence in Cost Management' for 2009 – the maximum among both public and private sector companies. BHEL is the only Indian PSU to be recognised as Star PSU Company of the year by leading business daily 'Business Standard'.

POWER GENERATION

In Power generation segment, BHEL is the largest manufacturer in India supplying a wide range of products & systems for thermal, nuclear, gas and hydro-based utility and captive power plants and providing services from Concept to Commissioning to meet customer requirements.

BHEL-supplied utility power generating sets have gone up to 91731 MW maintaining the record of nearly two-third of the overall installed capacity and around three-fourth of the power generated in India. BHEL supplies steam turbines, generators, boilers and matching auxiliaries up to 800 MW ratings including sets of 660/800 MW based on supercritical technology. BHEL has facilities to go up to 1000 MW unit size. BHEL-make steam turbines are designed to achieve higher efficiencies. To make efficient use of high ash content coal available in India, BHEL also supplies Circulating



500 MW TG set under erection at 3x500 MW Indira Gandhi STPP at Jhajar