

GOVERNMENT OF INDIA
MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES
DEPARTMENT OF HEAVY INDUSTRY

LOK SABHA
UNSTARRED QUESTION NO. 3847
TO BE ANSWERED ON 22.12.2015

BHEL

3847. SHRI RAJESH KUMAR DIWAKER:

Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES be pleased to state:

- (a) whether the Government had given extension to the Chairman and Managing Director of Bharat Heavy Electricals Ltd. (BHEL) with a goal to improve the financial performance of the undertaking in the part and if so, the details thereof;
- (b) whether the financial performance of BHEL during the last two year quarter is far from satisfactory; and
- (c) if so, the action taken by the Government against the erring officials for poor performance of BHEL?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES (SHRI G.M. SIDDESHWARA)

(a): The Chairman and Managing Director (CMD) of Bharat Heavy Electricals Limited (BHEL) was granted an extension for a period of 2 years beyond the date of his superannuation on 31.12.2013, as a special case, with the approval of the Competent Authority. this was done have keeping in view the difficult situation confronting the power sector as a whole and BHEL in particular at that time in the face of adverse economic situation, resulting in inadequate order booking; need to undertake accelerated diversification strategy in both core and non-core business, which entailed the need for continuity in top leadership at a crucial juncture.

(b) & (c): The financial performance of BHEL has come down since 2013-14 against the backdrop of adverse business conditions on account of various external factors beyond the control of the Company, such as :

- contraction in new addressable opportunities/ orders maturing in the domestic power sector market due to issues/ bottle-necks related to non-availability/ acquisition/ lack of enabling requirements such as land, coal/fuel linkages, environmental clearances etc. ;
- orders getting deferred or being put on hold due to customer issues ;
- weak investment sentiments and financing constraints from the lending institutions ;
- customers constraints in releasing payments curtailing progress of some of the power projects ;
- lack of level playing field including infrastructure bottlenecks suffered by the domestic industry vis-à-vis foreign suppliers/ manufacturers ;
- global slowdown, political turmoil, armed conflict in countries like Syria & Yemen, resulting in lower demand for exports etc.

In order to overcome the situation of a shrinking market, BHEL crafted strategies, which include :

- Expanding the offerings and provide total EPC solutions to customers ;
- Offering Fuel-flexible Boilers capable of firing both imported & indigenous coals (in wide range of combinations) ;
- Leveraging enhanced manufacturing prowess (20,000 MW of power equipment p.a.) to shorten deliveries ;
- Work on techno-commercial optimization ;
- Intensify Diversification efforts in areas like Defence, Transportation, Transmission and Renewable Energy segments

Despite the unfavourable externalities, BHEL, by expanding its offerings, secured 89% of its total orders in Power Sector on Engineering, Procurement & Construction (EPC) basis during 2014-15 and also maintained 72% market share for two consecutive years. In this regard, the orders received during the year 2014-15 increased by around 10% to Rs. 30,814 Crore as compared to 2013-14. Further, during the current year i.e. 2015-16 (upto November 2015), orders valued at approx. Rs. 27,400 Crore have already been booked with persistent efforts by the Company, which is about 80% higher than the corresponding figure for the same period during the previous year (i.e. April to November 2014).
