



Growth & Innovation

The cornerstone
of a dynamic enterprise

ANNUAL REPORT
2011-12



VISION

A global engineering enterprise providing solutions for a better tomorrow



MISSION

Providing sustainable business solutions in the fields of Energy, Industry & Infrastructure

VALUES

GOVERNANCE: We are stewards of our shareholders' investments and we take that responsibility very seriously. We are accountable and responsible for delivering superior results that make a difference in the lives of the people we touch.

RESPECT : We value the unique contribution of each individual. We believe in respect for human dignity and we respect the need to preserve the environment around us.

EXCELLENCE : We are committed to deliver and demonstrate excellence in whatever we do.

LOYALTY : We are loyal to our customers, to our company and to each other.

INTEGRITY : We work with highest ethical standards and demonstrate a behaviour that is honest, decent and fair. We are dedicated to the highest levels of personal and institutional integrity.

COMMITMENT: We set high performance standards for ourselves as individuals and our teams. We honour our commitments in a timely manner.

INNOVATION : We constantly support development of newer technologies, products, improved processes, better services and management practices.

TEAM WORK : We work together as a team to provide best solutions & services to our customers. Through quality relationships with all stakeholders we deliver value to our customers.

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Letter to Shareholders



Dear Shareholders,

2011-12 proved to be another year of success for your company BHEL. We exceeded the ambitious goals that we had set ourselves for 2012 in Strategy Plan 2007-12. Our turnover increased to ₹ 49,510 crore, while our net profit also rose to ₹ 7,040 crore - a new record. It is not only in our financial key performance indicators that we have made major strides at BHEL: we systematically expanded our innovation and project execution capabilities.

Let me begin by giving you a brief overview of the performance of the company and then share some thoughts from a strategic perspective.

Key Performance Indicators:

- BHEL has recorded highest ever turnover and profit during 2011-12, at a time when the economic and business environment in India was undergoing some uncomfortable changes. With the turnover and net profit of ₹ 49,510 crore and ₹ 7,040 crore, your company has registered growth of 19.9% and 24.3% in 2010-11 respectively during the year excluding onetime impact of change in policy in 2010-11 related to provisions for warranty obligations for earlier years.
- Despite stagnation in the power sector and intense competitive pressure in domestic and overseas markets, BHEL secured orders worth ₹ 22,096 crore, during the year. At the end of the year, cumulative orders in hand for execution in 2012-13 and beyond, stand at about ₹ 1,35,300 crore.
- We significantly increased our execution capabilities. As a result, during XI Plan period, BHEL commissioned 25,385 MW of Utility sets against 13,613 MW achieved in X Plan period.
- The installed capacity of BHEL supplied Utility sets went past the One Lakh MW mark totaling to 1,06,202 MW and your company maintained its lion's share in the country's total installed capacity of 1,80,413 MW.
- New rating 300 MW sets introduced, further enhancing our range of thermal sets on offer in subcritical range.
- First time in country new rating 525 MW thermal sets was commissioned by BHEL.
- Continuing its focus on Engineering and R&D, company invested ₹ 1,198.82 crore in R&D and filed 351 patents during the year. This is enabling us to build and consolidate our innovation capabilities in emerging and existing areas.
- BHEL made a capital investment of ₹ 1,122 crore during 2011-12 towards augmentation of manufacturing capacity and modernization of facilities in manufacturing units and at power project sites. With this, in XI Plan period, BHEL has made a capital investment of ₹ 6,298 crore as against ₹ 1,092 crore in X Plan- a six-fold increase. Maintaining our leadership position in India.
- Earnings Per Share (EPS) is placed at ₹ 28.76 - an increase of 24.3% over that of 2010-11 on post split on number of shares basis.
- Based on self assessment, BHEL is slated to be rated as 'Excellent' on MoU criteria for 2011-12.

Positioning for the Future

- BHEL has formulated its Strategic Plan 2012-17. The plan attempts to steer your company towards becoming a global engineering enterprise. Key drivers

of our success are expanding our offerings in Power sector by building EPC capability, focus on Industry businesses, expansion of spares & services and adoption of collaborative approach.

- Power sector will continue to remain major contributor in our top line with transportation and transmission emerging as next big business verticals. Strategies are in place to strengthen our presence in Nuclear, Renewable and Water segments.
- In recent years, BHEL has optimally invested for manufacturing capacity expansion. We are taking various initiatives to stream line our manufacturing value chain for full exploitation of strong manufacturing base.
- 'Engineering and Technology' is our strength. To uphold our reputation for excellence in our core capability, we will continue to upgrade existing products to contemporary levels and develop new products through continuous in-house efforts as well as through acquisition of new technologies.
- BHEL has recruited more than 20,000 highly talented and competent people at all levels during last five years. Recognizing people as primary source of our competitiveness, we are developing not only each person's competencies, but also their performance and potential in alignment with our ongoing business challenges.
- '6-Point Agenda' viz. Capability Enhancement, Accelerated Project Execution, Product Cost Competitiveness & Quality, Diversification, Engineering & Technology and People Development will continue to drive us for reaping an execution premium to put us far ahead of our peers.
- Notwithstanding the challenging business environment, we aspire to reach the level of \$20 billion by 2017 and \$30 billion by 2022.

Conclusion

All these success stories are underpinned by a strong workforce of 49,390 people. Your company and its stakeholders benefit from their passion and their outstanding skills. My colleagues on Board and I would like to express our sincere thanks to all of our employees in India and abroad.

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

I would also like to thank you, our shareholders, for your confidence in BHEL. 2011-12 was an extremely difficult year, but your company was able to repeat its stellar performance. BHEL's strong performance is also reflected in a final dividend of 184% as proposed by the Board, apart from interim dividend of 136% already paid, making a total of 320% for the year 2011-12.

In a tougher environment, we will do our utmost to systematically and prudently continue our profitable growth trajectory. 2012-13 will continue to be a challenging year for Indian industry including BHEL. Nevertheless, I am convinced that our industry positioning, coupled with our superior engineering skills, and strong manufacturing base, mean that BHEL has what it takes to continue outperforming its competitors.

At BHEL, what really matters to us most is that we can satisfy our customers, employees and other stakeholders all over the world; that we can drive forward all the technologies needed to make our equipments and services more energy efficient and environment friendly; that we provide sustainable business solutions to our customers; and, not least, that we can continue our broad commitment to education, environment and a responsible society. This is a core component of our Strategy 2017. Because, we are convinced that this is the only way that your company BHEL can grow sustainably and profitably. And because, this is an integral part of becoming the global engineering enterprise - in every respect.

I look forward for your continued support and encouragement. It would be our endeavor to continue the growth momentum in subsequent years to enhance value for our stakeholders.



B. Prasada Rao

Chairman & Managing Director

New Delhi
August 13, 2012

Board of Directors as on 07.08.2012



Shri B. Prasada Rao
Chairman & Managing Director



Shri Vijay S. Madan
Additional Secretary &
Financial Advisor



Shri Ambuj Sharma
Joint Secretary



Shri V.K. Jairath
Director



Shri Trimbakdas S. Zanwar
Director



Shri S. Ravi
Director



Shri Atul Saraya
Director (Power)



Shri O.P. Bhutani
Director (E,R&D)



Shri M.K. Dube
Director (IS&P)



Shri P.K. Bajpai
Director (Finance)



Shri R. Krishnan
Director (HR)



Shri I.P. Singh
Company Secretary

Management Committee as on 18.07.2012



Standing (Left to Right)

: S.V.S. Narayana, Dr. S. Sekar, A.K. Ghosh, Rajiv Puri, S. Gopinath, K.C. Ramamurthy, S.C. Mittal,
Dr. Sukul Lomash, Anil Ahuja, N.K. Bansal, Atul Sobti, K.S. Mathur, C.K. Srikhande, A.K. Dave,
Umesh Mathur, Rajeev Hajela, U.N. Singh

Sitting R-2 (Left to Right)

: Vijay Kumar, A. Dasgupta, W.V.K. Krishna Shankar, S.S. Gupta, T.N. Veeraraghavan, B. Shankar,
Jainender Kumar, Subodh Gupta, D. Ashok, P.K. Uppal, M. Rajiv Kumar, R.K. Wanchoo, U.K. Das,
S. Gopalakrishnan

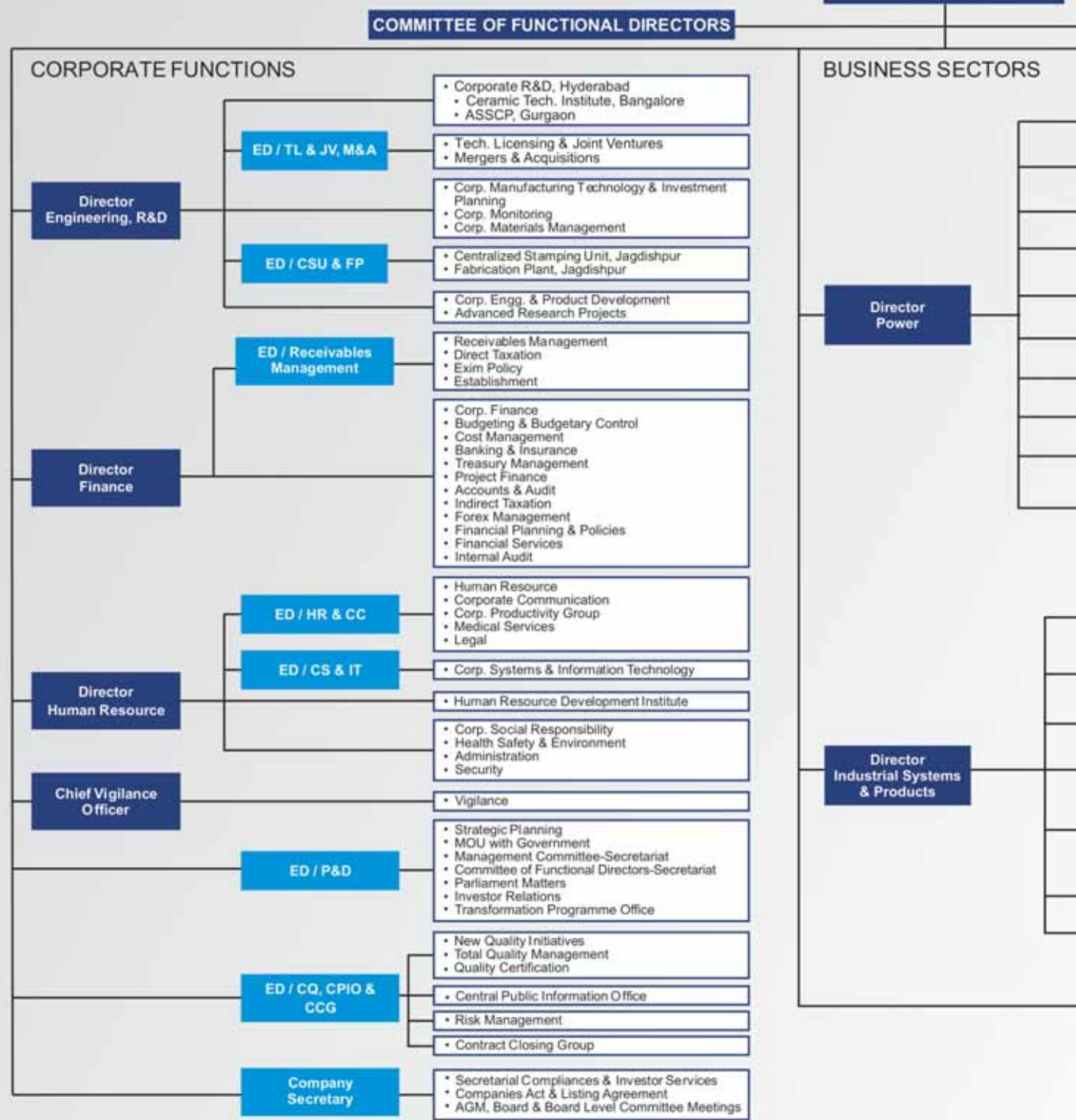
Sitting R-1 (Left to Right)

: A.V. Krishnan, R. Krishnan, M.K. Dube, Atul Saraya, B. Prasada Rao, O.P. Bhutani, P.K. Bajpai, V. Pandhi,
S.M. Talukder

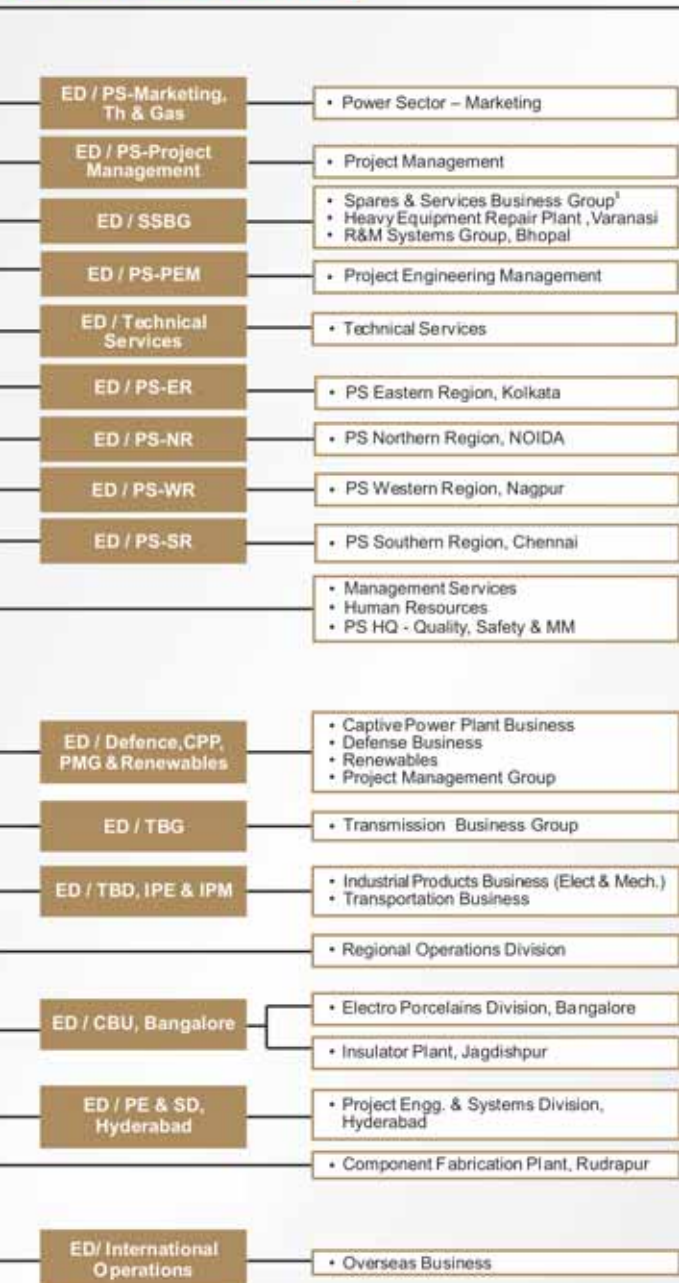
B. Prasada Rao	- Chairman & Managing Director	D. Ashok	- Ceramic Business
Atul Saraya	- Power Sector Business (Marketing, Project Engineering, E&C, Project Management, Technical Services, Spares & Services)	Subodh Gupta	- Captive Power Plant Business - Defence Business - Renewables - Industry Sector- Project Management
O.P. Bhutani	- Engineering, Research & Development - Corporate Engineering & Product Development - Corporate Research & Development - Advance Research Projects - Corporate Manufacturing Technology & Investment Planning - Corporate Monitoring - Corporate Materials Management - Technology Licensing & Joint Ventures and M&A - Centralised Stamping Unit and Fabrication Plant	Jainender Kumar	- Power Sector- Project Management
		B. Shankar	- Human Resource & Corporate Communication
		T.N. Veeraraghavan	- Boiler Auxiliaries Plant
		S.S. Gupta	- Heavy Electrical Plant - Electrical Machines Repair Plant
		W.V.K. Krishna Shankar	- Corporate Planning & Development - Member Secretary, Management Committee and Secretary Committee of Functional Directors
		A. Dasgupta	- Corporate Systems and Information Technology
M.K. Dube	- Industrial Systems & Products Business (Captive Power Plants, Transmission, Transportation, Defence, Mechanicals, Electricals, Renewables, Project Management) - Ceramic Business - Component Fabrication Plant - Project Engineering & Systems Division - Regional Operations Division	S.M. Talukder	- Officer on Special Duty- Corp. Office
		Vijay Kumar	- Corporate Quality - Contract Closing - Central Public Information Officer
		Rajeev Hajela	- Technology Licensing & Joint Ventures - Mergers & Acquisitions
P.K. Bajpai	- Corporate Finance - Budgeting & Control - Cost Management - Treasury Management - Accounts & Audit - Taxation - Forex Management - Internal Audit - Financial Services	Umesh Mathur	- Transmission Business
		A.K. Dave	- Transformer Plant
		U.N. Singh	- Industrial Systems Group
		C.K. Srihande	- Power Sector- Northern Region
		K.S. Mathur	- Power Sector- Western Region
		Atul Sobti	- Project Engineering & Systems Division
		N.K. Bansal	- Power Sector- Technical Services
R. Krishnan	- Human Resource - Corporate Communications - Corporate Systems and Information Technology - CSR, Health, Safety & Environment	Anil Ahuja	- Industrials Products Business (Elect. & Mech.) - Transportation Business
V. Pandhi	- Heavy Electrical Equipment Plant - Pollution Control Research Institute	Sukul Lomash	- Centralised Stamping Unit - Fabrication Plant
A.V. Krishnan	- High Pressure Boiler Plant - Seamless Steel Tube Plant - Industrial Valves Plant - Welding Research Institute	S.C. Mittal	- Finance- Receivables Management
S. Gopalakrishnan	- Power Sector Marketing- Thermal & Gas	K.C. Ramamurthy	- Electronics Division - Electronics Systems Division
U.K. Das	- Spares and Services Business - Heavy Equipment Repair Plant	S. Gopinath	- Piping Centre - Power Plant Piping Unit, Thirumayam
R.K. Wanchoo	- Heavy Power Equipment Plant	Rajiv Puri	- Project Engineering Management
M. Rajiv Kumar	- Power Sector- Eastern Region	<u>Permanent Invitees</u>	
P.K. Uppal	- International Operations	A.K. Ghosh	- Power Sector- Southern Region
		Dr. S. Sekar	- Corporate Research & Development
		S.V.S. Narayana	- Central Foundry Forge Plant

Corporate Organisational Structure

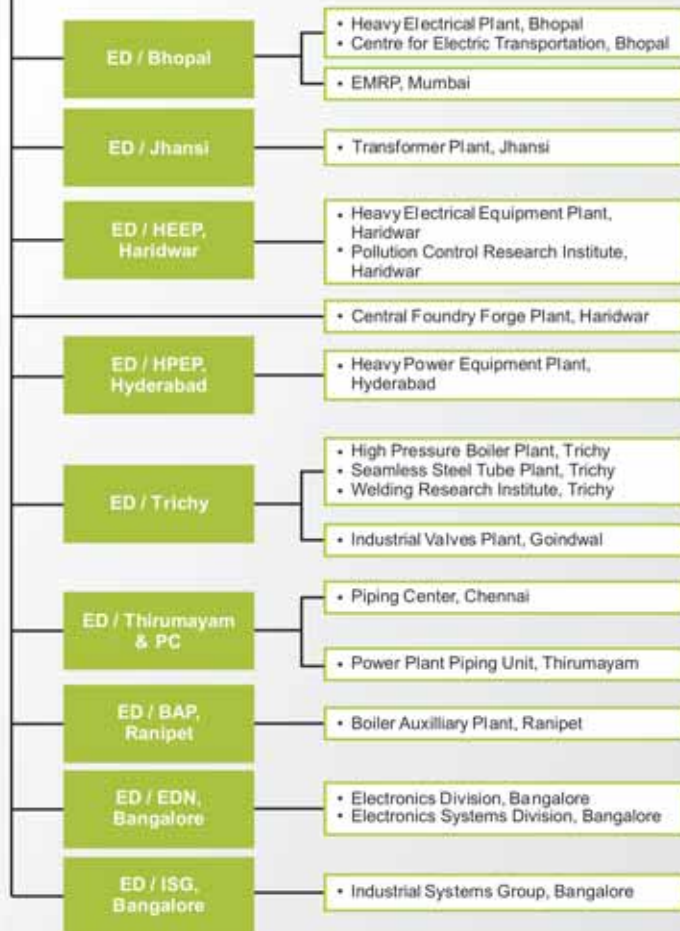
(As on 25.07.2012)



MANAGEMENT COMMITTEE



OPERATIONS



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

Corporate Profile

BHEL is an integrated power plant equipment manufacturer and one of the largest engineering and manufacturing companies in India in terms of turnover. Established in 1964, BHEL ushered in the indigenous Heavy Electrical Equipment industry in India - a dream that has been more than realized with a well-recognized track record of performance. The company has been earning profits continuously since 1971-72 and paying dividends since 1976-77. BHEL is engaged in the design, engineering, manufacture, construction, testing, commissioning and servicing of a wide range of products and services for the core sectors of the economy, viz. Power, Transmission, Industry, Transportation, Renewable Energy, Oil & Gas and Defence. The company has 15 manufacturing divisions, two repair units, four regional offices, eight service centres, eight overseas offices and 15 regional centres and currently operates at more than 150 project sites across India and abroad. The company places strong emphasis on innovation and creative development of new technologies. The company has realized the capability to deliver 20,000 MW p.a. of power equipment, enabling to address growing demand for power generation equipment. Our research and development (R&D) efforts are aimed not only at improving the performance and efficiency of our existing products, but also at using state-of-the-art technologies and processes to develop new products. This enables us to have a strong customer orientation, to be sensitive to their needs and respond quickly to the changes in the market.

The high level of quality & reliability of our products is due to adherence to international standards by acquiring and adapting some of the best technologies from leading companies in the world including General Electric Company, Alstom SA, Siemens AG and Mitsubishi Heavy Industries Ltd., together with technologies developed in our own R&D centres.

Most of our manufacturing units and other entities have been accredited to Quality Management Systems (ISO

9001:2008), Environmental Management Systems (ISO 14001:2004) and Occupational Health & Safety Management Systems (OHSAS 18001:2007). BHEL, where Quality Systems as per ISO-9000 have taken deep roots has made significant achievements in the CII Exim Award Scheme for Business Excellence by securing 'Commendation for Significant Achievements in TQM' for three of its manufacturing units and one power sector-region during 2011-12.

Continuing its tradition of bagging prestigious National/ International awards, the company has been honoured with several awards which included 'MoU Excellence Award 2009-10' as the Top Performing CPSE in 'Industrial Sector'; 'SCOPE Meritorious Award for R&D, Technology Development and Innovation'; 'NDTV Profit Business Leadership Award' for the second year in succession; 'Golden Peacock Award for Occupational Health & Safety 2011' & the 'Golden Peacock Award for Innovation Management 2011'; three Quality Circles won Gold Medals for their case studies at the International Quality Circle Conference (ICQCC – 2011) held in Yokohama, Japan; 8 Prime Minister's 'Shram Awards' including 2 'Shram Bhushan' and 5 'Vishwakarma Rashtriya Puraskars'

Haridwar & Trichy units and Power Sector Eastern region have recorded an improvement of 5.26%, 5.19%



600 MW Turbo-Generator being dispatched for North Chennai TPS