



अध्यक्ष का सम्बोधन *Chairman's Address*

September 23, 2021 | New Delhi

सितम्बर 23, 2021 | नई दिल्ली

भारत हेवी इलेक्ट्रीकल्स लिमिटेड
Bharat Heavy Electricals Limited



Dr. Nalin Shinghal
Chairman & Managing Director

Dear Shareholders,

On behalf of the entire BHEL family, it gives me immense pleasure to welcome you all to the 57th Annual General Meeting of your Company.

The report of the Directors and Audited Accounts for the year ending 31st March 2021, with the reports of Auditors and comments of Comptroller and Auditor General have already been circulated to the shareholders, and with your permission, I shall take them as read.

The past year has indeed been a year of great challenge with the COVID-19 pandemic affecting world-wide economies, and corporates including yours. However, your company has shown resilience in dealing with the challenge and continued working for strengthening its foundations for long term growth while supplementing the national efforts towards dealing with the pandemic.



BHEL supplemented the Nation's efforts towards Covid 19 pandemic; Saved lives through supply of critically required Medical Oxygen

COVID Response & Contribution

The severity of the second wave put extreme pressure on the availability of medical oxygen and on medical infrastructure. Your company rose to the occasion and supplied over 5,75,000 Cu Mtrs, i.e., over 80,000 cylinders of medical oxygen from its oxygen generating plants at its manufacturing units. BHEL was, in fact, the major source of emergency medical oxygen for Uttarakhand, Western UP, city of Bhopal, etc., which resulted in saving many lives. We have further developed and supplied medical oxygen plants for hospitals, in collaboration with CSIR-IIP Dehradun, in record time.

In keeping with its ethos as a caring company, BHEL introduced an assistance scheme for taking care of families of employees who had unfortunately succumbed to the pandemic. Further, your company has taken several steps for ensuring rapid recovery of operations and made efforts for mitigating effects of any further waves by taking steps to make workplaces COVID compliant as well as an extensive vaccination campaign at its units as well as project sites. To avoid any stoppage of work due to non-availability of oxygen, as happened during the second wave, as well as to support the community at large, in case of any future eventuality, we are additionally installing oxygen generation plants in those units which do not have oxygen production facilities at the moment.

Key performance highlights

Disruptions caused by the first wave of pandemic had serious repercussions on the company's operations, both in the manufacturing units as well as at project sites. While all efforts were made to subsequently resume activities at normal levels, the impact is visible in the annual results.

- Your company secured orders worth ₹13,472 Cr. despite the sluggishness in ordering last year. Your company has booked its highest ever orders in hydro power segment and was also successful in retaining its leadership in engineering and manufacturing of equipment for nuclear power and emission control business.
- Your company won its first order for Sulphur Recovery Unit (525 TPD) from IOCL Paradip, and its successful completion will establish BHEL as an LSTK player for process packages in upcoming opportunities in the Downstream Oil & Gas sector.



BHEL dispatched its 40th Nuclear Steam Generator to NPCIL for installation at Rawatbata Atomic Power Project



2x660 MW Maitree Supercritical Power Project being executed by BHEL in Bangladesh

- The company recorded a turnover of ₹16,296 Cr. with a net loss of ₹2,717 Cr. in 2020-21. The loss includes an additional merit based provisioning of about ₹1,800 Cr. made after detailed review of receivables, on an exceptional basis, which was taken up by the company as a measure of utmost financial prudence, so as to strengthen receivables management process and improve quality of assets in the balance sheet. Further, the loss has been exacerbated due to non-productive expenses during the COVID period, i.e. towards salaries and other expenses against which there was no production.
- Your company has taken a major initiative for change of strategy from Revenue Centric to Project Centric operations, which have impacted the revenues in the short term but will lead to timely completion of projects and improvement in customer satisfaction.
- Concerted efforts for cash collection resulted in liquidation of 82% of the current year billing, which is the best in the last 10 years and the company achieved a cash surplus of ₹383 Cr. in FY 2020-21 as against a deficit of ₹3,587 Cr. in previous year.

Future Perspective

The company believes that timely & high quality delivery of products & projects, aggressive efforts in emerging technologies as well as working



WAG 9H locomotives under manufacture for Indian Railways at TP, Jhansi

in collaboration with industry, R&D institutions and academia will be the foundations for building a strong future. In this situation, the company has set out to reinvigorate itself by following a two pronged strategy:

- a) in the short run, complete & close projects expeditiously which will also result in release of cash to operational requirements; expand conventional thermal power business through enhanced efforts in pollution control systems, spares & services; strengthening of IT and technology base; rebuilding a Quality First culture across the organization; and vigorous cost cutting for achieving business growth in a competitive environment, and
- b) in the long run focus on regaining technology leadership and strengthening diversification initiatives.

The past year has been a year of consolidation for the company, wherein a number of initiatives taken up in the previous year have come to bear fruit. The company has focused on revamping project execution through successful implementation of the IPMS (Integrated Project Management System)



India's largest Floating solar PV Plant (25 MW) commissioned by BHEL at NTPC, Simhadri, Andhra Pradesh

supplemented with the ongoing Site Data Digitization project, ensuring sequential dispatches, closure of punch points, and switching over from Revenue Centric to Project Centric philosophy.

Your company has also worked aggressively towards realizing its pending dues through taking up issues at multiple levels with the state and central governments and taking measures for limiting exposure in projects where payments are not being received. This has resulted in stabilizing of the cash situation, with the company becoming cash surplus in 2020-21 despite a net loss of ₹2,717 Cr.

Your company has embarked on a journey for becoming a digitally enabled organization for improving the overall efficiency of the organization manifold as well as to utilize IT for revenue growth. We have achieved full switch over to e-office, a major step towards a paperless office, and introduced secure Work From Home facility to ensure seamless work during lockdowns. Multiple initiatives for introducing IT solutions on the shop floor and work places, for project execution, quality checks, etc., are under various stages of implementation.

Ensuring quality of products and services is a critical success factor in today's business environment. Towards this end, a companywide 'Quality First' initiative was launched in the previous year with focus on inculcating a quality



BHEL has commissioned the pumping units for Kaleshwaram Lift Irrigation Scheme, Telangana - world's largest LIS project

mind-set in all spheres of company's activities. Though the true impact of any major quality initiative is usually visible only in the long term, initial successes include Platinum recognition in CII EXIM Bank Awards for Business Excellence 2020 for BHEL's Haridwar unit - received after a gap of 14 years and the 'Golden Peacock National Quality Award' for the year 2020.

In line with its efforts for achieving profitable growth, the company has also created a Cost Optimization Group to identify scope for cost cutting in every aspect of its operations. The slew of cost reduction efforts by the company cover design, procurement, overheads, inventory control, logistics, budgetary controls, ensuring utilisation of surplus material at sites, clearance of non-moving/ old inventory, timely disposal of scrap, among others.

Your company is cognizant of the ongoing energy transition and subdued economic growth in its current areas of operations. Accordingly, definitive steps are being taken both for maintaining growth in the existing portfolios as well as targeting opportunities in the new, non-coal based businesses. As a result, the company retained its dominant position in the nuclear, hydro and thermal emission control businesses. We had booked the highest-ever orders of more than ₹3,000 Cr. in hydro sector and have recently secured a major order worth ₹10,800 Cr. from Nuclear Power Corporation of India Limited



First 'Made in India' aircraft carrier warship, INS Vikrant, equipped with BHEL-GE Avio supplied IPMS (Integrated Platform Management Systems), has successfully completed its maiden sea-trials

(NPCIL) for Engineering, Procurement and Construction (EPC) of 6x700 MW Turbine Island Package Projects maintaining its market leadership as the sole Indian supplier of nuclear steam turbines in the nuclear sector.

Spares & Services will be a major focus area for BHEL with revamp of the existing business model to make it more responsive to customer requirements in this area as well as cater to BHEL and non-BHEL sets. Efforts are underway to expand the range of IT enabled/ IOT based services offered by the company in this segment in times ahead.

Company's efforts towards increasing contribution of non-coal business are also bearing fruit with the receipt of first order in the downstream oil and gas segment. Further, concerted efforts are also being made for developing a range of new products, systems and solutions for railways, urban mobility, defence, aerospace, among others.

In the long term, the company is targeting to regain its technology lead by investing in technologies of the future including various elements of the Hydrogen economy (generation, storage, transportation, utilization), for which a separate business vertical has been created. We believe that, going forward, Additive Manufacturing is going to disrupt manufacturing worldwide



Unique High Temperature Spin Test Rig (HTSTR) established for testing of advanced materials for AUSC mission project

for which another team has been set up to identify early opportunities in this area. Other areas where dedicated teams have been deployed are Industry 4.0 solutions for process industries, Coal to Methanol, Upstream Solar Value Chain, and Battery Energy Systems.

However, existence of vast coal reserves in the country and imperatives to keep imports under control, coupled with the need to retire old generating sets which have lower efficiency, higher pollution and are at “end of life stage”, are expected to lead to continued opportunities in the thermal sector in the medium to long term. Your company is poised to capitalize on these opportunities with focus on environment friendly clean coal technologies including gasification/ Coal to Methanol, Carbon Capture, etc. The successful completion of more efficient and greener Advanced Ultra Supercritical (AUSC) technology is a step in this direction and will further reinforce our technological prowess in the thermal business.

Keeping with our philosophy that employees are our biggest strengths, a number of initiatives for training the workforce, leadership development, strengthening of internal communication and knowledge sharing, simplifying policies and various digital-enabled workplace solutions are being implemented for better productivity and engagement of employees.



BHEL has made an entry into the downstream oil & gas process package business by securing an order for setting up 525 TPD Sulphur Recovery Unit at IOCL's Paradip Refinery in Odisha

These efforts will support your company in its journey to transform itself into a **vibrant Global Engineering Organization**.

Capitalizing opportunities under the AatmaNirbhar Bharat initiative

The present geopolitical situation and the AatmaNirbhar Bharat initiative give us an opportunity to again take the lead in manufacturing in the country – albeit in different products & technologies – which would be more relevant to the India of the future. A number of steps have been taken in this direction through formation of Make in India Business Development Group which is targeting to indigenize 50% of our manufactured imports (excluding those under technology collaboration agreements) in the near term, partnering with other PSUs for indigenous development of items imported by them, as well as in-house development and manufacture of major items in the country's engineering imports basket. Through these efforts, BHEL is already getting developmental orders from various customers, providing twin benefit of increasing capacity utilization of the company as well as help reduce imports in the country. In addition, your company is also working closely with local industries/ suppliers to develop their capabilities and thus replace imports.



Sustainable Development & Governance

Your company manages its environmental impact across the entire manufacturing value chain. Internally, various initiatives are in place to optimally manage key aspects of materials, water, energy, emissions and biodiversity in the larger interest of society. BHEL also facilitates its customers in managing their environmental and social impact throughout the entire operational lifecycle of its products.

Your company has established a total of 28 MWp of Solar Photo Voltaic (SPV) power plants including rooftop & ground based SPV systems, solar water heaters, solar street lighting, etc., within BHEL premises, resulting in generation of 27.20 million units and carbon footprint avoidance of 26,118 MT CO₂ -e during 2020-21. The company has also undertaken a number of projects related to water and energy conservation, tree plantation, waste management, resource conservation, etc. As a special initiative to fight plastic pollution, BHEL has made tremendous effort to ensure that all our townships continue to remain "Single Use Plastic Free" and got 3rd party certification for the same.



BHEL is executing its maiden order of setting up of a cumulative 410 kWh Battery Energy Storage Systems (BESS) for TERI

With a strong commitment of repaying the society at large, your company actively contributes towards socio-economic upliftment of the people through various CSR initiatives across the country.

Your company believes that 'results are important' but it is equally concerned with 'how it achieves these results'. Commitment to this principle is the foundation of your company's Corporate Governance Policy which rests upon the four pillars of transparency, full disclosure, independent monitoring and fairness to all. Continuing the tradition of securing prestigious national and international recognitions, the organization and its employees have won several awards during the year. Notable awards include Golden Peacock Environment Management Award 2020; Clarivate South and South East Asia Innovation Award 2020; Excellence in Financial Reporting 2019-20 by Institute of Chartered Accountants of India; Ranked among top 10 in Times Ascent Dream Companies to Work For by World HRD Congress; first prize of Kaushalacharya Award 2019-20 recognising the mentorship spirit of the organisation, among many others.



Governance now 8th PSU award was conferred upon BHEL for excellence in HR, Digital Transformation & Research & Innovation

Acknowledgement

The company is steadily moving forward on its various initiatives despite the numerous challenges it faces which would not be possible without the support of various stakeholders. I would like to express sincere thanks and



Dr. Nalin Shinghal
Chairman & Managing Director



Shri Subodh Gupta
Director (Finance)



Shri Anil Kapoor
Director
(Human Resources)
Addl. Charge of Director
(Power) w.e.f. 01.02.2021



Ms. Renuka Gera
Director
(Industrial Systems & Products)
Addl. Charge of Director (Engineering,
R&D) w.e.f. 01.08.2021



Shri Rajesh Sharma
Independent Director



Shri Raj Kamal Bindal
Independent Director



Shri Manish Kapoor
Independent Director

Government Directors/ Part-time Official Directors



Shri Shashank Priya
Additional Secretary & Financial Adviser
Ministry of Commerce & Industry



Shri Jeetendra Singh
Joint Secretary
Ministry of Heavy Industries

Independent Directors



Hon'ble Union Minister of Heavy Industries, Dr. Mahendra Nath Pandey conferred excellence awards¹ on BHEL employees in various technical & non-technical categories during 'Utkrishthta Utsav' at HERP, Varanasi; Also inaugurated Solar EV charging station at Karna Lake Resort, Karnal;² set up by BHEL under FAME-I scheme in presence of Shri Arun Goel, Secretary, MHI and other senior government and BHEL officials

gratitude to our valued customers as well as other business partners for their continued confidence, our employees for their engagement, passion and perseverance, members of the Board for their guidance, and you, our esteemed shareholders for your support and trust in the company. I would like to thank various Ministries of Government of India, particularly the Ministry of Heavy Industries for their valuable guidance and support in all our endeavours.

I am confident that multiple initiatives currently under implementation will help us to overcome the immediate challenges and build a strong base for long-term sustained and profitable growth of your company.

Thank you.

With best wishes,

(Dr. Nalin Shinghal)

Chairman & Managing Director

New Delhi
September 23, 2021



Bharat Heavy Electricals Limited

Registered Office : BHEL House, Siri Fort, New Delhi - 110049, India

Corporate Identity Number : L74899DL1964GOI004281

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