



56 वीं वार्षिक आम बैठक th Annual General Meeting

सोमवार, 28 सितम्बर 2020 | Monday, 28th September 2020



अध्यक्ष का सम्बोधन Chairman's Address

भारत हेवी इलेक्ट्रिकल्स लिमिटेड
Bharat Heavy Electricals Limited



Dear Shareholders

Namaskar!

On behalf of the Board of Directors & employees of BHEL, I have great pleasure in welcoming you all to the 56th Annual General Meeting of your Company. It is an honour and a privilege for me to present the 56th Annual Report to our valued shareholders.

The report of the Directors and Audited Accounts for the year ending 31st March 2020, 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.

I am addressing to you at a time when the entire world is combating the COVID-19 pandemic, which has far reaching consequences on societies, economies and businesses across the globe. For us, the pandemic has added yet another layer of complexity to an already challenging business environment with falling GDP growth rates and decline in ordering of thermal power projects. Now that the world is slowly coming to terms with this unprecedented crisis, it is time for us to adjust to the 'new normal' and reorient ourselves accordingly.

COVID response & contribution

Your company has taken up a number of initiatives to deal with COVID-19 situation and responded with agility to minimize the impact on its stakeholders. Business continuity & preparedness has been ensured to the extent possible during the lockdown through the 'work-from-home' mode, in areas such as design and engineering, training, knowledge sharing and other HR related activities, finance related activities, etc. During the lockdown, work continued at critical sites with the support of local authorities, which resulted in recommissioning of 1x800 MW Kothagudem thermal project and commissioning of Bhadradri Unit-1 in Telangana.

Your company has also risen to the occasion to support the national efforts on Covid-19 through monetary contribution of ₹15.72 Crore to PM CARES fund as well as through development of multiple innovative products for in-house use and for various government departments/ municipalities. Some of them are BHELMister, a spray assembly for mass sanitisation, an electrostatic disinfectant spray machine in association with CSIR, etc. We continue to provide support to the local communities in every possible way.



BHELMister developed by BHEL - a spray assembly for mass sanitisation, in action in Vellore, Tamil Nadu

Key performance highlights

Even though the lockdown was imposed in the country from 25th March 2020, the impact of COVID-19 on your company's operations was being felt much earlier, on account of disruptions in material supplies from China, Italy, etc., which started from January 2020 itself and significantly affected the performance during the entire quarter.

- Despite the sharp decline of nearly 14% in the IIP of capital goods, your company has been able to match the order inflows to that of FY 2018-19, with total order booking of ₹23,547 Crores in FY 19-20 as compared to ₹23,859 Crores in the previous year. Major focus on non-power related order booking resulted in garnering a 25% increase in the Industry sector order booking in FY 2019-20 which is the highest in the last 9 years.
- With a view to deal with multiple legacy issues such as delayed project execution, rising customer outstandings, non-closure of old contracts, etc., the company has shifted focus from turnover to project execution, which we believe was imperative for the organization in the current situation and will yield multiple benefits in years to come.
- During the year, subdued market conditions coupled with execution impediments including non-availability of clearances & fund constraints at customers' end, were further aggravated due to COVID-19 in the fourth quarter and resulted in the company recording a turnover of ₹20,491 crores as against ₹29,423 crores in the previous year.
- Focus on budgetary control and cost optimization measures by the organization resulted in containment of the loss (Profit Before Tax) at ₹662 crores.



BHEL has commissioned the pumping units of Kaleshwaram Lift Irrigation Scheme (LIS) in Telangana - the world's largest LIS project

- The company has been taking strenuous measures to give focus on project completion and increasing cash collections, which resulted in achieving a cash collection to billing ratio of 114%, the highest in the last ten years. The collectible debtors underwent a reduction of 22% during the year.
- BHEL has firmly established itself as the leader in the domestic emission control equipment market with the largest market share. The company till date has secured orders for 63 Flue-Gas Desulphurisation units and 11 Selective Catalytic Reduction units in India and abroad.
- A number of initiatives were taken by the company in new business areas like transportation, defence & aerospace, energy storage business, amongst others, which are expected to improve the performance in years to come.

Economic & Business Environment

Global economic growth, which has been subdued for the past three years, is expected to contract further in FY 2020-21. High frequency indicators of Indian economy also indicate a decline in industrial production activity and consumption demand. The Government has taken a number of steps to revive the economy and these are expected to provide traction in the coming quarters. Our Hon'ble Prime Minister's call for 'AatmaNirbhar Bharat' will provide further momentum to the Make in India initiative and spur domestic manufacturing.

National Infrastructure Pipeline 2019 envisages an investment of about ₹111 lac crore till 2024-25, which is expected to provide opportunities to engineering and manufacturing companies like BHEL. Power sector specific reforms such as liquidity infusion to DISCOMS, proposed amendment to Electricity Act 2003, etc., will provide the much-needed impetus for the long-term growth of the sector. Although ordering for new coal-based power generation equipment remains weak, demand for emission control business is strong and growing.

The rail transportation sector is seeing traction on account of opportunities generated by the modernization and decarbonisation of operations of Indian Railways, metro rail projects in various cities and introduction of new technologies for high speed rail. Additionally, the thrust on indigenization in defence & aerospace sectors including the recent initiative of Government of India to progressively ban import of certain defence weapons and platforms is expected to boost domestic manufacturing.

Moving ahead resolutely

Your company is transforming itself from being a primarily Power Sector player to a Global Engineering Enterprise through focus on technology and business driven R&D, strengthening quality culture, improving pace of execution, empowering and skilling people, and taking up diversification activities. These initiatives will lay the foundations of a strong and growing BHEL.

For this, a slew of transformation initiatives have been undertaken across the company along with declaration of 2020 as the Year of Transformation. Focused and all-out efforts are being made in the areas of:

- 1. Business Expansion & Diversification:** Your company is maintaining leadership in its core businesses by focusing on expanding the offerings through renewed thrust on spares & services segment, increasing the value proposition through digital enablers, strengthening of emission control business, and development of energy-efficient and environment friendly power plants using AUSC technology.

In addition, it is focusing on growing non-power business such as rail transportation, defence & aerospace, EPC in downstream oil & gas, Industry 4.0 solutions for power sector and process industries and contract manufacturing in high technology areas.



WAG 9 locomotive supplied to Indian Railways under test-run at BHEL Jhansi



1 MW Battery Energy Storage System (BESS) for in-house usage, developed and commissioned at Corporate R&D, Hyderabad

Further, your company has taken a three pronged approach for maximum utilisation of the new opportunities under 'AatmaNirbhar Bharat' initiative, and for ensuring significant contribution, to the national objective. These are:

- In-house development and manufacture of items currently being bought out/ imported by the company
- In-house development and manufacture of major items in the country's engineering imports basket.
- Working with global OEM's for manufacturing items for India as well as for exports, i.e., 'Make in India, Make for the World'

Your company believes in creating opportunities in adversity and had floated an Expression of Interest (EOI) inviting global manufacturing companies to leverage on BHEL facilities & capabilities to set up manufacturing base in India. This EOI has received an excellent response and some MoU's have already been signed. Further, dedicated teams are working towards capitalizing these opportunities quickly.

- 2. Execution:** Timely and cost-efficient project completion is a priority for your company. Material supply suiting project requirements, implementation of IT based solutions for real-time site data capture and project management, improvement in integrated project engineering, advance engineering and procurement activities, empanelment of EPC civil agencies for pre-bid tie ups, are some of the major steps taken in this direction.

As a result of these steps, your company commenced civil works at project site of 1x660 MW Sagardighi TPP Extension Unit#5 on the zero date itself (July 1, 2020) which is a notable first for it.

3. **Cost Optimisation:** Keeping in mind the impact on profitability, a two-pronged approach has been adopted for cost optimization, first the review & improvement of designs and second is the improvement in procurement processes. Additional steps adopted for improved inventory management and focused vendor development will further add to the bottom line of the company.
4. **Quality:** BHEL has been at the forefront of the Quality movement in the country since 1980s. It gives me immense pleasure to share that Singrauli Units 1, 4 & 5 of rating 200 MW each, supplied and commissioned by BHEL in 1982, 83 & 84 respectively have recorded a PLF of over 100% in Q1 of 2020-21 which is a testimony to BHEL's high quality standards. Further, BHEL sets account for 57% of the total thermal power generated in the country. Also, the operational availability of majority of BHEL sets has been exemplary with 4 nuclear sets clocking uninterrupted operation for more than 300 days.

We have initiated a company-wide 'Quality first' initiative to help revitalize this quality tradition which will enable us to offer products and solutions aligned with the stringent quality requirements of the global market. A strong quality culture is being nurtured through 'Empowerment, Education, Engagement and Encouragement'.

5. **Receivables Management:** In order to improve the liquidity position, multiple steps have been taken for - quick realization of outstanding dues in ongoing projects through timely and quality execution, prioritizing pending works in old commissioned projects to enable release of payments and vacation of bank guarantees, and quick conversion of contract assets to collectibles by achieving various project milestones.
6. **People:** In line with the philosophy that a dedicated and motivated workforce is the foundation of any organization, a number of initiatives have been taken towards leadership development, reform of performance management system, strengthening of internal communication, training/ retraining for continued learning through e-based platforms, simplifying policies for making them employee centric, etc.
7. **Technology development:** BHEL has traditionally been a leader in technology through focused R&D and has been the highest R&D spender in capital goods sector in India (~3.8% of the turnover in FY 2019-20). A number of initiatives have been launched for indigenization of items and development of core technical competencies, e.g. Flue Gas Desulphurization sub-systems, Air cooled condensers, higher capacity pumps, propulsion systems and various imported high-value bought-out items. Your company is also working on projects of national importance such as installation of India's highest efficiency

thermal power plant based on Advanced Ultra Supercritical Technology (AUSC) in collaboration with NTPC (MoU signed in FY2019-20), pilot plant for conversion of high ash coal to methanol and high efficiency PERC cells amongst others.

Amongst other achievements, your company has also commissioned 1.7 MWp Solar PV Plant at Bina for Indian Railways, which is a landmark achievement in the history of solar power, as this is world's first solar project feeding solar power directly to the traction system (single phase 25 kV).



1.7 MWp Solar PV plant at Bina, Madhya Pradesh for Indian Railways commissioned by BHEL

We are confident that with multiple initiatives presently in progress as well as envisaged, the stage is set for sustained growth for years to come.

Sustainable Development & Governance

Your company manages its environmental impacts 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 impacts throughout the entire operational lifecycle of the power plants by offering them state-of-the-art engineering and technology inputs for reducing greenhouse gas emissions - as well as water consumption, better heat rate, less auxiliary power consumption with less fuel requirement.

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 32.43



5 MW solar power plant including ground-mounted, fixed, motor tracking & passive tracking enabled modules of BHEL make at Haridwar plant premises

million units and carbon footprint avoidance of 31,130 MT CO₂-e during 2019-20 (17.5% higher as compared to 2018-19). The company has also undertaken a number of projects related to water and energy conservation, tree plantation, waste management, resource conservation, etc. I am happy to share that all townships of BHEL are certified as 'Single Use Plastic Free' zones after audit by an external agency.

With a strong commitment of repaying the society at large, your company actively contributes towards socio-economic upliftment of the people in villages and communities located in the vicinity of its manufacturing plants and project sites spread 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. With a clear vision and purpose based on a solid foundation of values, your company is committed to ensuring optimization of returns and satisfaction levels accruing to all its stakeholders.

Continuing the tradition of securing prestigious national and international recognitions, the organization and its employees have won several awards during the year. Eighty-eight employees of your company received Vishwakarma Rashtriya Puraskars. Recognizing the efforts of the company towards health and safety of its employees, the company was awarded with nine National Safety



20 Vishwakarma Rashtriya Puraskars received by 88 BHEL employees for the performance year 2017. BHEL employees have received over 71% of total Vishwakarma Rashtriya Puraskars awarded during the year to various PSUs and private sector organisations

Awards for outstanding achievements in terms of the longest accident-free period and lowest accident frequency rate. Other notable awards include Asia Pacific Entrepreneurship Awards 2019, D&B PSU Award, ICC PSE Excellence Award, Institution of Engineers' Safety Innovation Award 2019, AIMA Innovation Practitioner's Case Study Award, Golden Peacock Award, Apex India Excellence Awards 2019, Central Power Research Institute's Valued Customer Award, World HRD Congress's National Best Employer Brand Award.

Acknowledgement

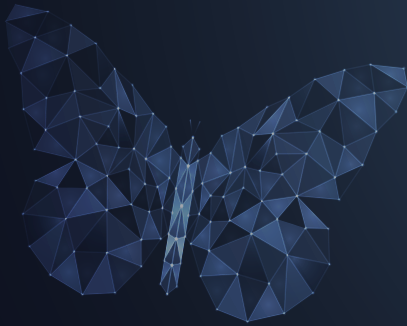
I would like to express my deep gratitude and appreciation for the continued faith and support of our esteemed shareholders, customers, business associates, as well as other partners in our journey. Engagement and support from each member of the BHEL family, and my fellow Directors on the Board remains our source of strength. I would like to thank various Ministries of the Government of India, particularly the Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises for their continuous guidance and support in our efforts.

I am confident, that with your continued support, a transformed BHEL will continue to be at the core of self-reliance in engineering and manufacturing in the country.

With best wishes

New Delhi
September 28, 2020

(Dr Nalin Shinghal)
Chairman & Managing Director



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