DRAFT RED HERRING PROSPECTUS
(*This Draft Red Herring Prospectus will be updated upon filing with the RoC*)
Book Building Issue
Dated September 28, 2011

BHARAT HEAVY ELECTRICALS LIMITED

The Company was incorporated in New Delhi on November 13, 1964 under the Companies Act, 1956, as amended (the "**Companies Act**"), as 'Bharat Heavy Electricals Limited', a private limited company. Pursuant to a board resolution dated December 24, 1991 and shareholders' resolution passed at the EGM on December 24, 1991, the Company was converted into a public limited company.

Registered and Corporate Office: BHEL House, Siri Fort, New Delhi 110 049, India **Tel:** +91 (11) 6633 7000 **Fax:** +91 (11) 2649 3021
For information on change in the registered office of the Company, see the section titled "***History and Certain Corporate Matters***" on page 151.
Company Secretary and Compliance Officer: Mr. Inder Pal Singh **Tel:** +91 (11) 2600 1046
Fax: +91 (11) 6633 7533 **E-mail:** fpoinvestorsquery@bhel.in; **Website:** www.bhel.com

PROMOTER: PRESIDENT OF INDIA, ACTING THROUGH THE DEPARTMENT OF HEAVY INDUSTRY, MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES, GOVERNMENT OF INDIA

FURTHER PUBLIC OFFER OF 24,476,000 EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH ("EQUITY SHARES") OF BHARAT HEAVY ELECTRICALS LIMITED ("BHEL" OR "THE COMPANY") THROUGH AN OFFER FOR SALE OF 24,476,000 EQUITY SHARES BY THE PRESIDENT OF INDIA ACTING THROUGH THE DEPARTMENT OF HEAVY INDUSTRY, MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES, GOVERNMENT OF INDIA (THE "SELLING SHAREHOLDER") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ [●] PER EQUITY SHARE) AGGREGATING ₹ [●] MILLION* (THE "OFFER"). THE OFFER COMPRISES A NET OFFER TO THE PUBLIC OF 22,028,400 EQUITY SHARES (THE "NET OFFER") AND A RESERVATION OF 2,447,600 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (AS DEFINED HEREIN) (THE "EMPLOYEE RESERVATION PORTION"). THE OFFER WOULD CONSTITUTE 5% OF THE POST OFFER PAID-UP EQUITY CAPITAL OF THE COMPANY AND THE NET OFFER WOULD CONSTITUTE 4.50% OF THE POST OFFER PAID-UP EQUITY CAPITAL OF THE COMPANY.

THE FACE VALUE OF THE EQUITY SHARE IS ₹ 10 EACH AND THE OFFER PRICE IS ₹ [●] TIMES THE FACE VALUE.

THE PRICE BAND, RETAIL DISCOUNT, EMPLOYEE DISCOUNT AND THE MINIMUM BID LOT WILL BE DECIDED BY THE SELLING SHAREHOLDER IN CONSULTATION WITH THE COMPANY AND THE BOOK RUNNING LEAD MANAGERS AND PUBLISHED ATLEAST ONE WORKING DAY PRIOR TO THE BID OPENING DATE, IN ONE HINDI NATIONAL DAILY NEWSPAPER AND ONE ENGLISH NATIONAL DAILY NEWSPAPER, EACH WITH WIDE CIRCULATION (HINDI ALSO BEING THE REGIONAL LANGUAGE IN THE STATE WHERE THE REGISTERED OFFICE IS LOCATED), WITH THE RELEVANT FINANCIAL RATIOS CALCULATED AT THE FLOOR PRICE AND AT THE CAP PRICE.**

**subject to adjustments that may be required as a consequence of, inter-alia the Retail Discount, Employee Discount and the actual subscription and Allotment in terms of the Basis of Allotment.*

***Discount of ₹ [●] to the Offer Price is being offered to Retail Bidders ("**Retail Discount**") and to Eligible Employees (the "**Employee Discount**"). Eligible Employees and Retail Bidders should note that the benefit of the Retail Discount and Employee Discount can be availed at the time of submitting the Bid.*

In case of revision in the Price Band, the Bidding Period will be extended for at least three additional Working Days after the revision of the Price Band subject to the Bidding Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited (the "**BSE**") and the National Stock Exchange of India Limited (the "**NSE**"), by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers ("**BRLMs**") and the Self Certified Syndicate Banks ("**SCSBs**") and at the terminals of the members of the Syndicate.

This Offer is being made through the Book Building Process where up to 50% of the Net Offer will be allocated on a proportionate basis to Qualified Institutional Buyers ("**QIBs**") ("**QIB Portion**"). Further, 5% of the QIB Portion will be available for allocation on a proportionate basis to Mutual Funds only. The remainder of the QIB Portion will be available for allocation on a proportionate basis to QIBs including Mutual Funds, subject to valid Bids being received from them at or above the Offer Price. In addition, not less than 15% of the Net Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Offer will be available for allocation on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Offer Price. Any Bidder may participate in this Offer through the ASBA process by providing the details of the ASBA Accounts in which the corresponding Bid Amounts will be blocked by the SCSBs. For more information, specific attention is invited to the section titled "***Offer Procedure***" on page 423.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and Bidders should not invest any funds in this Offer unless they can afford to take the risk of losing their investment. Bidders are advised to read the Risk Factors carefully before making an investment decision in this Offer. For making an investment decision, Bidders must rely on their own examination of the Company and this Offer, including the risks involved. The Equity Shares offered in this Offer have not been recommended or approved by the Securities and Exchange Board of India ("**SEBI**"), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the Bidders is invited to "***Risk Factors***" on page 16.

THE COMPANY'S AND THE SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

The Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to the Company and the Offer, which is material in the context of the Offer, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. The Selling Shareholder confirms all information set out in this Draft Red Herring Prospectus in its respect as the Selling Shareholder which is material in the context of Offer for Sale.

LISTING

The Equity Shares of the Company are listed on the BSE and the NSE. [●] is the Designated Stock Exchange. We have received in-principle approval from the NSE and the BSE for commencement of trading of the Equity Shares offered for sale pursuant to letters dated [●] and [●] respectively.

BOOK RUNNING LEAD MANAGERS				REGISTRAR TO THE ISSUE
BofA Merrill Lynch	ICICI Securities	kotak® Investment Banking	Morgan Stanley	KARVY
DSP Merrill Lynch Limited 8th Floor, Mafatlal Centre, Nariman Point, Mumbai – 400 021, Maharashtra, India. Tel: +91 (22) 6632 8000 Fax: +91 (22) 2204 8518 Email : dg.bhelfpo@baml.com Investor Grievance E-mail : india_merchantbanking@baml.com Website: www.dspml.com Contact Person: Ms. Theresa Pimenta SEBI Registration No.:INM000011625	**ICICI Securities Limited** ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai – 400 020, Maharashtra, India. Tel: +91 (22) 2288 2460 Fax: +91 (22) 2282 6580 Email : bhel.fpo@icicisecurities.com Investor Grievance Email : customercare@icicisecurities.com Website : www.icicisecurities.com Contact Person: Mr. Mangesh Ghogle / Mr. Ayush Jain SEBI Registration No.:INM000011179	**Kotak Mahindra Capital Company Limited** 1st Floor, Bakhtawar, 229, Nariman Point, Mumbai – 400021, Maharashtra, India Tel: +91 (22) 6634 1100 Fax: +91 (22) 2283 7517 Email : bhel.fpo@kotak.com Investor Grievance E-mail : kmccredressal@kotak.com Website :www.investmentbank.kotak.com Contact Person: Mr. Chandrakant Bhole SEBI Registration No.: INM000008704	**Morgan Stanley India Company Private Limited** 18F/19F, Tower 2, One Indiabulls Centre, 841, Senapati Bapat Marg, Mumbai – 400 013, India Tel: +91 (22) 6118 1000 Fax: +91 (22) 6118 1040 Email : bhel_fpo@morganstanley.com Investor Grievance E-mail : investors_india@morganstanley.com Website : www.morganstanley.com/indiaofferdocuments Contact Person: Ms. Mayuri Gupta SEBI Registration No.: INM000011203	**Karvy Computershare Private Limited** Plot No. 17 to 24, Vithal Rao Nagar, Madhapur, Hyderabad - 500 086, Andhra Pradesh, India. Tel: +91 (40) 4465 5000 Tel: (toll free): 1 800 345 4001 Fax: +91 (40) 2343 1551 Email: bhel.fpo@karvy.com Website: www.karisma.karvy.com Contact Person: Mr Murali Krishna SEBI Registration No.: INR000000221

BID/OFFER PROGRAM			
BID OPENS ON	**[●]**	**BID CLOSES ON (FOR QIB BIDDERS)#**	**[●]**
		BID CLOSES ON (FOR ALL OTHER BIDDERS)	**[●]**

#The Company and the Selling Shareholder in consultation with the BRLMs may consider closing the QIB Bidding Period a day before the Bid Closing Date for other Bidders.

TABLE OF CONTENTS

SECTION I – GENERAL 1

DEFINITIONS AND ABBREVIATIONS 1
CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA AND CURRENCY OF PRESENTATION 10
NOTICE TO INVESTORS 13
FORWARD-LOOKING STATEMENTS 15

SECTION II – RISK FACTORS 16

RISK FACTORS 16

SECTION III – INTRODUCTION 42

SUMMARY OF INDUSTRY 42
SUMMARY OF THE BUSINESS 45
THE OFFER 51
SUMMARY FINANCIAL INFORMATION 53
GENERAL INFORMATION 64
CAPITAL STRUCTURE 78
OBJECTS OF THE OFFER 87
BASIS FOR THE OFFER PRICE 88
STATEMENT OF TAX BENEFITS 92

SECTION IV – ABOUT THE COMPANY 103

INDUSTRY OVERVIEW 103
THE BUSINESS 122
REGULATIONS AND POLICIES 143
HISTORY AND CERTAIN CORPORATE MATTERS 151
THE MANAGEMENT 168
THE PROMOTER AND GROUP COMPANIES 194
DIVIDEND POLICY 195

SECTION V – FINANCIAL INFORMATION 196

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 324
MATERIAL DEVELOPMENTS 339
STOCK MARKET DATA FOR EQUITY SHARES OF THE COMPANY 343
FINANCIAL INDEBTEDNESS 345

SECTION VI – LEGAL AND OTHER INFORMATION 347

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS 347
GOVERNMENT AND OTHER APPROVALS 377
OTHER REGULATORY AND STATUTORY DISCLOSURES 403

SECTION VII – OFFER RELATED INFORMATION 414

TERMS OF THE OFFER 414
OFFER STRUCTURE 418
OFFER PROCEDURE 423

SECTION VIII – MAIN PROVISIONS OF ARTICLES OF ASSOCIATION 463

SECTION IX – OTHER INFORMATION 477

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION 477

DECLARATION 480

SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates or implies, the following terms have the following meanings in this Draft Red Herring Prospectus, and references to any statute or regulations or policies will include any amendments or re-enactments thereto, from time to time.

Company Related Terms

Term	Description
"BHEL" and "the Company"	Bharat Heavy Electricals Limited, a public limited company incorporated under the Companies Act with its registered office at BHEL House, Siri Fort, New Delhi 110 049, India
AoA/Articles of Association or Articles	The articles of association of the Company, as amended from time to time
Audit Committee	The audit committee of the Board of Directors described in the section titled "The Management" on page 168
Auditors	The statutory auditors of the Company, being M/s. Gandhi Minocha & Co. and M/s. S. N. Dhawan & Co., Chartered Accountants
Board or Board of Directors	The board of Directors of the Company
Director(s)	The directors of the Company
Executive Director(s)	The executive director of the Company
MoA/Memorandum of Association	The memorandum of association of the Company, as amended from time to time
Promoter	The President of India, acting through the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, Government of India
Registered Office and Corporate Office	The registered and corporate office of the Company situated at BHEL House, Siri Fort, New Delhi 110 049, India
Selling Shareholder	The President of India, acting through the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, Government of India
Subsidiaries	Bharat Heavy Plate and Vessels Limited and BHEL Electrical Machines Limited
"We" or "us" or "our" or "Our Company"	The Company and where the context requires, the Subsidiaries, joint ventures on a consolidated basis.

Offer Related Terms

Term	Description
Allotted/Allotment/Allot	Unless the context otherwise requires, transfer of the Equity Shares to successful Bidders pursuant to this Offer
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Application Supported by Blocked Amount/ASBA	Application (whether physical or electronic) used by a Bidder to make a Bid authorizing the SCSB to block the Bid Amount in the specified bank account maintained with the SCSB
ASBA Account	Account maintained with an SCSB which will be blocked by such SCSB to the extent of the Bid Amount of the ASBA Bidder
ASBA Form/ASBA Bid cum Application Form	The Bid cum Application Form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus
ASBA Bidder	Any Bidder who Bids through ASBA
ASBA Revision Form	The revision form whether physical or electronic used by ASBA Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their ASBA Bid cum Application Forms or any previous Revision Forms
Bankers to the Offer/Escrow Collection Banks	[●]

Term	Description
Basis of Allotment	The basis on which the Equity Shares will be Allotted, as described in the section titled "Offer Procedure – Basis of Allotment" on page 456
Bid	An indication to make an offer during the Bidding Period by a Bidder in terms of the Red Herring Prospectus
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder upon submission of the Bid. For Eligible Employees Bidding in the Employee Reservation Portion and Retail Bidders, the Bid shall be net of the Retail Discount and Employee Discount, if any
Bid Closing Date	The date after which the members of the Syndicate and SCSBs will not accept any Bids. Such date shall be notified in an English national daily newspaper, a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where the Registered Office is located) and in case of any revision, the extended Bid Closing Date shall also be notified on the website and terminals of the Syndicate and SCSBs. The Company and the Selling Shareholder in consultation with the BRLMs may consider closing QIB Bidding Period a day before the Bid Closing Date.
Bidding Centre / Bidding Location	A centre for acceptance of the Bid cum Application Form.
Bid cum Application Form	The form in terms of which the Bidder (other than an ASBA Bidder) will Bid and which will be considered as the application for Allotment
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form, including an ASBA Bidder
Bidding Period	The period between the Bid Opening Date and the Bid Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids, including any revisions thereof
Bid Opening Date	The date on which the members of the Syndicate and SCSBs shall start accepting Bids. Such date shall be notified in an English national daily newspaper, a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where the Registered Office is located) and in case of any revision, the extended Bid Closing Date shall also be notified on the website and terminals of the Syndicate and SCSBs.
Book Building Process	The method of book building as described in Part A of Schedule XI of the SEBI Regulations, in terms of which the Offer is being made
Book Running Lead Managers / BRLMs	The book running lead managers to the Offer, in this case being DSP Merrill Lynch Limited, ICICI Securities Limited, Kotak Mahindra Capital Company Limited and Morgan Stanley India Company Private Limited
Cap Price	Higher end of the Price Band, including revisions thereof, above which the Offer Price will not be determined and above which no Bids will be accepted
Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate Bids under the Offer by the ASBA Bidders with the Registrar to the Offer and the Stock Exchanges, a list of which is available on http://www.sebi.gov.in/pmd/scsb.html
Cut-off Price	The Offer Price which will be any price within the Price Band. Only Retail Bidders and Eligible Employees, whose Bid Amount does not exceed ₹ 200,000 are entitled to Bid at the Cut-off Price. QIBs and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price
Designated Branches	Such branches of the SCSBs which will collect the ASBA Bid cum Application Form used by ASBA Bidders, a list of which is available on http://www.sebi.gov.in/pmd/scsb.html or at such other website which may be prescribed by SEBI from time to time
Designated Date	The date on which funds are transferred from the Escrow Accounts to the Public Offer Account and the Registrar to Offer issues instructions to SCSBs for transfer of funds from ASBA Accounts to the Public Offer Account in terms of the Red Herring Prospectus
Designated Stock Exchange	[●]
"Draft Red Herring Prospectus" or "DRHP"	This draft red herring prospectus filed with SEBI and issued in accordance with the SEBI Regulations.

Term	Description
Eligible Employee	A permanent and full-time employee of the Company and/or its Subsidiaries (excluding the Directors and such other persons not eligible under applicable laws, rules, regulations and guidelines), who are Indian nationals based, working and present in India as on the date of submission of the Bid cum application Form/ASBA Form.
Eligible NRI	A NRI resident in a jurisdiction outside India where it is not unlawful to make an offer or invitation under the Offer and in relation to whom the Red Herring Prospectus constitutes an invitation to Bids on the basis of the terms thereof
Employee Discount	The difference of ₹ [●] between the Offer Price and the differential lower price at which the Selling Shareholder and our Company have decided to Allot the Equity Shares to Eligible Employees bidding in the Employee Reservation Portion. The rupee amount of the Employee Discount will be decided by the Selling Shareholder in consultation with the Company and the BRLMs, and published by our Company at least one Working Day prior to the Offer Opening Date, in the following newspapers, i.e. [●] and [●]. The Employee Discount is being offered to Eligible Employees bidding in the Employee Reservation Portion at the time of making a Bid.
Employee Reservation Portion	The portion of the Offer, being 2,447,600 Equity Shares, available for allocation to Eligible Employees.
Equity Listing Agreement(s)	Equity listing agreement(s) entered into by the Company with the Stock Exchanges, including all amendments made thereto from time to time
Equity Share(s)	Equity shares of the Company with a face value of ₹ 10 each*. **The Board of Directors of the Company on July 01, 2011 and the Shareholders of the Company on September 20, 2011, respectively have approved the sub-division of equity share of face value of ₹10 each into 5 equity shares of face value of ₹2 each w.e.f. record date i.e. October 4, 2011. Based on the issued, subscribed and paid-up share capital of the Company of 489,520,000 equity shares of ₹10 each, the size of the present Offer is 2,44,76,000 equity shares of ₹10 each, which will translate to 12,23,80,000 equity shares of ₹2 each when adjusted for the sub-division.*
Escrow Account(s)	Accounts opened with the Escrow Collection Banks for the Offer and in whose favour the Bidders (excluding ASBA Bidders) will issue cheques or drafts in respect of the Bid Amount
Escrow Agreement	The agreement to be entered into amongst the Company, the Selling Shareholder, the Registrar, the members of the Syndicate and the Escrow Collection Banks for collection of the Bid Amounts and remitting refunds, if any, of the amounts to the Bidders (excluding ASBA Bidders) on the terms and conditions thereof
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or the Revision Form or the ASBA Bid cum Application Form or the ASBA Revision Form as the case may be
Floor Price	Lower end of the Price Band and any revisions thereof, below which the Offer Price will not be finalized and no Bids will be accepted
Mutual Funds	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended
Mutual Funds Portion	5% of the QIB Portion equal to a minimum of 550,710 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion on a proportionate basis
Net Offer	Offer less the Employees Reservation Portion, consisting of 22,028,400 Equity Shares to be Allotted
Non-Institutional Bidders	All Bidders, including sub-accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals, that are not QIBs, Retail Bidders or Eligible Employees and who have Bid for Equity Shares for an amount more than ₹ 200,000
Non-Institutional Portion	The portion of the Offer, being not less than 15% of the Net Offer or 3,304,260 Equity Shares, available for allocation to Non-Institutional Bidders
Non-Resident Indian or NRI	A person resident outside India, who is a citizen of India or a person of Indian origin and will have the same meaning as ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2000, as amended
Offer	Further public offer by the Company of 24,476,000 Equity Shares* through an Offer

Term	Description
	for Sale by the Selling Shareholder of the Company. The Offer comprises a Net Offer to the public of 22,028,400 Equity Shares and an Employee Reservation Portion of 2,447,600 Equity Shares for subscription by Eligible Employees **The Board of Directors of the Company on July 01, 2011 and the Shareholders of the Company on September 20, 2011 have approved the sub-division of equity share of face value of ₹10 each into 5 equity shares of face value of ₹2 each w.e.f. record date i.e. October 4, 2011. Based on the issued, subscribed and paid-up share capital of the Company of 489,520,000 equity shares of ₹10 each, the size of the present Offer is 2,44,76,000 equity shares of ₹10 each, which will translate to 12,23,80,000 equity shares of ₹2 each when adjusted for the stock split.*
Offer Agreement	The agreement dated September 28, 2011 entered into amongst the Company, the Selling Shareholder and the BRLMs pursuant to which certain arrangements are agreed to in relation to the Offer
Offer for Sale	Offer for sale of 24,476,000 Equity Shares by the Selling Shareholder
Offer Price	The final price at which Equity Shares will be offered and Allotted to the successful Bidders in terms of the Red Herring Prospectus and the Prospectus. The Offer Price will be decided by the Selling Shareholder, in consultation with the Company and the BRLMs on the Pricing Date.
Price Band	Price band of a minimum price (Floor Price) of ₹ [●] and a maximum price (Cap Price) of ₹ [●], including revisions thereof. The Price Band for the Offer will be decided by the Selling Shareholder, in consultation with the Company and the BRLMs and advertised in an English national daily newspaper i.e. [●], a Hindi national daily newspaper i.e. [●], each with wide circulation (Hindi also being the regional language in the state where the Registered Office is located) at least one Working Day prior to the Bid Opening Date, with the relevant financial ratios calculated at the Floor Price and at the Cap Price
Pricing Date	The date on which the Company and the Selling Shareholder, in consultation with the BRLMs will finalize the Offer Price
Prospectus	The Prospectus to be filed with the RoC in terms of Section 60 of the Companies Act and SEBI ICDR Regulations, containing, among other things, the Offer Price that is determined at the end of the Book Building Process, the size of the Offer and certain other information and including any addenda or corrigenda thereof
Public Offer Account	The bank account to be opened with the Bankers to the Offer to receive monies from the Escrow Account(s) and the ASBA Accounts, on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs and sub-accounts registered with SEBI (other than a sub-account which is a foreign corporate or foreign individual), scheduled commercial banks, Mutual Funds, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of ₹ 250 million and pension funds with minimum corpus of ₹ 250 million, the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India, insurance funds set up and managed by army, navy or air force of the Union of India and insurance funds setup and managed by the Department of Posts, India, eligible for bidding in this Offer
QIB Portion	The portion of the Offer being up to 50% of the Net Offer or 11,014,200 Equity Shares to be Allotted to QIBs, on a proportionate basis
Red Herring Prospectus or RHP	The red herring prospectus to be issued in accordance with Section 60B of the Companies Act and the SEBI ICDR Regulations
Refund Accounts	Account(s) opened with Refund Bank(s) from which refunds of the whole or part of the Bid Amount (excluding the ASBA Bidders), if any, will be made
Refund Banks	Escrow Collection Bank(s) with which Refund Account(s) are opened in this case being, [●]
Registrar to the Offer/Registrar	Karvy Computershare Private Limited
Registrar's Agreement	The agreement dated September 28, 2011 entered into amongst the Company, the

Term	Description
	Selling Shareholder and the Registrar to the Offer pursuant to which certain arrangements are agreed to in relation to the Offer
Retail Bidders	Bidders (including HUFs and NRIs), other than Eligible Employees submitting Bids under the Employee Reservation Portion, who have Bid for Equity Shares for an amount less than or equal to ₹ 200,000 in any of the bidding options in the Net Offer
Retail Discount	The difference of ₹ [●] between the Offer Price and the differential lower price at which the Company and the Selling Shareholder has decided to Allot Equity Shares to Retail Individual Bidders. The rupee amount of the Retail Discount will be decided by the Selling Shareholder in consultation with the Company and the BRLMs, and published by the Company at least one Working Day prior to the Offer Opening Date, in the following newspapers, i.e. [●].
Retail Portion	The portion of the Offer, being not less than 35% of the Net Offer, or 7,709,940 Equity Shares at the Offer Price, available for allocation to Retail Bidders
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the price options, as applicable, in any of their Bid cum Application Forms or any previous Revision Form(s)
Self Certified Syndicate Bank or SCSB	Banks which are registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994, as amended and offer services of ASBA, including blocking of ASBA Accounts, a list of which is available on http://www.sebi.gov.in/pmd/scsb.html
Stock Exchanges	The BSE and the NSE
Syndicate	Collectively, the BRLMs and the Syndicate Members
Syndicate Agreement	The agreement to be entered into amongst the Syndicate, the Selling Shareholder and the Company in relation to the collection of Bids (excluding Bids from the ASBA Bidders) in this Offer
Syndicate Members	[●]
Transaction Registration Slip or TRS	The slip or document issued by a member of the Syndicate to a Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The Agreement between the Underwriters, the Company and the Selling Shareholder to be entered into, on or after the Pricing Date
U.S. QIB	A "qualified institutional buyer", as defined in Rule 144A under the U.S. Securities Act of 1933, as amended
Working Day	All days other than a Sunday or a public holiday, on which commercial banks in Mumbai are open for business (except in reference to announcement of Price Band and Bidding Period, where a working day means all days other than a Saturday, Sunday or a public holiday, on which commercial banks in Mumbai are open for business)

Conventional and General Terms/ Abbreviations and References to Other Business Entities

Term	Description
Act or Companies Act	Companies Act, 1956, as amended
BAN	Beneficiary account number
BGGTS	BHEL GE Gas Turbine Services Private Limited
BHEL EML	BHEL Electrical Machines Limited
BHPVL/BHPV	Bharat Heavy Plate and Vessels Limited
BPPL	Barak Power Private Limited
BSE	The Bombay Stock Exchange Limited
CAG	Comptroller and Auditor General of India
CAGR	Compounded annual growth rate
CDSL	Central Depository Services (India) Limited
CLB	Company Law Board
Competition Act	The Competition Act, 2002, as amended

Term	Description
Competition Commission	Competition Commission of India
CPSU	Central public sector undertakings
CSR	Corporate social responsibility
DDKPL	Dada Dhuniwale Khandwa Power Limited
Depositories	NSDL and CDSL
Depositories Act	SEBI Depositories Act, 1996, as amended
Depository Participant or DP	A depository participant as defined under the Depositories Act
DHI	Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, GoI
DoD	Department of Disinvestment, Ministry of Finance, GoI
DoE	Department of Expenditure , Ministry of Finance, GoI
DPE	Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, GoI
DP ID	Depository participant's identity
DSPML	DSP Merrill Lynch Limited
DTC Bill	The Direct Tax Code Bill, 2010
EBITDA	Earnings before interest, taxes, depreciation and amortization
ECS	Electronic clearing service
EGM	Extraordinary general meeting of the shareholders of a company
EPF Act	Employees (Provident Fund and Miscellaneous Provisions) Act, 1952, as amended
EPS	Earnings per share
FCNR Account	Foreign currency non-resident account established in accordance with the FEMA
FDI	Foreign direct investment
FEMA	Foreign Exchange Management Act, 1999, as amended, together with rules and regulations thereunder
FIIs	Foreign institutional investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI
FIPB	Foreign investment promotion board
Fiscal or fiscal or Financial Year or FY	A period of twelve months ended March 31 of that particular year, unless otherwise stated.
FPO	Further public offering
GIR No	General index register number
GoI or Government	Government of India
HEIL	Heavy Electricals (India) Limited
HR	Human resources
HUF	Hindu undivided family
ID Act	Industrial Disputes Act, 1947, as amended
IFRS	International financial reporting standards
Income Tax Act or I.T. Act	Income Tax Act, 1961, as amended
Indian GAAP	Generally accepted accounting principles in India
Industrial Policy	The policy and guidelines relating to industrial activity in India, issued by the GoI from time to time
Insurance Regulatory and Development Authority or IRDA	Statutory body constituted under the Insurance Regulatory and Development Authority Act, 1999, as amended
I-Sec	ICICI Securities Limited
Kotak	Kotak Mahindra Capital Company Limited
LPCL	Latur Power Company Limited
MCA	Ministry of Corporate Affairs, GoI
Minimum Wages Act	Minimum Wages Act, 1948, as amended
MoF	Ministry of Finance, GoI
MoU	Memorandum of understanding

Term	Description
Morgan Stanley	Morgan Stanley India Company Private Limited
MPL	Mysore Porcelains Limited
N/A	Not applicable
NBFC	Non banking financial company
NBPPL	NTPC BHEL Power Projects Private Limited
NEFT	National electronic fund transfer
Non-Resident or NR	A person resident outside India, as defined under the FEMA and includes a non-resident Indian
NRE Account	Non-Resident external account established in accordance with the FEMA
NRO Account	Non-Resident ordinary account established in accordance with the FEMA
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
NTPC	National Thermal Power Corporation Limited
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not allowed to invest in this Offer.
PAN	Permanent account number allotted under the I.T. Act
PFI	Public financial institution
PPIL	Powerplant Performance Improvement Limited
PSU	Public sector undertaking
RBI	Reserve Bank of India
Re.	One Indian rupee
Regulation S	Regulation S of the U.S. Securities Act, 1933
REMCO	Radio and Electricals Manufacturing Company Limited
RoC	Registrar of Companies, National Capital Territory Delhi and Haryana
RPCL	Raichur Power Corporation Limited
₹ / INR / Rupees/ Rs.	Indian rupees
RTGS	Real time gross settlement
RTI	Right to information
Rule 144A	Rule 144A under the U.S. Securities Act, 1933
SCRA	Securities Contract (Regulations) Act, 1956, as amended
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended
SEBI Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended
SEBI Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended
STT	Securities transaction tax
Supreme Court	Supreme Court of India
UPCL	Udangudi Power Corporation Limited
US GAAP or U.S. GAAP	Generally accepted accounting principles in the United States of America
U.S. Securities Act	U.S. Securities Act of 1933, as amended
wef.	With effect from

Industry/ Business Related Terms

Term	Description
AC	Alternating current
AHP	Ash handling plant
BFP	Boiler feed pump
BOP	Balance of plant
BTG	Boiler, turbine and generator
CAS	Compressed air system
CCPP	Combined cycle power plant
CEA	Central Electricity Authority of India
CERC	Central Electricity Regulatory Commission of India
CHP	Coal handling plant
CII	Confederation of Indian Industry
ckm	circuit kilometre
CRGO	Cold-rolled grain-oriented steel
CSP	Concentrated solar power
CWP	Cooling water pump
DEMU	Diesel electric multiple units
DC	Direct current
DM	De-mineralisation
EHV	Extra high voltage
EMU	Electric multiple unit
EPC	Engineering, procurement and construction
ERP	Enterprise resource planning
ESP	Electrostatic precipitators
FACTS	Flexible AC transmission systems
FBC	Fluidised bed combustion
FPS	Fire protection system
GENP	General Electric Oil & Gas – Nuovo Pignone
GDP	Gross Domestic Product
GW	Gigawatt(s)
HV	High-voltage
HRSG	Heat recovery steam generators
HVAC	Heat ventilation and air conditioning
HVDC	High Voltage Direct Current
IEEMA	Indian Electrical & Electronics Manufacturers' Association
IEI	Institution of Engineers (India)
IEX	Indian Energy Exchange
IGCC	Integrated gasification combined cycle
IPTC	Independent Private Transmission Company
IRFC	Indian Railway Finance Corporation
ITPs	Independent transmission projects
JNNSM	Jawaharlal Nehru National Solar Mission
kV	Kilo volt
MNRE	Ministry of New and Renewable Energy
MoP	Ministry of Power
MPPs	Merchant Power Plants
MVA	Mega Volt Ampere
MW	Megawatt(s)
NTP	National Tariff Policy
NVVN	NTPC Vidyut Vyapar Nigam
OA	Operating availability
OIL	Oil India Limited
ONGC	Oil and Natural Gas Corporation Limited

Term	Description
Order Book	The total contract value (as per the terms of the contract) of all existing contracts as of such date, minus any revenue already recognised by the Company on a standalone basis in relation to such existing contracts up to and including such date. We use the percentage completion method to recognise revenue for long-term construction contracts, which constitute the substantial majority of our contracts
PLF	Plant load factor
PPAs	Power Purchase Agreements
PPPs	Public Private Partnerships
PT	Pre-treatment
PXIL	Power Exchange India Limited
R&D	Research and development
REBs	Regional Electricity Boards
ROD	Regional Operations Division
SAIL	Steel Authority of India Limited
SCOPE	Standing Conference of Public Enterprises
SPV	Solar photovoltaic
SRSF	Special Railway Safety Fund
STG	Steam turbine generator
T&D	Transmission and distribution
TBG	Transmission business group
TLTs	Transmission line towers
TPL	Tata Projects Ltd
UHV	Ultra high voltage
UMPPs	Ultra Mega Power Projects
Vision 2020	Indian Railways' Vision 2020

The words and expressions used but not defined in this Draft Red Herring Prospectus will have the meaning assigned to such terms under the Companies Act, SEBI Act, the SCRA, the Depositories Act and the rules and regulations thereunder.

Notwithstanding the foregoing, terms in the sections titled "Main Provisions of Articles of Association", "Statement of Tax Benefits", "Regulations and Policies", "Financial Statements" and "Outstanding Litigation and Material Developments" on pages 463, 92, 143, 196 and 347 in this Draft Red Herring Prospectus respectively, will have the same meaning given to such terms in these respective sections.

CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA AND CURRENCY OF PRESENTATION

Certain Conventions

Unless otherwise specified or the context otherwise requires, all references to "India" in this DRHP are to the Republic of India, together with its territories and possessions, and all references to the "US", the "USA", the "United States" or the "U.S." are to the United States of America, together with its territories and possessions. Unless the context otherwise requires, a reference to the "Company" is a reference to Bharat Heavy Electricals Limited and unless the context otherwise requires, a reference to "we", "us" and "our" refers to Bharat Heavy Electricals Limited and its subsidiaries and joint ventures, as applicable in the relevant fiscal period, on a consolidated basis.

Financial Information

In this Draft Red Herring Prospectus, we have included (i) the audited restated standalone financial statements for fiscal 2007, 2008, 2009, 2010 and 2011; (ii) the audited restated consolidated financial statements for fiscal 2009, 2010 and 2011 and the unaudited unconsolidated limited review financial statements for the three month-period ended June 30, 2011. These financial statements are based on the audited standalone and consolidated financial statements for such respective periods (except the unaudited unconsolidated limited review financial statements for the three month-period ended June 30, 2011), which have been prepared in accordance with the Companies Act and Indian GAAP and have been restated in accordance with the SEBI Regulations.

The fiscal year commences on April 1 and ends on March 31, and unless otherwise specified or the context otherwise requires, all references to a particular fiscal year are to the twelve-month period ended March 31 of that year.

Indian GAAP differs in certain material respects from U.S. GAAP and IFRS. We have not attempted to quantify the impact of IFRS or U.S. GAAP on the financial data included in this Draft Red Herring Prospectus, nor do we provide a reconciliation of the financial statements to those under U.S. GAAP or IFRS. Accordingly, the degree to which the financial information prepared in accordance with Indian GAAP, Companies Act and the SEBI Regulations included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting standards and accounting practices, Indian GAAP, the Companies Act and the SEBI Regulations. See the section titled "Risk Factors – The proposed adoption of IFRS could result in the financial condition and results of operations appearing materially different than under Indian GAAP." on page 35. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Regulations on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. In making an investment decision, investors must rely upon their own examination of the Company, the terms of the Offer and the financial information relating to the Company. Potential investors should consult their own professional advisors for an understanding of these differences between Indian GAAP and IFRS or U.S. GAAP, and how such differences might affect the financial information contained herein.

Currency and Units of Presentation

All references to "Rupees", or "₹" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$" or "USD" or "U.S. Dollar" are to United States Dollars, the official currency of the United States of America. All reference to JPY are to Japanese Yen, the official currency of Japan and all references to "€" or "Euro" are to Euro, the official currency of the European Union. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed therein are due to rounding-off. All figures mentioned in this Draft Red Herring Prospectus are denominated in millions, unless otherwise specified.

Industry and Market Data

Unless stated otherwise, industry and market data used throughout this Draft Red Herring Prospectus have been derived from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that the industry and market data used in this Draft Red Herring Prospectus is reliable, neither we nor the Selling Shareholder nor the BRLMs nor any of their respective affiliates nor advisors have prepared or verified it independently. The extent to which the

market and industry data used in this Draft Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in the section titled "Risk Factors" on page 16. Accordingly, investment decisions should not be based on such information.

In accordance with the SEBI Regulations, we have included in the section titled "Basis for the Offer Price" on page 88, information pertaining to the peer group companies of the Company. Such information has been derived from publicly available annual reports of the peer group companies.

Exchange Rates

This Draft Red Herring Prospectus contains translations of U.S. Dollar and other currency amounts into Indian Rupees that have been presented solely to comply with the requirements of item (VIII) sub-item (G) of Part A of Schedule VIII of the SEBI Regulations. It should not be construed as a representation that such currency amounts could have been, or can be converted into Indian Rupees, at any particular rate or at all.

The exchange rates of the USD and EURO into Indian Rupees for the last five Financial Years i.e. 2007, 2008, 2009, 2010 and 2011 and on monthly basis commencing from September, 2010 uptil August 2011 are provided below.

INR – USD

Fiscal Year	Year/ Month End	Average	High	Low
2007	43.59	45.29	46.95	43.14
2008	39.97	40.24	43.15	39.27
2009	50.95	45.91	52.06	39.89
2010	45.14	47.42	50.53	44.94
2011	44.65	45.58	47.57	44.03
Month				
Sep-10	44.92	46.06	46.87	44.92
Oct-10	44.54	44.41	44.74	44.03
Nov-10	46.04	45.02	46.04	44.25
Dec-10	44.81	45.16	45.70	44.81
Jan-11	45.95	45.39	45.95	44.67
Feb-11	45.18	45.44	45.81	45.11
Mar-11	44.65	44.99	45.27	44.65
Apr-11	44.38	44.37	44.68	44.04
May-11	45.03	44.90	45.38	44.30
Jun-11	44.72	44.85	45.10	44.61
Jul-11	44.16	44.42	44.69	43.95
Aug-11	46.02	45.28	46.13	44.05

Source: Reserve Bank of India

INR – EURO

Fiscal Year	Year/ Month End	Average	High	Low
2007	58.14	58.11	59.90	53.77
2008	63.09	56.99	64.48	54.32
2009	67.48	65.14	69.17	60.57
2010	60.56	67.08	71.06	60.52
2011	63.24	60.21	63.98	56.07
Month				
Sep-10	61.00	60.08	61.10	59.11
Oct-10	61.81	61.71	62.33	60.96

Fiscal Year	Year/ Month End	Average	High	Low
Nov-10	60.36	61.49	62.59	60.36
Dec-10	59.81	59.68	60.31	59.12
Jan-11	62.54	60.53	62.73	58.63
Feb-11	62.15	62.09	63.16	61.41
Mar-11	63.24	63.03	63.98	62.32
Apr-11	65.83	64.23	65.83	63.01
May-11	64.75	64.48	66.23	63.57
Jun-11	64.79	64.54	65.48	63.39
Jul-11	63.10	63.46	64.80	62.26
Aug-11	66.70	64.94	66.70	62.87

Source: Reserve Bank of India

NOTICE TO INVESTORS

United States of America ("United States")

The Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Draft Red Herring Prospectus. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States under the U.S. Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws in the United States.

Accordingly, the Equity Shares are being offered and sold (i) in the United States only to, "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("Rule 144A") and referred to in this Draft Red Herring Prospectus as "U.S. QIBs", which, for the avoidance of doubt, does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs"), acting for its own account or for the account of another U.S. QIB (and meets the other requirements set forth herein), in reliance on the exemption from registration under the U.S. Securities Act provided by Rule 144A or other available exemption; and (ii) outside the United States in reliance on Regulation S.

Each purchaser of Equity Shares inside the United States will be required to represent and agree, among other things, that such purchaser (i) is a U.S. QIB; and (ii) will only reoffer, resell, pledge or otherwise transfer the Equity Shares in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S.

Each purchaser of Equity Shares outside the United States will be required to represent and agree, among other things, that such purchaser acquiring the Equity Shares in an "offshore transaction" in accordance with Regulation S.

We conduct business activities with countries and persons that are subject to sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control, the United Nations Security Council, the European Union and/or Her Majesty's Treasury. Certain investors may not wish to invest in our Equity Shares as a result of such activities. Investors are urged to consider carefully the information in the Draft Red Herring Prospectus with respect to our business activities in Sudan, Myanmar (Burma), Syria, Libya and Belarus, and to review carefully "Risk Factors- Some of the countries in which we operate, such as Libya, Myanmar (Burma), Sudan, Belarus and Syria, are subject to certain international sanctions".

European Economic Area

This Draft Red Herring Prospectus has been prepared on the basis that all offers of Equity Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area ("EEA"), from the requirement to produce a prospectus for offers of Equity Shares. The expression "Prospectus Directive" means Directive 2003/71/EC of the European Parliament and Council and includes any relevant implementing measure in each Relevant Member State (as defined below). Accordingly, any person making or intending to make an offer within the EEA of Equity Shares which are the subject of the placement contemplated in this Draft Red Herring Prospectus should only do so in circumstances in which no obligation arises for our Company or any of the Underwriters to produce a prospectus for such offer. None of our Company and the Underwriters have authorized, nor do they authorize, the making of any offer of Equity Shares through any financial intermediary, other than the offers made by the Underwriters which constitute the final placement of Equity Shares contemplated in this Draft Red Herring Prospectus.

Notice to New Hampshire Residents

Neither the fact that a registration statement or an application for a license has been filed under chapter 421-b of the New Hampshire revised statutes ("RSA 421-b") with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State of New Hampshire that any document filed under RSA 421-b is true, complete and not

misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State of New Hampshire has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client, any representation inconsistent with the provisions of this paragraph

FORWARD-LOOKING STATEMENTS

All statements contained in this Draft Red Herring Prospectus that are not statements of historical facts constitute "forward-looking statements." Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "estimate", "expect", "intend", "may", "objective", "plan", "potential", "project", "pursue", "should", "will", "would", or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals are also forward-looking statements.

All statements regarding the expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to the business strategy, the revenue, profitability, planned projects or initiatives. These forward-looking statements and any other projections contained in this Draft Red Herring Prospectus (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. Important factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under the sections titled "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Industry Overview" and "The Business" on pages 16, 324, 102 and 122 of this Draft Red Herring Prospectus respectively.

The forward-looking statements contained in this Draft Red Herring Prospectus are based on the beliefs of management, as well as the assumptions made by and information currently available to management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of the underlying assumptions prove to be incorrect, the actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. The Company, the Selling Shareholder, the BRLMs, the Syndicate Members or their respective affiliates do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, the Selling Shareholder and the BRLMs will ensure that investors are informed of material developments until the time of the grant of final listing and trading permissions with respect to Equity Shares being offered, by the Stock Exchanges. The Company and the Selling Shareholder will ensure that investors are informed of material developments in relation to statements about the Company and the Selling Shareholder in this Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus until the Equity Shares are Allotted to the investors.

SECTION II – RISK FACTORS

RISK FACTORS

An investment in equity securities involves a high degree of risk. You should carefully consider all the information in this Draft Red Herring Prospectus, including our financial statements and the related notes and the sections titled "The Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 122 and 324, respectively, and the risks and uncertainties described below, before making an investment in our Equity Shares. If any one or some combination of the following risks were to occur, our business, financial condition and results of operations could suffer, and the price of our Equity Shares could decline and you may lose all or part of your investment. Unless specified in the relevant risk factors below, we are not in a position to quantify the financial implication of any of the risks mentioned below. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. The following factors have been considered for determining the materiality:

1. Some events may not be material individually but may be found material collectively;
2. Some events may have material impact qualitatively instead of quantitatively;
3. Some events may not be material at present but may have a material impact in the future.

This Draft Red Herring Prospectus also contains forward-looking statements that involve risks and uncertainties. The actual results of our operations could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below. You should also consider the warning regarding forward looking statements in the section titled "Forward-Looking Statements" beginning on page 15.

Unless otherwise stated, financial information included in this section for Financial Years 2011, 2010 and 2009 has been derived from our restated and audited consolidated financial statements as of and for the Financial Years ended March 31, 2011, March 31, 2010 and March 31, 2009. For further information, see the section titled "Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation – Financial Information".

In this section, unless the context otherwise requires, a reference to the "Company" is a reference to Bharat Heavy Electricals Limited and unless the context otherwise requires, a reference to "we", "us" and "our" refers to Bharat Heavy Electricals Limited and its Subsidiaries and joint ventures, as applicable in the relevant fiscal period, on a consolidated basis.

You should not invest in this offering unless you are prepared to accept the risk of losing all or part of your investment, and you should consult your tax, financial and legal advisors about the particular consequences to you of an investment in the Equity Shares.

INTERNAL RISK FACTORS

Risk Factors Related to Our Business and Our Company

1. The Company is presently involved in 19 proceedings of a criminal nature, and any adverse decision in any of these proceedings may have a material adverse effect on our business, results of financial condition and results of operations.

We are presently involved in 19 criminal proceedings which have been filed against us in various forums. Amongst the cases filed against us, one case is pending before the Court of Judicial Magistrate, Jogindernagar District Mandi (Himachal Pradesh) and two cases are pending before the Court of Chief Judicial Magistrate, Kullu and Bilaspur (Himachal Pradesh) against our Company in relation to alleged breaches of violation of the Minimum Wages Act, 1948. There are two proceedings for violation of safety standards pending before the Metropolitan Magistrate, Chennai and before the First Class Judicial Magistrate at Mulugu. Further, there are three cases filed before the Court of the Judicial Magistrate, G.B. Nagar and one case before Court of the Judicial Magistrate, Tehri Garhwal in relation to alleged breaches of the Contract Labour (Regulation and Abolition) Act, 1970. There are eight cases pending before the Court of Chief Judicial Magistrate, Tiruvallur for alleged violation of the provisions of the Building & Other Construction Labourers (Employment & Job Status Regulation) Act, 1996 and Tamil Nadu Building Act, 2006. We have one case pending before the Court of Chief Judicial Magistrate, Haridwar in relation to alleged breaches of the Factories Act, 1948. Further, one case which

was filed by one of our erstwhile employees against us under sections 337, 340, 506 and 323 of the Indian Penal Code, 1860 is pending before the Court of Judicial Magistrate, Jhansi. For details of these cases, see the section titled "Outstanding Litigation and Material Developments" on page 347 of this Draft Red Herring Prospectus. We cannot provide any assurance that these matters will be decided in our favour. Further, there is no assurance that similar proceedings will not be initiated against us in the future.

2. We face significant competition in our operations, which could adversely affect our business.

We face significant competition in our operations. In our business, we compete primarily with other large-scale operators in India and abroad. We face significant competition from certain Indian companies which have established manufacturing joint ventures with foreign partners, such as L&T – Mitsubishi Heavy Industries, Bharat Forge – Alstom and JSW – Toshiba. Several Chinese manufacturers, such as Shanghai Electric Group Company Limited, SEPCO Electric Power, Harbin Power Plant Equipment Group Corporation and Dongfang Electric Corporation, have recently been making inroads into the Indian power sector. See the section titled "Business – Competition" at page 141. The long term-contracts in our Order Book generally comprise several projects, which are expected to be completed within the next few years. We may be subject to enhanced competitive pressures then particularly as many of the domestic manufacturers are undertaking an expansion in their capacity which is expected to become available for use at that time.

Our market position depends on our ability to anticipate and respond to various competitive factors, including the introduction of new or improved products and services and new technology, pricing strategies adopted by our competitors, changes in customer preferences, especially those relating to project financing, and meeting qualifying requirements of the bid process for power generation projects. There can be no assurance that our current or potential competitors will not offer products comparable or superior to those that we offer at the same or lower prices or at shorter delivery times or adapt quickly to evolving industry trends or changing market requirements. In addition, our competitors may have greater financial resources and may benefit from greater economies of scale and operating efficiencies than we do. We may lose our customers to our competitors if, among other things, we fail to maintain the quality levels of our products and services or our prices at competitive levels for comparable products or services, meet project completion schedules or if we are unable to differentiate ourselves from our competitors. Increased competition may result in price reductions, reduced gross profit margins and loss of our market share, any of which could adversely affect our business.

3. Our operations in the power segment could be adversely affected by cheaper financing of power projects facilitated by some of our Chinese competitors.

Chinese competitors have recently been able to secure syndicated financing from Chinese financial institutions for power projects at relatively low cost, thereby providing them with an advantage over non-Chinese competitors in securing orders from Indian power generation companies, which traditionally constitute our primary customer base in this sector. If Chinese competitors continue to have access to cheaper financing, it could result in an increase in orders placed with Chinese manufacturers and loss of new orders for domestic equipment manufacturers, including us. Recently, RBI issued a circular dated September 27, 2011 which allows Indian companies which are in the infrastructure sector to avail of External Commercial Borrowings in Renminbi (**RMB**), the official currency of the People's Republic of China, under the approval route, subject to an annual cap of US$ 1 billion pending further review

4. Our financial performance is dependent on our winning long-term contracts.

We depend on winning long-term contracts to generate a substantial portion of our revenue. Any potential decrease in either the volume of contracts that are awarded to us or our ability to win such contracts can result in a significant decrease in our turnover and/or profit before tax from year to year.

The majority of our long-term contracts in the power segment are awarded through a competitive bidding process, which involves an analysis of whether we meet certain pre-qualification criteria such as net worth, experience, technological capacity and performance, reputation for quality, safety record, financial strength and size of previous contracts in similar projects. In selecting contractors for major projects, customers generally limit the tender to contractors they have pre-qualified based on these criteria, although price competitiveness of the bid is the most important selection criterion. We form a collaboration with other companies to bid for contracts where we do not qualify on a standalone basis and therefore may not be able to compete for such projects if we are unable to bid along with our collaborators. Our ability to bid for and win such projects is dependent on our ability to show experience of working on similar or larger projects and developing strong

engineering capabilities and credentials to execute more technically complex projects. If we fail to qualify for and fail to win long-term contracts, our business, financial condition and results of operations may be adversely affected.

Under our long-term contracts, we may be required to agree to supply goods or services at prices without any or with limited ability to make adjustments. Our long-term contracts have relatively long completion periods, which generally last two to four years. We generally require extensive working capital to perform the contracts as we receive payments only at certain milestones over the duration of the contract. The long completion period subjects us to the enhanced risk of unforeseeable problems and circumstances beyond our control, such as shortages of and increases in the price of materials, equipment, technically qualified personnel and labour, the occurrence of accidents and shortfalls in performance, capacity, efficiency and power output. The occurrence of any of these factors could cause a delay in the completion of an order and result in cost overruns and payment of liquidated damages to our customers or compensation payments to our suppliers or subcontractors for delays in delivery schedules. As a result, the profit margins that we realise on our long-term contracts may be lower than our original estimates. There can be no assurance that all of our long-term contracts will be completed on time.

5. Our current Order Book may not necessarily translate into future income in its entirety. Some of our current orders may be modified, cancelled, delayed, put on hold or not fully paid for by our customers, which could adversely affect our results of operations.

In Financial Year 2011, the contract value of new orders that we booked was ₹605,070 million. As many of the contracts that we enter into are executed over a period of several years, at any given time we have an Order Book which we define as the total contract value (as per the terms of the contract) of all existing contracts as of such date, minus any revenue already recognised by the Company on a standalone basis in relation to such existing contracts up to and including such date. We use the percentage completion method to recognise revenue for long-term construction contracts, which constitute the substantial majority of our contracts. We use the percentage completion method to recognise revenue for long-term construction contracts, which constitute the substantial majority of our contracts. As of June 30, 2011, our Order Book stood at ₹1,596,000 million. The contract value of new orders that we booked during the three months ended June 30, 2011, was ₹ 24,710 million. In the Financial Year ended March 31, 2011, the contract value of new orders that we booked was ₹ 605,070 million for the year. The contract value of new orders booked in the three months ended June 30, 2011 in the power and industry segments was ` 3,980 million and ₹ 20,730 million, respectively (which included ₹ 70 million from international operations). Our new orders did not include any major orders in the power industry. We attribute the decline in new orders booked in the three months ended June 30, 2011 to a reduction in the number of orders placed by our customers in the power generation sector which is a result of the non-availability of environmental clearances and issues in procuring coal linkages for their power projects. The growth of our Order Book in the past is a cumulative indication of the revenues that we expect to recognise in future periods in relation to signed contracts or contracts where binding letters of intent have been received. Our Order Book only represents business that is considered firm, although this is subject to, among other things, cancellation or other early termination because of a breach by us of our contractual obligations, non-payment by our customers, a delay in the initiation of our customers' projects, unanticipated variations or adjustments in the scope and schedule of our obligations for reasons outside our and our customers' control. We do not make adjustments to our Order Book to take account of the possibility of such events as these are fairly unusual but if such events occur, they could significantly reduce the size of our Order Book and the income and profits that we ultimately earn from the contracts. We cannot guarantee that the income anticipated in our Order Book will be realised, or, if realised, will be realised on time or result in profits. In addition, our Order Book during a particular future period depends on continued growth of the power sector in India and our ability to remain competitive.

As stated above, a delay in the initiation of our customers' projects unanticipated variations or adjustments in the scope and schedule of our obligations could occur for reasons outside our and our customers' control. For some of the contracts in our Order Book, our customers are obliged to perform or take certain actions, such as acquiring land, securing the right of way, clearing forests, supplying owner supplied material, securing required licences, authorisations or permits, obtaining fuel linkages, making advance payments or opening of letters of credit or obtaining adequate financing on reasonable terms, approving designs, approving supply chain vendors and shifting existing utilities. If a customer does not perform these and other actions in a timely manner or at all, and if such potential failure is not provided for in the contract, our projects could be delayed, put on hold, modified or cancelled and as a result, our results of operations could be adversely affected.

We generally recognise turnover based on the percentage of costs that we have incurred in relation to the underlying contract and therefore our turnover is generally dependent on the progress of that project. In addition, the profitability of a contract in our Order Book and our cash flow may be affected by the following amongst others:

- withholding of payments by customers or mismatch between our internal cost milestones and the payment milestones under our customer contracts;
- the refusal of suppliers to maintain favourable payment conditions;
- postponement/putting on hold of previously awarded contracts;
- increase in raw material costs;
- unanticipated technical problems with equipment supplied by us or incompatibility of such equipment with existing infrastructure;
- logistical issues and risks inherent in transporting equipment;
- difficulties in obtaining required governmental permits;
- unanticipated costs due to project modifications;
- delays in award of major contracts;
- performance defaults by suppliers, subcontractors or consortium partners;
- customer payment defaults and/or bankruptcy; and
- changes in law or taxation.

We are in the process of formalising stricter risk management procedures. However, we can give no assurance that these and our other initiatives will be sufficient to avoid problems in the future, and certain of our projects may be subject to delays, cost overruns, or performance shortfalls which may lead to the payment of penalties or damages. All of these factors could have a material adverse effect on our business, financial condition and results of operations.

6. Fluctuations in the supply and price of raw materials such as steel and copper could result in increased operating expenses that we may not be able to pass on to our customers.

As part of our operations, we must obtain from our suppliers sufficient quantities of raw materials, such as steel, steel-based products and copper, at acceptable prices and quality and in a timely manner. We generally do not have supply contracts for more than one year. Accordingly, we cannot assure you that we will be able to obtain sufficient amounts of raw materials from our existing suppliers or from alternative sources at acceptable prices, in a timely manner, or at all. Furthermore, raw materials, such as steel products, that are critical to our production process are subject to substantial pricing cyclicality and periodic shortages of supply in India. We cannot assure you that shortages of raw materials will not occur in the future or that we will be able to pass on cost increases to our customers. Any failure to obtain adequate raw materials or components, or to do so on commercially acceptable terms and in a timely manner, could interfere with our manufacturing operations, and, therefore, the results of our operations.

7. We and our customers may face difficulties in securing land for power generation project sites.

Our customers and, to a lesser extent, we face increasing difficulties in locating and securing sufficient land required for power generation project sites. Large projects typically require large tracts of land for development. The unavailability or shortage of available sites for development could result in projects being delayed or not being executed at all and, accordingly, adversely impact the market for our products and services. In addition, competing uses for project sites and potential environmental concerns relating to projects may also adversely affect the availability of suitable project sites.

8. We currently do not comply with certain provisions of the Equity Listing Agreement relating to the composition of our Board and are in the process of implementing risk assessment and minimisation procedures as envisaged under the Equity Listing Agreement.

We are currently not in compliance with certain provisions of the Equity Listing Agreement relating to the composition of our Board and are in the process of implementing risk assessment and minimisation procedures as envisaged under the Equity Listing Agreement. The Securities Contracts (Regulation) Act, 1956 prescribes certain penalties for non-compliance with the conditions of the Equity Listing Agreement. However, we intend to be in compliance with the requirements of Clause 49 of the Equity Listing Agreement in relation to the composition of our Board prior to the filing of the Red Herring Prospectus with the RoC. Presently, our Board has thirteen Directors, of which five are independent Directors, while Clause 49 of the Equity Listing

Agreement stipulates that independent Directors should comprise 50% of our Board. In addition, in Financial Year 2009, our audit committee met only three times (out of the prescribed four times). No penalties or suspension of trading have been imposed by the Stock Exchanges.

9. The power sector and other industries in which we operate in India are dependent on the regulatory developments in India and the continued growth of the Indian economy. Any adverse change in policy/implementation/industry demand may adversely affect us.

In Financial Year 2011, we derived 97% of our turnover from our operations in India. Our principal customers are power sector companies, as well as companies in the metal, petrochemical, refining, fertiliser and paper industry and in other industries in India in which we operate. The industries in which we operate in India are regulated by, and are directly or indirectly dependent on, GoI policies and support. We are particularly dependent on regulatory developments in the Indian power sector. For example, the GoI may from time to time amend its coal linkage policy, under which it sets forth criteria for prioritising coal supply and coal block allotment to power plants in India, its gas allocation policy or its fertiliser subsidy policy. Starting April 1, 2012, the coal linkage policy will favour super-critical technology projects over sub-critical technology projects. As a result, we expect the industry focus will increasingly shift to the super-critical technology segment, with a corresponding reduction in the sub-critical segment, which may adversely affect our competitive position and Order Book. Any changes in GoI policies or in the level of direct or indirect support provided by the GoI to the industries in which our customers operate in India could adversely affect our business, financial condition and results of operations.

Our results of operations have in the past been favourably affected by the GoI's initiatives to further increase private sector participation in the power sector. For example, the GoI has expressed a "Power for All by 2012" objective, allowing private investment in power generation in 1991 and enacting the Electricity Act, 2003 in 2003 designed to increase private sector participation in the Indian power industry. As per CEA, GoI's 12th Five-Year Plan envisages a tentative capacity addition of approximately 100,000 MW and spending in the Indian power sector in the next five years in the order of approximately ₹ 11,000 billion. In addition, the increasing prevalence of mega and ultra-mega power projects, many of which are subject to tax incentives, has encouraged power sector growth, which has led to further demand for our products and services as we have the technology and capability to meet the requirements of these projects. In addition, captive power capacity in India has been increasing, as has GoI focus on the area. For example, the Electricity Act, 2003 exempts captive power generators from license requirements.

Although the power sector is a rapidly growing sector in India, we believe that further development of this sector is dependent upon the formulation and effective implementation of regulations and policies that facilitate and encourage private sector investment in power projects. Many of these regulations and policies are evolving and their success will depend on whether they are designed to adequately address the issues faced and are effectively implemented. In addition, these regulations and policies will need continued support from stable and experienced regulatory regimes that not only stimulate and encourage the continued investment of private capital into power projects, but also lead to increased competition, appropriate allocation of risk, transparency, and effective dispute resolution. The availability of private capital and the continued growth of the private power sector in India are also linked to the continued growth of the Indian economy.

Any adverse change in the policies relating to the power sector and other industries in which we operate may adversely affect our Order Book. The Electricity Act puts in place a framework for major reforms in the sector. Furthermore, there could be additional changes in the manner of determination of tariff and other policies and licensing requirements for, and tax incentives applicable to, companies in the power sector and other industries in which we operate. Presently, we do not know what the nature or extent of review and amendment of the Electricity Act and rules and policies issued thereunder in the future may be, and cannot assure you that any amendments will not have an adverse impact on our business, financial condition and results of operations. Moreover, our customers in the power sector in India are subject to supervision and regulation by the Central Electricity Authority, the Central Electricity Regulatory Commission and state electricity regulatory commissions. If the central and state governments' initiatives and regulations in the power sector and other industries in which we operate do not proceed in the desired direction, or if there is any downturn in the macroeconomic environment in India, our business, financial condition, prospects and results of operations could be adversely affected.

In addition, it is generally believed that demand for power in India will increase in connection with expected increases in India's GDP. However, there can be no assurance that demand for power in India will increase to

the extent we expect or at all or will not be satisfied by the expected growth in manufacturing capacity of our competitors. In the event demand for power in India does not increase as anticipated, the extent to which we are able to grow our business by selling our products and services to customers in the power sector and other industries in which we operate in India would be limited and this could have a material adverse effect on our business, financial condition and results of operations.

10. Risks inherent to the power sector and other industries in which we operate in India could materially and adversely affect our business, financial condition and results of operations.

Our principal customers are power sector companies, as well as companies in the metal, petrochemical, refining, fertiliser, paper and other industries in India in which we operate. There are numerous risks inherent to our suppliers', subcontractors' and customers' operations. Many of these risks are beyond our control and include:

- adverse fluctuations in liquidity, interest rates or currency exchange rates (such as the recent interest rate increases and the depreciation of the Indian rupee) or any downgrade of India's sovereign credit rating, which could affect our customers' ability to finance their projects;
- political, regulatory, fiscal, monetary and legal actions and policies that may adversely affect the viability of projects in the power sector and other industries in which we operate, including changes in any tariff regulations applicable to power plants;
- the terms of fixed price power purchase agreements, primarily in the case of UMPPs, to which power sector customers are subject becoming onerous on account of unanticipated increases in input costs;
- delays in the implementation of GoI policies and initiatives;
- environmental concerns and environmental regulations applicable to power and industry sector projects, including, for example, relevant coal mining areas being classified as "no-go" areas;
- delays in obtaining environmental clearances or land for power and industry sector projects;
- extent and reliability of power sector infrastructure in India;
- strikes or work stoppages by employees that affect the project implementation schedule or operations of power and industry sector projects;
- adverse changes in demand for, or the price of, power generated or distributed by power sector projects; the willingness and ability of consumers to pay for the power produced;
- increase in project development costs due to environmental challenges and changes in environmental regulations;
- interruption or disruption in domestic or international financial markets, whether for equity or debt funds; delays in the construction and operation of power and industry sector projects;
- dependence on securing an adequate supply of cement, a key raw material, at cost-effective rates;
- issues with access of power plants to water, a key input for thermal and hydro power projects;
- issues faced by power generation companies in securing coal from foreign sources, such as Indonesia and Australia, due to rising prices or any other reason;
- capacity oversupply in the power transmission sector in India;
- weak payment records of SEBs, typically the key customers for our power generation customers;
- litigation and other forms of opposition from local communities and other parties to a project;
- obsolescence of technology;
- failure of third parties such as contractors, fuel suppliers, sub-contractors and others to perform their contractual obligations in respect of power and industry sector projects, due to bankruptcy or any other reason;
- adverse developments in the overall economic environment in India; and
- economic, political and social instability or occurrences such as natural disasters, armed conflict and terrorist attacks, particularly where power and industry sector projects are located in the markets they are intended to serve.

In addition, in certain of our industry segment business areas, such as rail transportation and defence, we also rely on the GoI as the single customer for our products and services. For example, Indian Railways is the single customer for most of our rail transportation products, and its growth plan for the next decade is dependent on, and subject to, the general macro-economic conditions in India and the growth of India's GDP. Any adverse change in, among other things, the GoI's investment plans, business strategy, budget allocations and equipment

acquisition plans for the rail transportation and defence sectors could adversely impact our Order Book and results of operations in these business areas.

The long-term profitability of projects, when commissioned, is partly dependent on the efficiency of their operation and maintenance of their assets. Delayed implementation, initial complications, inefficient operations, inadequate maintenance and similar factors may reduce the profitability of such projects, adversely affecting the ability of our customers to purchase our products and services. In addition, projects may be exposed to unplanned interruptions caused by catastrophic events such as floods, earthquakes, fires, major plant breakdowns, pipeline or electricity line ruptures or other disasters, in which case the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged interruption may result in a permanent loss of customers, substantial litigation or penalties and/or regulatory or contractual non-compliance. To the extent the risks mentioned above or other risks relating to the power sector and other industries in which we operate materialise, the strength of our Order Book and our results of operations may be adversely affected.

11. Significant shortages in the supply of crude oil or natural gas could adversely affect the Indian economy and our customers in particular, which could adversely affect us.

Crude oil prices are volatile and are subject to a number of factors such as the level of global production and political factors such as war and other conflicts, particularly in the Middle East, where a substantial proportion of the world's oil and natural gas reserves are located. Further, in June 2010, the GoI eliminated subsidies on certain petroleum products, and there have been media reports regarding the proposed deregulation of diesel and liquefied petroleum gas in the near future.

Any significant increase in oil prices could affect the Indian economy, including the power sector, and the Indian banking and financial system, which would, in turn, also further affect the Indian power sector. High oil prices could also add to inflationary pressures on the Indian economy. In addition, increases in oil prices may have a significant impact on the power sector and related industries in which we operate. This could adversely affect our business, our financial condition and our ability to implement our strategy.

Finally, natural gas is a significant input for the power sector. India has experienced interruptions in the availability of natural gas, which has caused difficulties in these projects. Continued difficulties in obtaining a reliable, timely supply of natural gas could adversely affect some of our customers' projects and could impact the strength of our Order Book and our financial condition. Prices of other key raw materials, for example steel, coal and cement, have also risen in recent years and if the prices of such raw materials approach levels that project developers deem unviable, this will result in a slowdown in the infrastructure sector and thereby reduce our business opportunities and adversely affect our business, financial condition and results of operations.

Continued shortages of fuel could adversely affect some of our power generation and transmission customers' projects and could impact the strength of our Order Book and our business, financial condition and results of operations.

12. Any inability to effectively execute our projects and manage our growth or to successfully implement our business plan and growth strategy could have an adverse effect on our financial condition and results of operations.

Our net turnover increased by 26.2% from ₹268,231 million in Financial Year 2009 to ₹338,449 million in Financial Year 2010 and by 17.6% from Financial Year 2010 to ₹398,086 million in Financial Year 2011. In addition, we have initiated a number of expansion programmes, including the capacity enchantment of our existing manufacturing facilities, the extension of existing businesses into new products and services, expansion of international business and the formation of strategic alliances with foreign corporations. We expect that the execution of our projects and our growth strategy will place significant strains on our management, financial and other resources. Further, continued expansion increases the challenges involved in financial and technical management, recruitment, training and retaining sufficient skilled technical and management personnel, and developing and improving our internal administrative infrastructure. We may evaluate and consider expansion in the future to pursue existing and potential market opportunities. Our inability to manage our business plan effectively and execute our growth strategy, including completion of our capacity enhancement plan, could have an adverse effect on our operations, results, financial condition and cash flows. In addition, due to any inability to manage such challenges, we may also be unable to meet the annual performance targets set by the GoI pursuant to an annual Memorandum of Understanding that we enter into with the GoI, and we may not obtain an

"excellent" rating. If we are unable to successfully implement our business plan and growth strategy, our business, financial condition and results of operations will be materially and adversely affected.

We have also been pursuing opportunities to venture into new lines of business. For example, we have explored opportunities to foray into the NBFC space to fund power projects. Pursuing any new lines of businesses will require significant capital expenditures and other resources and may require new regulatory approvals. Moreover, we do not have significant operational experience in these sectors. There can be no assurance that we will be successful in expanding into new lines of business, and if we are unable to successfully implement a planned expansion, it could adversely affect our business, operations and profitability.

In order to manage the execution of new projects and our growth effectively, we must implement and improve operational systems, procedures and internal controls on a timely basis. If we fail to implement and improve these systems, procedures and controls on a timely basis, or if there are weaknesses in our internal controls that would result in inconsistent internal standard operating procedures, we may not be able to meet our expected schedule of project implementation, hire or retain employees, pursue new business, complete future strategic agreements or operate our business effectively. There can be no assurance that our existing or future management, operational and financial systems, procedures and controls will be adequate to support future operations or establish or develop business relationships beneficial to our future operations.

13. If we do not effectively manage our business outside India, we may incur losses or be otherwise adversely affected.

We do business in several countries outside India and the expansion of our business outside India is a key strategy for us. See the section titled "Business – International Operations". We plan to continue to expand our business in other countries, either directly or through subsidiaries and/or joint ventures. Because of our relatively limited experience in operating outside India, we are subject to additional risks related to our international expansion strategy, including risks related to complying with a wide variety of national and local laws of other countries, uncertain political and economic environments, government instability, restrictions on the import and export of certain technologies, expropriation or deprivation of assets and multiple and possibly overlapping tax structures. In addition, we may face competition in other countries from companies that may have more experience with operations in such countries or with international operations generally. We may also face difficulties integrating new facilities in different countries into our existing operations. If we do not effectively manage our foreign operations, our business, financial condition and results of operations may be adversely affected.

14. ***Changes in existing terms or termination of our technical collaboration agreements could have a material adverse impact on our business and results of operations.***

We have entered into several technical collaboration arrangements with leading global manufacturing and engineering companies in order to acquire the know-how to design, engineer, manufacture, erect, commission, troubleshoot, repair, service, retrofit of power generation equipment. Under these arrangements, we are licensed to manufacture and sell the products as per the design of our collaborator in the agreed markets. The continuation of certain of our existing technical collaboration arrangements, such as our technical collaboration agreements with Siemens AG of Germany and Alstom SA of France, through which we acquire technology relating to steam turbines, TG and axial/lateral condensers, boilers is important to the successful operation of our power generation business.

15. We cannot provide any assurance that such technical collaboration arrangements will be renewed or extended at the end of their term, or that such agreements will not be terminated before the end of their term. Any termination of or failure to extend a technical collaboration agreement may require us to seek a new source for the technological input that we benefit from as a result of our current agreements. There can be no assurance that we will be able to find a suitable replacement for a technical collaboration partner for any of our existing technical collaboration agreements or that we will be able to negotiate favourable terms with any such partner in a timely manner. Any failure to replace or negotiate appropriate terms with new partners upon termination of any technical collaboration agreements that we are party to may have an adverse effect on our business, financial condition and results of operations.

16. We are dependent upon timely delivery by third parties of certain parts, components and services that meet our quality standards in our operations.

We generally outsource the production of non-technology intensive and non-key components to third party manufacturers to achieve greater cost efficiency and increase production capacity, while retaining the manufacture of technologically advanced or key components in-house. Using third parties to manufacture, assemble and test some of our products reduces our control over manufacturing yields, quality assurance and product delivery schedules. The third parties who supply us with parts, components and spare parts may not have sufficient capacity to meet all of our needs in a timely manner and in accordance with our quality standards in the event of excess demand.

We normally use third party logistic providers for deliveries of finished and unfinished products to our domestic and overseas customers as well as between our manufacturing facilities and our project sites. Transportation strikes have, in the past, and could again in the future have, an adverse effect on our supplies and deliveries to and from particular plants. An increase in freight costs or the unavailability of adequate port and shipping infrastructure for transportation of our products to our markets may have an adverse effect on our business, financial condition and results of operations.

In addition, we employ a number of external subcontractors for executing the works at our project sites as most of our projects are dependent on them for construction, installation, delivery and commissioning, as well as the supply and testing of key plant and equipment. We may only have limited control over the timing or quality of services, equipment or supplies provided by these subcontractors and are highly dependent on some of our subcontractors who supply specialised services and sophisticated and complex machinery. We may be exposed to risks relating to the quality of the services, equipment and supplies provided by subcontractors necessitating additional investments by us to ensure the adequate performance and delivery of subcontracted services or the financial condition of our subcontractors. We cannot assure you that the performance of our external subcontractors will meet our specifications or performance parameters or that they will remain financially sound. The limited availability of subcontractors with the required and adequately qualified and experienced manpower and other resources is critical to the timely completion of our projects and could adversely affect our operations and profitability. There can be no assurance that we will not encounter issues in this regard in the future, or that we will be able to replace a supplier or a subcontractor that is not able to meet our requirements. Any such underperformance, shortages or delays in the supply of parts, components, spare parts or services from third parties could adversely affect our business, financial condition and results of operations.

17. Misconduct by employees or partners or our failure to comply with laws or regulations could weaken our ability to win contracts, which could result in reduced revenues and profits.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by any one of our employees or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with government regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labour and other costs in government contracts, regulations pertaining to the internal controls over financial reporting, environmental laws, and any other applicable laws or regulations. For example, we provide services that may be highly sensitive or that relate to critical national security matters; if a security breach were to occur, our ability to procure future government contracts could be severely limited. The precautions we take to prevent and detect these activities may not be effective, and we could face unknown risks or losses. Our failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines and penalties, loss of security clearance, and suspension or debarment from contracting, which could weaken our ability to win contracts and result in reduced revenues and profits and could have a material adverse impact on our business, financial condition and results of operations.

18. Our contingent liabilities, outstanding bank guarantees and corporate bank guarantees on a consolidated basis could materially and adversely affect our financial condition and results of operations.

As of March 31, 2011, we had contingent liabilities on a consolidated basis as set out below. If these contingent liabilities were to fully materialise or materialise at a level higher than we expect, it may materially and adversely impact our business, financial condition, results of operations and prospects.

(in ₹million)

Sr. No.		Year ended March 31, 2011
Claims against us not acknowledged as debts		
(a)	Income tax pending appeals	356
	Against which paid under protest	(27)
(b)	Sales tax demands	5,216
	Against which paid under protest	(994)
(c)	Excise duty demands	3,399
	Against which paid under protest	(90)
(d)	Custom duty demands	2
	Against which paid under protest	(1)
(e)	Court and arbitration cases	4,097
(f)	Liquidated damages	14,011
(g)	Counterclaims by subcontractors	6
(h)	Service tax demands	2,166
	Against which paid under protest	(2)
(i)	Others	2,099

As of March 31, 2011, we had outstanding bank guarantees of ₹ 374,740 million and corporate guarantees of ₹ 41,920 million on standalone basis.

19. We are exposed to credit risk with respect to some of our customers.

To the extent our customers do not advance us sufficient funds to finance our expenses during the execution phase of our contracts, we are exposed to the risk that they will be unable to accept delivery or that they will be unable to make payment at the time of delivery. In these circumstances, we could be unable to recover the expenses we incur on a project and could be unable to obtain the operating margins we expected upon entering into the contract. Although we endeavour to confirm that the customer has financing before we commence our work, we cannot assure you that we can or will be able to confirm such financing for all projects and services we undertake, and therefore will be subject to the ability of the customer to pay for our products and services.

If one or more of our large customers were unable to meet its commitments, due to bankruptcy or any other reason, we would be unable to recover some or all of the costs we incur on these projects, which could have a material adverse effect on our business, financial condition and results of operations.

20. We are involved in certain legal, tax and other proceedings in India that, if determined against us, may have a material adverse effect on our business, financial condition and results of operations.

There are certain outstanding legal proceedings against us pending at various levels of adjudication before various courts, tribunals, authorities and appellate bodies in India. Should any new development arise, such as change in applicable laws or rulings against us by the appellate courts or tribunals, we may need to make provisions in our financial statements, which may increase our expenses and current liabilities. In addition, we are presently, and in the future may be, subject to risks of litigation including public interest litigation. We cannot give you any assurance that these legal proceedings will be decided in our favour. Any adverse decision may have a significant effect on our business and financial condition, the implementation of our current or future projects and our results of operations. Details of the proceedings that have been initiated against us and the amounts claimed against us in these proceedings, to the extent ascertainable, are set forth below:

(in ₹millions unless stated otherwise)

Nature of Proceedings	Number of Proceedings	Amount Involved
Criminal	19	-
Civil	144	1,452.32
Direct Tax	11	5,331.48
Indirect Tax	387	59,835.77
Statutory/Legal Notices	166	215.55
Consumer Cases	5	18.23
Property and Land Acquisition Cases	75	6.46
Labour and Service Matters	263	44.50

Nature of Proceedings	Number of Proceedings	Amount Involved
Arbitration	64	5,558.95 and USD 12.29 million
Public Interest Litigation	1	-
Total	**1135**	**72,463.26 and USD 12.29 million**

Further, details of proceedings that have been initiated against our Subsidiaries and the amounts claimed against us in these proceedings, to the extent ascertainable, are set forth below:

(in ₹ million)

Nature of Proceedings	Number of Proceedings	Amount Involved
Criminal	1	-
Civil	25	183.57
Income Tax (Direct Tax)	4	394.04
Income Tax (Indirect Tax)	100	1,237.35
Labour and Service Matters	1	-
Arbitration	7	210.28
Total	**138**	**2,025.24**

For further information, please see the section titled "Outstanding Litigation and Material Developments" of this Draft Red Herring Prospectus at page 347.

21. The proposed merger of our wholly owned subsidiary Bharat Heavy Plate and Vessels Limited with us may have an adverse impact on our operations and financial condition.

Our wholly owned subsidiary BHPVL had been referred to BIFR on August 23, 2004. For more details refer to the section titled "History and Certain Corporate Matters" on page 151.

The board of directors of our Company and BHPVL have given their in-principle approval on November 25, 2010 and December 29, 2010, respectively, for initiating the process of merger of BHPVL with the Company with effect from October 21, 2010, subject to obtaining the necessary approvals from Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises and other concerned authorities.

Notwithstanding the foregoing, the merger with BHPVL may take more time than expected. In particular, BHPVL incurred accumulated losses amounting to ₹ 2,635.77 million up to March 31, 2011 and it is subject to ongoing litigation relating to a number of matters. In addition, certain liabilities of BHPVL may remain unknown or underestimated. In the event any of the liabilities materialise or it takes more time than anticipated for the proposed merger, this may have an adverse impact on our operations and financial condition.

22. We rely on a single tender process in procuring certain of the goods and services that we require in our operations.

Although we have several suppliers in India and abroad, we rely on a single tender process in procuring certain of the goods and services that we require in our operations. In addition, pursuant to our technical collaboration agreements, for certain goods and services, such as rotor kits for large size gas turbines, we are contractually required to use a single supplier, which exposes us to any price changes imposed by such supplier and the risk that these goods and services may be delayed or not delivered to us at all. We cannot assure you that we will be able to procure from such suppliers all the goods and services that we need on commercially acceptable terms or at all in the future.

23. Changes in or termination of arrangements with our joint venture partners could have a material adverse impact on our business operations.

We supplement our operations by cooperating with a number of domestic and international companies through joint venture arrangements.

We cannot provide any assurance that such joint venture arrangements will be renewed or extended at the end of their respective terms. A delay in or failure to do so may have an adverse effect on our business, financial condition and results of operations.

The success of our business collaboration depends significantly on the satisfactory performance by our joint venture partners of their contractual and other obligations. As we do not control our partners, we face the risk that they may not perform their obligations. If they fail to perform their obligations satisfactorily, we may not be successful in carrying out our operations. In such a circumstance, we may be required to make additional investments or become liable for our partners' obligations, which could result in reduced profits or in some cases, significant losses. Our collaborations may face difficulties in their operations due to a variety of circumstances, which could have an adverse effect on our business, financial condition and results of operations. If the interests of our partner conflict with our interests, our business may be adversely affected.

These and other factors may cause our joint venture partners to act in a way contrary to our interests, or otherwise be unwilling to fulfill their obligations under our arrangements with them. Any of the foregoing could have an adverse effect on our business, reputation, financial condition and results of operations.

24. We may incur additional expenses and delays under our contracts due to technical problems or other interruptions at our manufacturing facilities and project sites and may be subject to certain other risks under our customer contracts.

Disruptions in operations due to technical problems or other interruptions could adversely affect the operations at our manufacturing facilities and project sites. Such interruptions could cause delays in production or project execution and cause us to incur additional expenses. Additionally, our customers have the ability to cancel purchase orders in the event of delays in project delivery and may decrease future orders if delays are persistent. Moreover, to the extent that such disruptions do not result from damage to our physical property, these may not be covered by our insurance policies. Any such disruptions may adversely affect our business, financial condition and results of operations. Such disruptions may not be covered under the force majeure provisions of our customer contracts.

The terms of our customer contracts subject us to certain additional risks, many of which are beyond our control and could reduce our profitability. See the sub-section titled "Sales, Marketing and Customer Contracts" in the section titled "Business" on page 122 of this Draft Red Herring Prospectus.

For example, certain of our contracts contain cross-fall breach provisions which means that any failure or delay under one contract could result in the automatic termination of our role in all associated contracts for that project. Payments under the indemnity provisions of our customer contracts could exceed our income from the contract in question and together with any payments of liquidated damages under customer contracts could reduce our profitability and have an adverse effect on our business, financial condition and results of operations.

In addition, we typically offer a guarantee/warranty period for our projects, which generally ranges from 12 to 18 months from the date of commissioning. We are also regularly required to provide either bank guarantees or corporate guarantees of our performance under long-term contracts, which generally cover a period that is co-terminus with the warranty. We provide for these guarantees/warranties at the rate of 2.5% of revenue recognised from such projects. As of March 31, 2011, we had outstanding ₹374,740 million under bank guarantees and ₹41,920 million under corporate guarantees. We cannot assure you that such provisioning will be sufficient to cover all actual expenses associated with such guarantees/warranties, which would adversely affect our business, financial condition and results of operations.

25. Our business involves the execution of large, complex, projects or components of such projects, which subjects us to additional risks.

Our business involves the supply of equipment and services to power projects (either individually or on a turnkey basis) which are technologically complex in their operation. In order to design our projects, we have to establish close relationships with our customers to get a thorough understanding of their operations and technological needs. There can be no assurance as to our capability to execute future turnkey projects based upon our past experience.

Larger power projects often involve multiple components, engagements or phases, and a customer may choose not to retain us for all stages or may cancel or delay certain stages of the projects. We may therefore have to work closely with other service providers and vendors to complete our role in the project. Co-ordination with multiple parties in the delivery of services may require greater project management efforts on our part. Any failure in this regard may adversely impact our performance.

In addition, power projects are subject to the risk of terminations, cancellations or delays which may result from the business or financial condition of our customers or the economy generally, as opposed to factors related to the quality of our products or services. For example, inclement unanticipated weather, including during monsoon season, may delay or disrupt development of the power projects of our customers undergoing construction at such times and consequentially may affect the commencement of operations of the power stations. Unanticipated inclement weather could also affect the erection and commissioning activities that we have to perform under our contracts. Cancellations or delays may make it difficult to plan for project resource requirements and resource planning inaccuracies may have an adverse impact on our profitability.

26. We and our customers are subject to a broad range of environmental laws and regulations in India and abroad.

Environmental laws and regulations in India and other countries where we operate impose increasingly stringent environmental protection standards on us and our customers regarding, among other things, smoke or flue gas emissions, noise pollution, waste water discharges, the use and handling of hazardous waste or materials, waste disposal practices and the remediation of environmental contamination. These standards expose us and our customers to the risk of substantial environmental costs and liabilities, including liabilities associated with past activities. Our industrial activities and those of our customers are subject to obtaining permits, licences and/or authorisations, or subject to prior notification. Our and our customers' facilities must comply with these permits, licences or authorisations and are subject to regular administrative inspections.

We invest significant amounts to ensure that we conduct our activities in order to reduce the risks of impacting the environment and regularly incur capital expenditures in connection with environmental compliance requirements. The procedures ensuring compliance with environmental, health and safety regulations are decentralised and monitored at each plant level.

The outcome of environmental, health and safety matters cannot be predicted with certainty and there can be no assurance that we will not incur any environmental, health and safety liabilities in the future. In addition, the discovery of new facts or conditions or future changes in environmental laws, regulations or case law may result in increased liabilities that could have a material effect on our business, financial condition and results of operations.

27. Our success depends on our ability to attract and retain our key management personnel. If we are unable to do so, it would adversely affect our business and results of operations.

Our future success substantially depends on the continued service and performance of the members of our senior management team and other key personnel in our business for management, running of our daily operations, and the planning and execution of our business strategy. There is intense competition for experienced senior management and other key personnel with technical and industry expertise in our business and if we lose the services of any of these or other key individuals and are unable to find suitable replacements in a timely manner, our ability to realise our strategic objectives could be impaired. We face specific disadvantages in our efforts to attract and retain our management. As a public sector undertaking, GoI policies regulate and control the emoluments, benefits and perquisites that we pay to our employees, including our key managerial and technical personnel and these policies may not permit us to pay at market rates. Additionally, we may not have in place the necessary systems and processes to develop key personnel internally. The loss of key members of our senior management or other key team members, particularly to competitors, could have an adverse effect on our business and results of operations. Our performance also depends on our ability to attract and train highly skilled personnel. If we are unable to do so, it would materially and adversely affect our business, prospects and results of operations.

28. Our products often incorporate advanced and complex technologies and may require fine tuning after they have been delivered.

We design, manufacture and sell numerous products of large individual value that are used in major infrastructure projects. From time to time, we introduce new, highly sophisticated and technologically complex products to the markets in which we operate. We occasionally discover the need to fine tune or modify such products after we begin manufacturing them or after our customers begin operating them. Given the technical sophistication of some of our products, we cannot assure you that we will not encounter new problems or delays with our products, in spite of the technical validation processes we implement in our manufacturing operations.

Any such problems or delays could be costly, could harm our business reputation or decrease our market share relative to our competitors and could have a material adverse impact on our business, financial condition and results of operations.

29. We are subject to various risks as a manufacturing company.

As a manufacturing company, we are subject to several risks, including:

- ability to hire skilled labour;
- difficulty in predicting order volumes in advance;
- limited flexibility in deploying highly specialised or custom-built equipment being used for one project to another project;
- issues in securing an adequate and uninterrupted supply of power for our manufacturing operations and at cost-effective rates; and
- difficulty in selling custom-built equipment to third parties in the event of a customer default.

The occurrence of any of these events, individually or in aggregate, could have a material adverse effect on our business, prospects, financial condition and results of operations.

30. We have substantial capital expenditure and working capital requirements and may require additional financing to meet those requirements.

Our business is capital intensive. We continuously need to expand and upgrade our existing production facilities. The cost of implementing new technologies or expanding capacity and allocation of resources to research and development could be significant and could adversely affect our results of operations.

The actual amount and timing of future capital requirements may differ from estimates as a result of, among other things, unforeseen delays or cost overruns, unanticipated expenses, regulatory changes, economic conditions, engineering design changes, technological changes, including additional market developments and new opportunities in our industry. Our sources of additional financing, if required, to meet our capital expenditure plans may include the incurrence of debt or the issue of equity or debt securities or a combination of both. If we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and could have a significant effect on our profitability and cash flows and we may be subject to additional covenants, which could limit our ability to access cash flows from operations. If we decide to raise additional funds through the issuance of equity, your shareholding in the Company may be diluted.

In many cases, a significant amount of our working capital is required to finance the purchase of materials and the performance of engineering, procurement, manufacturing and other work before payment is received from customers. Our working capital requirements may increase if the payment terms in our agreements include reduced advance payments or longer payment schedules. These factors may result in increases in the amount of our receivables and short-term borrowings.

Continued increases in our working capital requirements may have an adverse effect on our business, financial condition and results of operations.

As a result of the recent crisis in the credit markets worldwide and challenging economic environment, we cannot assure you that we will be able to raise the full amount we believe is necessary to fund our capital expenditure and working capital requirements, or that such amounts will be available at costs acceptable to us. Further, our ability to raise financing from lenders outside India will depend upon the regulatory environment in India with regard to external commercial borrowing and our ability to raise such funds under the automatic route. Our failure to obtain sufficient financing could result in the delay or abandonment of our development and expansion plans or disruption in our operations and have an adverse effect on our business, financial condition and results of operations.

31. The security of our IT systems may fail and adversely affect our business, operations, financial condition and reputation.

We are dependent on the effectiveness of our information security policies, procedures and capabilities to protect our computer and telecommunications systems and the data such systems contain or transmit. An external information security breach, such as a hacker attack, fraud, a virus or worm, or an internal problem with

information protection, such as failure to control access to sensitive systems, could materially interrupt our business operations or cause disclosure or modification of sensitive or confidential information. Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other malicious code and other events that could compromise data integrity and security. Although we maintain procedures and policies to protect our IT systems, such as data back-up system, disaster recovery and business continuity system, any failure of our IT systems as mentioned above could result in business interruption, material financial loss, initiation of regulatory actions and legal proceedings and harm to our reputation.

32. We may in the future conduct additional business through joint ventures, strategic partnerships or mergers and acquisitions, exposing us to certain regulatory and operating risks.

We intend to continue to identify and pursue suitable joint venture, strategic partnership and merger or acquisition opportunities in India and internationally, in particular with companies/firms whose resources, capabilities and strategies are likely to enhance and diversify our operations. We may not be able to identify suitable joint venture partners, strategic partners or merger or acquisition targets or we may not complete transactions on terms commercially acceptable to us, or at all. We cannot assure you that we will be able to successfully form such alliances and ventures, integrate acquired companies into our operations or realise the anticipated benefits of such alliances and joint ventures. Further, such partnerships may be subject to regulatory approvals, which may not be received in a timely manner, or at all. In addition, we cannot assure you that the expected strategic benefits or synergies of any future partnerships will be realised. Further, such investments in strategic partnerships may be long-term in nature and may not yield returns in the short to medium term. Such initiatives may place additional strains on our management, financial and other resources and any unforeseen costs or losses could adversely affect our business, profitability and financial condition.

We evaluate merger and acquisition opportunities as part of our growth strategy and may commit ourselves to mergers or acquisitions in the future, if suitable opportunities arise. These may require significant investments which may not result in favourable returns. Acquisitions involve additional risks, including:

- unforeseen contingent risks or latent liabilities relating to these businesses that may become apparent only after the merger or acquisition is completed;
- integration and management of the operations and systems;
- retention of select personnel;
- co-ordination of sales and marketing efforts; and
- diversion of management's attention from other ongoing business concerns.

If we are unable to integrate the operations of an acquired business successfully or manage such future acquisitions profitably, we may not meet our growth targets and our financial condition and results of operations may be adversely affected.

33. The manufacturing processes for some of our products are complex and involve some hazards.

The manufacturing processes for some of our products are highly complex, require technically advanced and costly equipment and hazardous materials, and involve risks, including breakdown, failure or substandard performance of equipment, improper installation or operation of equipment, environmental hazards and industrial accidents. For example, we use hydrogen gas in testing turbo-generators, which, if leaked, could potentially result in an explosion. In addition, defects in or malfunctioning of our products could cause severe damage to property and death or serious injury to our customers' personnel, which could expose us to litigation and damages. Although we believe we take adequate safety measures in our operations, we cannot assure you that such accidents will not occur in the future, resulting in death, serious injury to our personnel or destruction of property and equipment. Any disruption in our operations due to any of these events or otherwise could result in litigation against us and damage to our reputation, which would adversely affect our business, financial condition and results of operations.

34. Failure to protect our intellectual property rights and to keep our technical knowledge confidential could erode our competitive advantage.

Intellectual property rights are important to our business. As of June 30, 2011, we had 1,555 patents and copyrights registered and filed for registration in India and abroad. If we fail to protect our intellectual property

rights, including patents, trademarks, trade secrets and copyrights, our competitiveness, business and financial condition may be adversely affected.

Like many of our competitors, we possess extensive technical knowledge about our products. Our know-how is a significant independent asset, which may not be adequately protected by intellectual property rights such as patent registration. Some know-how is protected only by secrecy. As a result, we cannot be certain that our know-how will remain confidential in the long run. Even if all reasonable precautions, whether contractual or otherwise, are taken to protect the confidential technical knowledge of our products and business, there is still danger that such information may be disclosed to others or become public knowledge in circumstances beyond our control. In the event that the confidential technical information or know-how in respect of our products or business becomes available to third parties or to the public, our competitive advantage over other companies could be harmed, which could have an adverse effect on our business, prospects, financial condition and results of operations.

35. We may inadvertently infringe the intellectual property rights of others, any misappropriation of which could harm our competitive position.

While we take care to ensure that we comply with the intellectual property rights of others, we cannot determine with certainty whether we are infringing any existing third-party intellectual property rights which may force us to alter our technologies, obtain licences or cease some of our operations. We may also be susceptible to claims from third parties asserting infringement and other related claims. If such claims are raised, those claims could: (a) adversely affect our relationships with current or future customers: (b) result in costly litigation; (c) cause product shipment delays or stoppages; (d) divert management's attention and resources; (e) subject us to significant liabilities; (f) require us to enter into potentially expensive royalty or licensing agreements; and (g) require us to cease certain activities.

Furthermore, necessary licences may not be available to us on satisfactory terms, if at all. Any of the foregoing could adversely affect our business, financial condition and results of operations. In addition, in certain cases, our customers share their intellectual property rights in the course of the product development process that we carry out for them. If our customer's intellectual property rights are misappropriated by our employees in violation of any applicable confidentiality agreements, our customers may seek damages and compensation from us. This could have an adverse effect on our business, financial condition and results of operations and damage our reputation.

36. Some of the countries in which we operate, such as Libya, Myanmar (Burma), Sudan, Belarus and Syria, are subject to certain international sanctions.

We conduct business activities with countries that are subject to sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control, the United Nations Security Council, the European Union and/or Her Majesty's Treasury. These business activities include (i) providing gas-based power projects, thermal power projects and equipment in Libya; (ii) providing transformers (including the supply and installation of transformers) in Myanmar (Burma); a project funded by the GoI (iii) providing power generating equipment and a thermal power project, including transformers and reactors, in Sudan; a project funded by the GoI (iv) providing thermal power projects, including steam turbines, in Syria; a project funded by the GoI and (v) providing gas turbine equipment in Belarus; a project funded by the GoI. Revenues from these activities accounted for approximately 1.4%, 2.4% and 3.6% of our total revenues in FY 2011, 2010 and 2009, respectively.

Our activities with respect to these countries and persons subject us and our shareholders to a number of risks. Existing sanctions against Libya, Myanmar (Burma), Sudan, Syria and Belarus present challenges in conducting normal business operations, including international financial transfers. If these sanctions were to expand further, either in severity or in terms of the range of countries applying them, it could have a material adverse impact on our ability to conduct business in or with any of these countries. In addition, as a result of our business activities with countries and persons that are subject to international sanctions, we may be subject to negative media or investor attention, which may distract management, consume internal resources and affect certain international investors' perceptions of our Company. Although we currently do not have an extensive international investor base, we expect to increase international holdings of our Equity Shares following the Offer, and therefore the trading price of our Equity Shares may become more susceptible to any divestments by international investors in response to changes in international sanctions regimes or changes in our business activities in countries subject to such regimes. In addition, if we were to increase our business in or with these

countries, particularly relative to our total business, this could have a negative impact on our ability to raise money in international capital markets and on the international marketability of our securities.

37. A significant part of our business transactions is with government entities or agencies, which may expose us to various risks, including additional regulatory scrutiny and delayed collections of receivables.

A significant part of our business transactions is with public sector power companies and utilities. We may be subject to additional regulatory or other scrutiny associated with commercial transactions with government owned or controlled entities and agencies. In addition, there may be delays associated with collection of receivables from government owned or controlled entities, including from our significant customers that are power utilities. Our operations involve significant working capital requirements and delayed collection of our receivables could adversely affect our liquidity. Contracts with government agencies are subject to various uncertainties, restrictions, and regulations including oversight audits by various government authorities and profit and cost controls. In addition, government contracts are subject to specific procurement regulations and a variety of other socio-economic requirements. We must also comply with various regulations applicable to government companies relating to employment practices, recordkeeping and accounting. These regulations and requirements affect how we transact business with our customers and, in some instances, impose additional costs on our business operations. We are also subject to government audits, investigations, and proceedings. If we violate applicable rules and regulations, fail to comply with contractual or regulatory requirements or do not satisfy an audit, we may be subject to a variety of penalties including monetary penalties and criminal and civil sanctions, which may harm our reputation and could have a material adverse impact on our business, financial condition and results of operations.

38. The interests of our Directors may cause conflicts of interest in the ordinary course of our business.

Conflicts may arise in the ordinary course of decision-making by our Board. Some of our non-Executive Directors may also be on the board of directors of certain companies engaged in businesses similar to our business. In accordance with the procedure laid down in the Companies Act, our Directors are required to disclose any conflict of interest to our Board, following which they are allowed to participate in any discussions concerning the matters tabled before our Board. Further, certain of our Directors also hold Equity Shares and are interested to the extent of any dividend payable to them in respect of the same. For details, see the section titled "The Management – Shareholding of the Directors" on page 180. There is no assurance that our Directors will not provide competitive services or otherwise compete in business lines in which we are already present or will enter into in the future.

39. We are subject to stringent labour laws and trade union activity or any work stoppage could have an adverse affect on our business, financial condition and results of operations.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for employee removal and dispute resolution and imposes financial obligations on employers. This makes it difficult for us to maintain flexible human resource policies, discharge employees or downsize, which though not quantifiable, may adversely affect our business and profitability.

We have 82 registered trade unions under the Trade Unions Act 1926. Although we consider our relations with our employees to be stable, as of June 30, 2011, 52.8% of our employees are unionised and our failure to effectively negotiate with the trade unions representing our employees or any union activity could result in work stoppages. Any such work stoppage, though not quantifiable, could have an adverse affect on our business, financial condition and results of operations.

40. Our insurance may not be adequate to protect us against all potential losses to which we may be subject.

We maintain insurance for a variety of risks, including risks relating to construction at project sites, transit of materials, assets at our manufacturing facilities and other similar risks.

There are various other types of risks and losses for which we are not insured, such as loss of business, environmental liabilities, natural disasters, war and nuclear risks, because they are either uninsurable or not insurable on commercially acceptable terms. Should an uninsured loss or a loss in excess of insured limits occur, or our insurers decline to fully compensate us for our losses, we could incur losses, including losing the

anticipated future income derived from that business, property or asset until the date of its reinstatement. Any such losses could have an adverse effect on our financial condition.

41. Any future capital raising exercise or sale of our Equity Shares by any existing shareholders, including the GoI, could significantly affect the price of our Equity Shares and may dilute your shareholding.

To fund future growth plans, we may raise further capital by way of a subsequent issue of Equity Shares in either the domestic or the international market. Any such issuance of our Equity Shares would dilute the shareholding of our existing investors. Any such future issuance of Equity Shares or sales of Equity Shares by any of our significant shareholders, including the GoI, may dilute the investors' positions in Equity Shares and adversely affect the price of our Equity Shares, and could impact our ability to raise capital through an offering of our securities.

42. Any dispute, proceeding or irregularity in title to properties leased or owned by us may adversely affect our financial condition and results of operations.

We have taken certain properties on lease for our operations. We cannot assure you whether the leases for such properties would be renewed in favourable terms. Certain of these properties may not have been constructed or developed in accordance with local planning and building laws and other statutory requirements. In addition, there may be certain irregularities in title in relation to some of our owned/leased properties. For example, some of the agreements for such arrangements may not have been duly executed and/or adequately stamped or registered in the land records of the local authorities or the lease deeds may have expired and not yet been renewed. Since registration of land title in India is not centralised and has not been fully computerised, the title to land may be defective as a result of a failure on our part, or on the part of a prior transferee, to obtain the consent of all such persons or duly complete stamping and registration requirements. The uncertainty of title to land may impede the processes of acquisition, independent verification and transfer of title, and any disputes in respect of land title that we may become party to may take several years and considerable expense to resolve if they become the subject of court proceedings. Any such dispute, proceedings or irregularities may have an impact on the operation of our business.

43. We may fail to obtain certain regulatory approvals in the ordinary course of our business in a timely manner or at all, or to comply with the terms and conditions of our existing regulatory approvals and licences which may have a material adverse effect on the continuity of our business and may impede our effective operations in the future.

We have submitted certain applications to various regulatory authorities seeking approvals and licences. For details, please refer to the section titled "Government Approvals" of this Draft Red Herring Prospectus. There can be no assurance that the relevant authorities will issue such permits or approvals to us or that they will be issued on time. Further, these permits, licences and approvals are subject to several conditions and we cannot assure you that we will be able to continuously meet the conditions, which may lead to cancellation, revocation or suspension of relevant permits/licences/approvals. Failure on our part to renew or maintain such permits, licences or approvals may result in the interruption of our operations and may have a material impact on our business.

In the future, we may also be required to obtain new permits and approvals for our proposed operations. While we believe that we will be able to obtain such permits and approvals as and when required, there can be no assurance that the relevant authorities will issue any of such permits or approvals in the time-frame anticipated by us or at all. Failure by us to maintain or obtain the required permits or approvals, may result in the interruption of our operations or delay or prevent our expansion plans and may have a material and adverse effect on our business, financial condition and results of operations.

44. The proceeds from this Offer will not be available to us.

As this Offer is an offer for sale of Equity Shares by the Selling Shareholder, the proceeds from this Offer will be remitted to the Selling Shareholder and we will not benefit from such proceeds.

45. We engage contract labour for carrying out certain of our operations and we are responsible for paying the wages of such workers, if the independent contractors through whom such workers are hired default on their obligations, which could have an adverse effect on our results of operations and financial condition.

In order to retain operational efficiencies, we engage independent contractors who in turn engage on-site contract labour for performance of certain of our ancillary operations in India. As of March 31, 2011, we engaged 12,017 contract workers at our facilities. Although we do not engage these labourers directly, we are responsible for any wage payments to be made to such labourers in the event of default by such independent contractors. Any requirement to fund their wage requirements may have an adverse impact on our results of operations and financial condition. In addition, under the Contract Labour (Regulation and Abolition) Act, 1970, as amended, we may be required to absorb a number of such contract labourers as permanent employees. Thus, any such order from a regulatory body or court may have an adverse effect on our business, financial condition and results of operations.

46. Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors.

The amount of future dividend payments, if any, in addition to being regulated by the GoI, will depend upon our future earnings, financial condition, cash flows, working capital requirements, terms and conditions of our indebtedness, capital expenditures and other factors. There can be no assurance that we will be able to pay dividends in the future.

47. Some of our records relating to forms filed with the Registrar of Companies are not traceable.

We have been unable to locate the copies of certain of our corporate records, i.e. prescribed forms filed by us with the Registrar of Companies, including, among others, in respect of the allotment of Equity Shares, changes in our authorised share capital and changes in our registered office from incorporation until 1984. While we believe that these forms were duly filed on a timely basis, we have not been able to obtain copies of these documents, including from the Registrar of Companies. We cannot assure you that these form filings will be available in the future or that we will not be subject to any penalty imposed by the competent regulatory authority in this respect.

EXTERNAL RISK FACTORS

Risks relating to India

1. Political instability or changes in the Government could delay the liberalisation of the Indian economy and adversely affect economic conditions in India generally, which could impact our financial results and prospects.

We are incorporated in India, derive the substantial majority of our revenues from operations in India and almost all of our assets are located in India. Consequently, our performance and the market price of Equity Shares may be affected by interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India. The GoI has traditionally exercised and continues to exercise significant influence over many aspects of the Indian economy. Our business, and the market price and liquidity of our Equity Shares, may be affected by changes in the GoI's policies, including taxation.

Since 1991, successive Indian governments have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. However, there can be no assurance that such policies will be continued and any significant change in the GoI's policies in the future could affect our business and economic conditions in India in general. In addition, as economic liberalisation policies have been a major force in encouraging private funding in the Indian economy, any change in these policies could have a significant impact on business and economic conditions in India, which could adversely affect our business and our future financial condition and the price of our Equity Shares. In addition, any political instability in India or geo-political stability affecting India will adversely affect the Indian economy and the Indian securities markets in general, which could affect the price of our Equity Shares.

2. The proposed adoption of IFRS could result in our financial condition and results of operations appearing materially different than under Indian GAAP.

We may be required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, IFRS announced by the Ministry of Corporate Affairs, GoI in January 2010. The convergence of certain Indian Accounting Standards with IFRS was notified by the Ministry of Corporate Affairs on February 25, 2011. The date of implementing such converged Indian accounting standards has not yet been determined, and will be notified by the Ministry of Corporate Affairs in due course after various tax-related and other issues are resolved.

Our financial condition, results of operations, cash flows or changes in shareholders' equity may appear materially different under IFRS than under Indian GAAP. This may have a effect on the amount of income recognised during that period and in the corresponding period in the comparative period. In addition, in our transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems.

3. Our business and activities will be regulated by the Competition Act, 2002 ("Competition Act") and any application of the Competition Act to us could have a material adverse effect on our business, financial condition and results of operations.

The Competition Act is designed to prevent business practices that have an appreciable adverse effect on competition in India. Under the Competition Act, any arrangement, understanding or action in concert between enterprises, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and attracts substantial monetary penalties. Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area, market or number of customers in the market is presumed to have an appreciable adverse effect on competition. Further, if it is proved that the contravention committed by a company took place with the consent or connivance or is attributable to any neglect on the part of, any director, manager, secretary or other officer of such company, that person will be guilty of the contravention and liable to be punished. For more information, see the section titled "Regulations and Policies".

The provisions of the Competition Act relating to combinations were notified recently on March 4, 2011 and came into effect on June 1, 2011. The Competition Commission of India (the "**CCI**") may enquire into all combinations, even if taking place outside India, or between parties outside India, if such combination is likely to have an appreciable adverse effect on competition in India. Effective June 1, 2011, all combinations have to be notified to the CCI within 30 days of the execution of any agreement or other document for any acquisition of assets, shares, voting rights or control of an enterprise under the Competition Act. If we are affected, directly or indirectly, by any provision of the Competition Act, or its application or interpretation, including any enforcement proceedings initiated by the CCI and any adverse publicity that may be generated due to scrutiny or prosecution by the CCI, it may have a material adverse effect on our business, financial condition and results of operations.

4. A slowdown in economic growth in India could adversely impact our business. Our performance and the growth of our business are necessarily dependent on the performance of the overall Indian economy.

According to the Central Statistics Office, overall (median) GDP growth rate for Financial Year 2011 was 8.5%. Any slowdown in the Indian economy or in the growth of the power and industry sectors or any future volatility in global commodity prices could adversely affect our customers and the growth of our business, which in turn could adversely affect our business, financial condition and results of operations.

India's economy could be adversely affected by a general rise in interest rates, currency exchange rates, adverse conditions affecting agriculture, commodity and electricity prices or various other factors. Further, conditions outside India, such as slowdowns in the economic growth of other countries could have an impact on the growth of the Indian economy, and government policy may change in response to such conditions.

The Indian economy and financial markets are also significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the United States of America, Europe or China, may have a negative impact on the Indian economy. Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market

conditions in other countries. A loss of investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets.

The recent global financial turmoil, which grew out of the sub-prime mortgage crisis in the United States and the subsequent sovereign debt crisis in Europe, as well as the recent downgrade of the United States' credit rating and Italy's sovereign rating by Standard & Poor's and the threat of further downgrades of other countries, led to a loss of investor confidence in worldwide financial markets. Indian financial markets also experienced the effect of the global financial turmoil, evident from the sharp decline in SENSEX, BSE's benchmark index. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby having a material adverse effect on our business, financial condition and results of operations.

5. Our Equity Shares are quoted in Indian rupees in India and investors may be subject to potential losses arising out of exchange rate risk on the Indian rupee and risks associated with the conversion of Indian rupee proceeds into foreign currency.

Investors are subject to currency fluctuation risk and convertibility risk since the Equity Shares are quoted in Indian rupees on the Indian stock exchanges on which they are listed. Dividends on the Equity Shares will also be paid in Indian rupees. In addition, foreign investors that seek to sell Equity Shares will have to obtain approval from the RBI, unless the sale is made on a stock exchange or in connection with an offer made under regulations regarding takeovers. The volatility of the Indian rupee against the U.S. dollar and other currencies subjects investors who convert funds into Indian rupees to purchase our Equity Shares to currency fluctuation risks.

6. Our success depends on stable and reliable transportation infrastructure in India and any disruption of transportation services could affect our operations.

We depend on various forms of transport, such as roadways, railways, airways, sea, canals and pipelines to receive fuel, raw materials, equipment and water for our manufacturing activities and to deliver the equipment manufactured to our customer sites. India's physical infrastructure is less developed than that of many developed nations. Any congestion or disruption in its port, rail and road networks or any other public facility could disrupt our normal business activity. Transportation services could also be affected by weather-related problems, strikes, and other force majeure events. Any deterioration of India's physical infrastructure would impact the rate of growth of the economy and disrupt the transportation of goods and supplies. These problems could interrupt our business operations and add to our costs of doing business.

We face particular issues in this regard because the equipment manufactured by us is large and heavy. We are therefore dependent upon the completion of initiatives to strengthen bridges and roads, and any delays in getting approvals from various agencies in most of the states for movement of our oversized dimension consignments could adversely impact our operations.

In addition, in certain cases, our customers have to build transportation infrastructure at the power plant sites which entails obtaining approvals, rights of way and development by the GoI or the state governments and their nominated agencies. As a result, our customers do not have total control over the construction, operation and maintenance of the transportation infrastructure. Undertaking such development requires significant capital expenditure and active engagement with the GoI or state government and its agencies responsible for organising transport infrastructure. Such transportation infrastructure may not be constructed in a timely manner, operated on a cost effective basis and maintained at adequate levels, which may affect both the initiation of power projects by our customers and our own execution of such projects.

All of these factors could have a material adverse effect on our business, financial condition and results of operations.

7. Unfavourable changes in legislation, including tax legislation, or policies applicable to us could adversely affect our results of operations.

The Finance Minister has presented the Direct Tax Code Bill, 2010 ("DTC Bill") on August 30, 2010, which is proposed to be effective from April 1, 2012. On the finalisation of the DTC Bill and on obtaining the approval of the Indian Cabinet, the DTC Bill will be placed before the Indian Parliament for its approval and notification as an Act of Parliament. Accordingly, it is currently unclear what effect the Direct Tax Code would have on our financial statements. However, under the proposed DTC Bill, the deductions under Sections 36(1)(vii)(c) and

36(1)(viii) of the I.T. Act, which are currently available to us, would not be available in the future, which will increase our tax liability. If the DTC Bill is passed in its entirety and we are affected, directly or indirectly, by any provision of the Direct Tax Code, or its application or interpretation, including any enforcement proceedings initiated under it and any adverse publicity that may be generated due to scrutiny or prosecution under the Direct Tax Code, it may have a material adverse effect on our business, financial condition and results of operations. For more information, see the section titled "Statement of Tax Benefits".

In addition, upon the passing of the Companies Bill 2009 by the Indian legislature the regulatory framework may undergo a change which may affect our operations.

8. Investors may not be able to enforce a judgment of a foreign court against us or our management.

The enforcement by investors in our Equity Shares of civil liabilities, including the ability to affect service of process and to enforce judgments obtained in courts outside of India may be affected adversely by the fact that we are incorporated under the laws of the Republic of India and almost all of our executive officers and directors reside in India. Nearly all of our assets and the assets of our executive officers and directors are also located in India. As a result, it may be difficult to enforce the service of process upon us and any of these persons outside of India or to enforce outside of India, judgments obtained against us and these persons in courts outside of India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments are provided for under Section 13 and Section 44A of the Civil Procedure Code respectively. The GoI has under Section 44A of the Civil Procedure Code notified certain countries as reciprocating countries, as discussed below. Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon, between the same parties or between the parties whom they or any of them claim are litigating under the same title, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction, (ii) where the judgment has not been given on the merits of the case, (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable, (iv) where the proceedings in which the judgment was obtained were opposed to natural justice, (v) where the judgment has been obtained by fraud, or (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

Section 44A of the Civil Procedure Code provides that where a foreign judgment has been rendered by a court in any country or territory outside India, which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a similar nature or in respect of a fine or other penalties and does not include arbitration awards. The United Kingdom and some other countries have been declared by the Government to be a reciprocating territory for the purposes of Section 44A. However, the United States has not been declared by the Government to be a reciprocating territory for the purposes of Section 44A. A judgment of a court in the United States may be enforced in India only by a suit upon the judgment, subject to Section 13 of the Civil Procedure Code and not by proceedings in execution.

The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Generally, there are considerable delays in the disposal of suits by Indian courts. It may be unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it may be unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy in India. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI under FEMA to repatriate any amount recovered pursuant to execution and any such amount may be subject to income tax in accordance with applicable laws. Any judgment or award in a foreign currency would be converted into Indian Rupees on the date of the judgment or award and not on the date of the payment. Generally, there are considerable delays in the processing of legal actions to enforce a civil liability in India, and therefore it is uncertain whether a suit brought in an Indian court will be disposed off in a timely manner or be subject to considerable delays.

9. Our ability to raise foreign currency borrowings may be constrained by Indian law.

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources and hence could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, if at all. Limitations on raising foreign debt may have an adverse effect on our business, financial condition and results of operations. Also see the section titled "Risk Factors-Internal Risk Factors" on page 16 for additional details.

10. Economic developments and volatility in securities markets in other countries may also cause the price of our Equity Shares to decline.

The Indian economy and its securities markets are influenced by economic developments and volatility in securities markets in other countries. Investors' reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries, including India. For instance, the economic downturn in the U.S. and several European countries during a part of fiscal 2008 and 2009, and the recent sovereign debt crisis in Europe and the United States, adversely affected market prices in the world's securities markets, including India. Negative economic developments, such as rising fiscal or trade deficits, or a default on national debt, in other emerging market countries may also affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general.

11. Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.

Under current Indian tax laws and regulations, capital gains arising from the sale of Equity Shares in an Indian company are generally taxable in India. Any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax ("**STT**") has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Any gain realised on the sale of equity shares held for more than 12 months by an Indian resident, which are sold other than on a recognised stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to short-term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the Equity Shares.

12. Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets in which our Equity Shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business.

India has experienced communal disturbances, terrorist attacks and riots during recent years. If such events recur, our business may be adversely affected. The Asian region has from time to time experienced instances of civil unrest and hostilities. Hostilities and tensions may occur in the future and on a wider scale. Military activity or terrorist attacks in India, such as the attacks in Mumbai in November 2008 and July 2011, as well as other acts of violence or war could influence the Indian economy by creating a greater perception that investments in India involve higher degrees of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares.

13. India is vulnerable to natural disasters that could severely disrupt the normal operation of our business.

India has experienced natural calamities, such as tsunamis, floods, droughts and earthquakes in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, the erratic progress of the monsoon in 2004 and 2009 affected sowing operations for certain crops.

Such unforeseen circumstances of below normal rainfall and other natural calamities, could have a negative impact on the Indian economy. Because our operations are located in India, our business and operations could be interrupted or delayed as a result of a natural disaster in India, which could affect our business, financial condition, results of operations and the price of our Equity Shares.

14. An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could adversely affect our business.

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concern, such as swine influenza, could have a negative impact on the global economy, financial markets and business activities worldwide, which could adversely affect our business, financial condition, results of operations and the price of our Equity Shares. Although, we have not been adversely affected by such outbreaks in the past, we can give you no assurance that a future outbreak of an infectious disease among humans or animals or any other serious public health concerns will not have a material adverse effect on our business, financial condition, results of operations and the price of our Equity Shares.

15. Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.

The Companies Act and related regulations, the Articles of Association and our Equity Listing Agreements govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as a shareholder than as a shareholder of a corporation in another jurisdiction.

16. A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact our financial condition.

A decline in India's foreign exchange reserves could impact the valuation of the Rupee and result in reduced liquidity and higher interest rates, which could adversely affect our future financial condition. On the other hand, high levels of foreign funds inflow could add excess liquidity to the system, leading to policy interventions, which would also allow slowdown of economic growth. In either case, an increase in interest rates in the economy following a decline in foreign exchange reserves could adversely affect our business, prospects, financial condition, results of operations, and the price of the Equity Shares.

17. Companies operating in India are subject to a variety of central and state government taxes and surcharges.

Tax and other levies imposed by the central and state governments in India that affect our tax liability include: central and state taxes and other levies, income tax, value added tax, turnover tax, service tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. For example, a new direct tax code is proposed to be introduced before the Indian Parliament. In addition, there is a proposal to introduce a new goods and services tax, effective April 1, 2012, and the scope of the service tax is proposed to be enlarged. The central or state governments may in the future increase the corporate income taxes they impose. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could adversely affect our business and results of operations.

Risks relating to this Offer

1. The GoI will continue to control us after completion of the Offer.

The GoI is expected to hold 62.72% of our outstanding shares immediately after the Offer. Consequently, the GoI, acting through the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, will continue to control us and will have the power to elect and remove our directors and determine the outcome of most proposals for corporate action requiring approval of our Board or shareholders, such as proposed five-year plans, revenue budgets, capital expenditure, dividend policy and transactions with other GoI-controlled companies. Under the Companies Act, we will continue to be a government company which is owned and

controlled by the GoI. This may affect the decision making process in certain business and strategic decisions taken by us going forward.

2. The interests of the GoI as our controlling shareholder may conflict with your interest as a shareholder.

Under our Articles of Association, the President of India may issue directives with respect to the conduct of our business or our affairs for as long as we remain a government company, as defined under the Companies Act. For instance, under Article 67 of our Articles of Association, the President of India can appoint any member of our Board, including our Chairman and Managing Director on such terms and conditions, remuneration and tenure as the President may from time to time determine. The interests of the GoI may be different from our interests or the interests of our other shareholders. As a result, the GoI may take actions with respect to our business and the businesses of our peers and competitors that may be in the public interest and may not be in our or our other shareholders' best interests. The GoI could, by exercising its powers of control, delay or defer or initiate a change of control of us or a change in our capital structure, delay or defer a merger, consolidation, or discourage a merger with another public sector undertaking.

3. After this Offer, the price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not be sustained.

The price of our Equity Shares on the Stock Exchanges may fluctuate after this Offer due to a wide variety of factors, including:

(i) volatility in the Indian and global securities markets;
(ii) our operational performance, financial results and capacity expansion;
(iii) developments in India's economic liberalisation and deregulation policies, particularly in the power sector or the non-banking finance sector;
(iv) changes in India's laws and regulations impacting our business;
(v) changes in security analysts' recommendations or the failure to meet the expectations of securities analysts; and
(vi) the entrance of new competitors and their positions in the market.

Further, there can be no assurance that the prices at which our Equity Shares have historically traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Offer.

4. There has been press coverage about this Offer. You should read this Draft Red Herring Prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles, including, in particular, any financial projections, valuations or other forward-looking information.

There has been press coverage about us and this Offer, primarily in India, that included certain projections, valuations and other forward-looking information. We wish to emphasise to potential investors that we do not accept any responsibility for the accuracy or completeness of such press articles and that such press articles were not prepared or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information, or of any assumptions underlying such projections, valuations or other forward-looking information, included in or referred to by the media. Any such statements may be inconsistent with, or conflict with, the information contained in this Draft Red Herring Prospectus. Accordingly, you should only make your decision as to whether to purchase our Equity Shares by relying only on the financial, operational and other information contained in this Draft Red Herring Prospectus.

Prominent Notes:

1. This Offer is a further public offer of 24,476,000 Equity Shares[#] for cash at a price of ₹ [•] per Equity Share aggregating to ₹ [•] by the Selling Shareholder. The Offer comprises a Net Offer to the public of 22,028,400 Equity Shares and a reservation of 2,447,600 Equity Shares for subscription by Eligible Employees. The Offer would constitute 5 % of our post Offer paid-up equity capital and the Net Offer would constitute 4.50% of our post Offer paid-up equity capital. The Offer Price is [•] times the face value.

 # The Board of Directors of the Company on July 01, 2011 and the Shareholders of the Company on September 20, 2011, respectively have approved the sub-division of equity shares of face value of ₹10 each into 5 equity shares of face value of ₹2 each w.e.f. the record date i.e. October 4, 2011. Based on the issued, subscribed and paid-up share capital of the Company of 489,520,000 equity shares of ₹10 each, the size of the present Offer is 2,44,76,000 equity shares of ₹10 each, which will translate into 12,23,80,000 equity shares of ₹2 each when adjusted for the stock split.

2. A discount of ₹ [•] to the Offer Price is being offered to Retail Bidders and to Eligible Employees, respectively.

3. Our net worth was ₹ 201,512 million as of March 31, 2011, as per our audited restated consolidated financial statements included in this Draft Red Herring Prospectus.

4. The book value per Equity Share as of March 31, 2011 was ₹ 411.65 per Equity Share.

5. The average cost of acquisition per Equity Share to the Promoters is ₹5 per Equity Share.

6. Refer to our financial statements relating to related party transactions in the section titled "Financial Information" on page 196.

7. Bidders may contact any of the BRLMs and other members of the Syndicate for any complaints in relation to the Offer.

8. There has been no financing arrangement by which our Directors and their relatives have financed the purchase by any other person of our securities other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of the Draft Red Herring Prospectus with SEBI.

Any clarification or information relating to the Offer shall be made available by the BRLMs and by us to the public at large and no selective or additional information will be available for a section of the public in any manner whatsoever. For any clarifications or information relating to the Offer, Bidders may contact the BRLMs, who will be obliged to provide such clarification or information to the investors.

SECTION III – INTRODUCTION

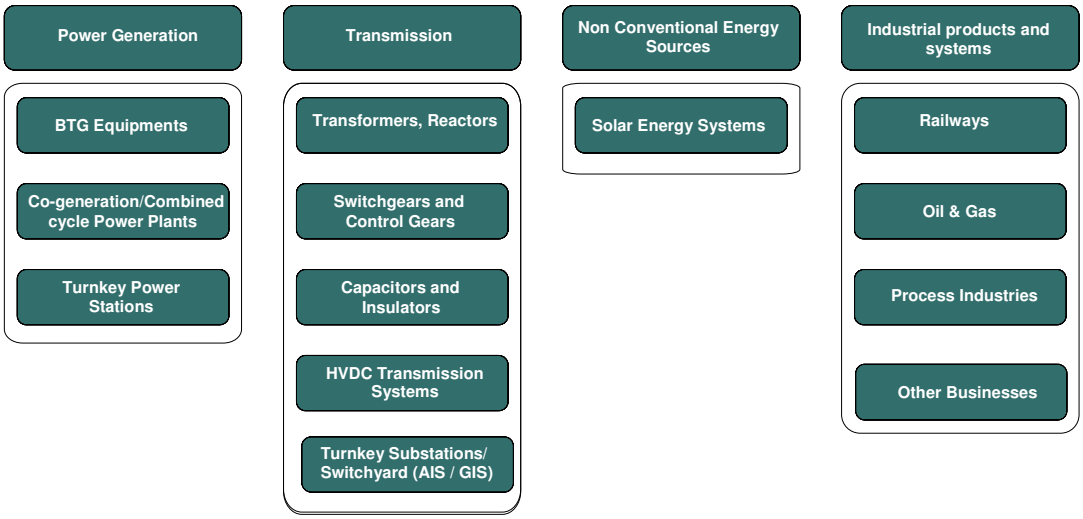
SUMMARY OF INDUSTRY

We have not commissioned any report for the purposes of this Draft Red Herring Prospectus. The data and information in this section have been extracted from publicly available sources prepared by various entities, including the Indian Ministry of Power ("MoP"), the Central Electricity Authority of India ("CEA"), the Central Electricity Regulatory Commission of India ("CERC"), the Reserve Bank of India ("RBI") and officially prepared materials by the Government of India ("GoI"), and various multilateral institutions. We may have re-classified the data and information for the purposes of presentation. While we believe that the information and data in this section are reliable, we cannot ensure the accuracy of such information or data, and none of our Company, the Selling Shareholder, the BRLMs or any of our and their respective affiliates or advisors have independently verified this information or data. You should not assume that the information and data contained in this section speak as of any date other than the date of this Draft Red Herring Prospectus, except as otherwise indicated. You should also be aware that since the date of this offering document there may have been changes in the power and manufacturing industries, and the various sectors therein, that could affect the accuracy or completeness of the information in this section.

OVERVIEW OF THE INDIAN ECONOMY

India is the world's largest democracy by population with an estimated population size of 1.2 billion as of March 31, 2011 (*Source: Provisional Population Totals Paper 1 of 2011 India series 1, Census Data 2011 published by the Office of the Registrar General & Census Commissioner, India*). India's 2010 Gross Domestic Product ("GDP") in purchasing power parity terms was US$4.05 trillion. (*Source: Central Intelligence Agency (CIA) World Factbook, September 2011*). This made India the fifth largest economy in the world after the European Union, the United States, China and Japan. The Indian economy is among the fastest growing economies globally and has grown at an average rate of 8.6% per annum during the last five years (Financial Years 2006 to 2010) (*Source: World Development Indicators (WDI) Database, World Bank, September 2011*).

SUMMARY OF SECTORS IN WHICH THE COMPANY OPERATES



OVERVIEW OF THE INDIAN POWER SECTOR

India is both a major producer and a major consumer of power. According to data from *IEA - Key World Energy Statistics (2010)* India ranked as the world's fifth largest power producing nation as well as the fifth largest power consuming nation in 2010 behind the United States, China, Japan and Russia. As of March 31, 2011, India's total annual power production was 811.1 billion kWh, including 5.6 billion kWh of import from Bhutan.

(*Source: CEA, Energy Generation Report, April 2011*). Its total annual power requirement was approximately 861.6 billion kWh. (*Source: CEA, Monthly Review of Power Sector, March 2011*).

Compared to the world average per capita electricity consumption, India's low per capita electricity consumption presents a significant potential for sustainable growth in power demand in India. The per capita consumption of power in India increased from 566.7 kWh per year in Financial Year 2003 to 733.5 kWh per year in Financial Year 2009, representing a CAGR of 4.4% for the same period. (*Source: Source: CEA, Monthly Review of Power Sector, March 2011*).

India has continuously experienced shortages in energy and peak power requirements. According to the CEA Monthly Review of Power Sector published in June 2011, the total energy deficit for June 2011 was approximately 5.3% and the peak power deficit for June 2011 was 8.7%.

The total capacity addition during the past 25 years, between the 6th Five Year Plan and the 10th Five Year Plan, was approximately 92,200 MW. The target capacity addition under the 11th Five Year Plan is 78,700 MW, 56.7% of which was achieved as of June 30, 2011. (*Source: CEA Monthly Review of Power Sector, June 2011*)

A tentative capacity addition of approximately 100,000 MW has been envisaged under the 12th Five Year Plan as per CEA. This comprises an estimated 74,000 MW from thermal power, 20,000 MW from hydro power, 3,400 MW from nuclear power and 2,500 MW from lignite.

The following table sets forth a summary of India's energy generation capacity as of June 30, 2011 in terms of fuel source and ownership:

Sector	Hydro	Thermal				Nuclear	Renewable Sources	Total
		Coal	Gas	Diesel	Total			
	(in MW)							
State	27,296.0	47,362.0	4,327.1	602.6	52,291.7	-	3,008. 9	82,596.6
Private	1,925.0	14,176.4	6,677.0	597.1	21,450.5	-	15,445.7	38,821.2
Central	8,885.4	35,205.0	6,702.2	-	41,907.2	4,780.0	-	55,572.6
Total	38,106.4	96,743.4	17,706.5	1,199.8	115,649.5	4,780.0	18,454.5	176,990.4

Source: CEA, Monthly Review of Power Sector, June 2011

OVERVIEW OF THE POWER TRANSMISSION MARKET IN INDIA

In India, the T&D system is a three-tier structure comprising distribution networks, State grids, and regional grids. The distribution networks and State grids are principally owned and operated by SEBs or other State utilities, or State governments (through state electricity departments). Most of the interstate and inter-regional transmission lines are owned and operated by the Power Grid Corporation of India Limited ("POWERGRID") or its joint ventures.

The CEA anticipates that inter-regional transmission capacity would be in the order of 57,000 MW by Financial Year 2015 and 75,000 MW by the end of the 12th Five Year Plan. The actual increase in transmission capacity will depend on the corresponding growth in generation capacity. (*Source: CEA, Key Inputs for Accelerated Development of Indian Power Sector for 12th Plan & Beyond*)

The average investment in T&D during the 10th Five Year Plan was approximately 32% of the investment in power generation. (*Source: Ministry of Power, Report on the Working Group on Power for Eleventh Plan (2007-2012)).* The estimated investment in T&D to be made under the 12th Five Year Plan is ₹ 2,400 billion in Transmission and ₹ 3,700 billion in Distribution. *Source: CEA, Base Paper, Key Inputs for Accelerated Development of Indian Power Sector for 12th Plan & Beyond*

OVERVIEW OF THE POWER GENERATION EQUIPMENT MARKET IN INDIA

Power generation equipments are split into two main components, namely boiler turbine generator ("BTG") and balance of plant ("BOP"). The BTG component constitutes the boiler as one unit and turbine generator as another unit, while the BOP component mainly comprises coal handling plant ("CHP'), ash handling plant ("AHP"), chimney, cooling tower, fuel oil handling systems, boiler feed pump, etc. Significant capacity additions in generation are expected to drive demand for power generation equipments going forward.

Key Trends in the BTG Equipment Market in Power Segment in India:

- Increasing Domestic Competition
- Move towards super-critical technology
- Increasing private sector share in power capacity addition

The following table shows the tentative estimated requirement of BOP equipment for thermal projects under the 12th Five Year Plan:

Name of System	BOP Requirement (no. of units)
Coal Handling System	148
Ash Handling System	148
DM Plant	211
Cooling Towers	218
Chimneys	77
Fuel Oil System	148
Pre-Treatment Plant	160

Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for the 12th Plan & Beyond, organised by MoP and CEA, August 18-19, 2009

INDUSTRIAL PRODUCTS AND SYSTEMS

The growth in demand for industrial products and systems such as captive power plants, compressors, oil field equipment, electrical machines (high tension motors), etc. is dependent on the growth of various related industries such as power, oil and gas, steel, cement, fertilisers, irrigation etc.

RAILWAY ELECTRICAL EQUIPMENTS IN INDIA

The Indian Railways have drawn up Vision 2020, a high-growth strategy which would require massive investments in capacity creation, network expansion and upgradation over the next ten years. It estimates an investment of approximately ₹ 14,000 billion through Financial Year 2020.

DEFENCE

The Union Budget for Financial Year 2012 makes a provision of ₹ 1,644.2 billion for defence services, including ₹ 692 billion for capital expenditures. (*Source: Union Budget 2011-12*, *Government of India*)

GoI has recently brought out Defence Production Policy under which preference will be given to indigenous design, development and production of equipment / weapon systems / platforms required for defence. (*Source: Ministry of Defence Annual Report 2011*)

SOLAR THERMAL AND SOLAR PHOTOVOLTAIC BUSINESS

In January 2010, the Prime Minister of India launched the *Jawaharlal Nehru National Solar Mission* ("JNNSM") with a target of 20,000 MW of grid solar power (based on solar thermal power generating systems and solar photovoltaic technologies), 2,000 MW of off-grid capacity, including 20 million solar lighting systems and 20 million sq. m. solar thermal collector area, by 2022. (*Source: MNRE website data as of September 3, 2011*)

SUMMARY OF THE BUSINESS

Overview

We are an integrated power plant equipment manufacturer and one of the largest engineering and manufacturing companies in India in terms of turnover. We are engaged in the design, engineering, manufacture, construction, testing, commissioning and servicing of a wide range of products and services in our power and industry segments. We have 15 manufacturing divisions, two repair units, four regional offices, eight service centres and 15 regional centres and currently operate at more than 150 project sites across India and abroad. Since our establishment by the GoI in 1964, we have been at the forefront of India's indigenous heavy electrical equipment industry with a sustained track record of earning profit since Financial Year 1972 and paying dividends since Financial Year 1977.

We carry on our business in two business segments: the power segment and the industry segment.

Power Segment. In the power segment, we offer a wide range of products and systems for coal-based thermal, gas-based thermal, nuclear and hydro power projects. We execute these projects either on a turnkey/EPC basis or by engineering, supplying and executing main plant equipment, which comprises primarily boilers, turbines and generators, as well as auxiliary equipment such as electrostatic precipitators (ESP), electrical equipment, control and instrumentation systems, pumps and heaters. In the turnkey business, we design, engineer, manufacture, procure, construct and commission projects in the power generation sector, wherein we take turnkey responsibility to supply a range of equipment and services, including the BOP and civil works and any other work that may be required under the contract for a project. In addition, we provide spare parts and after sales services for the life cycle of a plant. Based on information from the CEA, we estimate that our share in India's total installed generating capacity from utility sets (excluding non-conventional capacity) of 155,409 MW is approximately 96,311 MW, or 62%, as of March 31, 2011 and that, in Financial Year 2011, power generating sets manufactured by us contributed approximately 72% of the total power generated in India by utility sets (excluding non-conventional capacity). We have the capability to deliver power generation equipment of 15,000 MW per year, and expect to be able to increase this capability to 20,000 MW per year by the end of Financial Year 2012 upon completion of our capacity enhancement plan. We have technical collaboration agreements with a number of leading international manufacturers, including General Electric Company, Alstom SA, Siemens AG and Mitsubishi Heavy Industries Ltd. In Financial Years 2010 and 2011, our power segment operations accounted for 78.7% and 79.9%, respectively, of our total turnover.

Industry Segment. We design, manufacture, supply and offer services for a broad range of systems and individual products for the following business areas: captive power plants, power transmission, rail transportation, renewable energy, industrial products (electrical and mechanical) and others. In Financial Years 2010 and 2011, our industry segment operations accounted for 21.3% and 20.1%, respectively, of our total turnover.

We have been exporting our power and industry segment products and services for approximately 40 years. As of June 30, 2011, we have exported our products and services to more than 70 countries. As of June 30, 2011, we had cumulatively installed capacity of over 8,500 MW outside of India in 21 countries, including Malaysia, Iraq, the UAE, Egypt and New Zealand, and had approximately 5,200 MW in 19 countries under various stages of execution. Our physical exports range from turnkey projects to after sales services and in Financial Years 2010 and 2011, accounted for 4.9% and 3.2%, respectively, of our total turnover.

In Financial Year 2011, the contract value of new orders that we booked was ₹605,070 million. We book orders as per the terms of the relevant contract. As of June 30, 2011, our Order Book stood at ₹1,596,000 million. Our Order Book stood at ₹1,173,870 million as of March 31, 2009, ₹1,443,120 million as of March 31, 2010 and ₹1,641,450 million as of March 31, 2011.

The following table sets forth the breakdown by segment of our total turnover for the periods indicated:

	Financial Year Ended March 31,						
	2009		2010		2011		2009-2011
	Turnover (₹ million)	% of total	Turnover (₹ million)	% of total	Turnover (₹ million)	% of total	Compound annual growth rate (%)
Power segment	217,788	76.0	276,649	78.7	332,139	79.9	23.50
Industry segment	68,718	24.0	74,793	21.3	83,758	20.1	10.40
Total	**286,506**	**100.0**	**351,442**	**100.0**	**415,897**	**100.0**	**20.48**

From Financial Year 2009 to Financial Year 2011, our profit before tax grew at a compound annual growth rate of 28.17%. Over the same period, our EBITDA grew from ₹54,416 million in Financial Year 2009 to ₹89,981 million in Financial Year 2011, at a compound annual growth rate of 28.59%. The table below summarises our financial results for the periods indicated:

	Financial Year Ended March 31,			
	2009	2010	2011	2009-2011
		(₹ millions)		Compound annual growth rate (%)
Turnover	286,506	351,442	415,897	20.48
EBITDA[(1)]	54,416	77,900	89,981	28.59
EBITDA margin (%)	19.0	22.2	21.6	NA
Profit before tax	50,807	73,158	83,461	28.17
Profit after tax	32,672	48,351	54,991	29.74

[(1)]Please refer to the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 324 of this Draft Red Herring Prospectus.

We are a listed government company under the Companies Act. The GoI holds 67.72% of our outstanding shares as of June 30, 2011, and is expected to hold 62.72% of our outstanding shares immediately after the Offer. We are one of the "Navratna" public sector enterprises. The grant of the "Navratna" status by the GoI in 1997 provided us with strategic and operational autonomy and enhanced financial powers to make investment decisions up to certain specified limits without GoI approval. We received an "Excellent" rating from the GoI in Financial Years 2007, 2008 and 2010. We were also awarded the Meritorious Award for Research and Development, Technology Development and Innovation in Financial Year 2011 from the Standing Conference of Public Enterprises ("**SCOPE**"), presented by the President of India, the Award for Excellence and Outstanding Contribution to Public Sector Management (2008-09) in the Large Scale PSE Category in Financial Year 2010 from SCOPE, presented by the Prime Minister of India and the IEI Industry Excellence Award 2010 for Overall Business Excellence and Industry Practices from the Institution of Engineers (India) ("**IEI**").

Our Strengths

We believe that we have significant industry expertise and knowledge. In particular, we believe that the following strengths enable us to compete successfully in our industry:

Well-positioned to capitalise on growing demand for power in India

With more than 40 years of operating experience as a specialised power generation and industrial systems and products manufacturer, we believe that we have established a leading market position providing reliable and high-quality products in the areas in which we operate. In our power segment operations, we have the capability to deliver power generation equipment of 15,000 MW per year, and expect to be able to increase this capability to 20,000 MW per year by the end of Financial Year 2012. Based on information from the CEA, we estimate that that in Financial Year 2011, the power generated by BHEL manufactured sets contributed 72% of the total power generated in India by utility sets (excluding non-conventional capacity). As per CEA, the GoI's 12th Five-Year Plan envisages a tentative capacity addition of approximately 100,000 MW, with total investment in the Indian power sector in the next five years of approximately ₹ 11,000 billion. We believe that we are well-positioned to capitalise on the expected growth and expansion of the power sector in India.

Diverse range of products and services serving a broad spectrum of businesses and adapted to customer requirements

We offer a diverse range of high-quality products and services that serve a broad spectrum of businesses in the industries in which we operate.

In the power segment, we offer a broad range of equipment and services based on the individual specifications and requirements of our customers, for power plants in India and elsewhere. We design, manufacture and service coal-fired, nuclear, gas combined cycle and hydro-electric generation equipment of various capacities. Based on information from the CEA, we estimate that, as of March 31, 2011, power generating sets manufactured by us represented approximately 62% of the total installed generating capacity from utility sets (excluding non-conventional capacity) in India. We also supply complete systems tailored to the requirements of our domestic and overseas customers for entire power stations, and we have an established track record for executing power projects on a turnkey basis. In the industry segment, we design, manufacture, supply and offer services for a broad range of systems and individual products for the following business areas: captive power plants, power transmission, rail transportation, renewable energy, industrial products (electrical and mechanical) and others. Internationally, we are particularly active in the Middle East, Southeast Asia and Africa, and have been executing turnkey contracts since 1980.

By customising the equipment and services that we sell to the specific requirements of our customers, we are able to adapt to the evolving needs of the industries and markets in which we operate. In addition, through our eight service centres, strategically located throughout India, we provide our customers with a "single window" facility for after sales services, including the supply of spare parts, renovation and modernisation, and overhauling and maintenance of power plants, which allows our customers to extend the life of the power plants they operate.

Significant focus on research and development and technological tie-ups leading to continuing technological innovation

We spend a substantial amount of funds on research and development to develop new and better products that address the needs of our customers and the markets in which we operate. These expenditures amounted to ₹ 6,722 million, ₹ 8,019 million and ₹ 9,440 million in Financial Years 2009, 2010 and 2011, respectively, representing 2.4%, 2.3% and 2.2%, respectively, of our turnover in those years. Our efforts in this area were most recently recognised by "Forbes" magazine, which ranked us as the 9th most innovative company in the world in July 2011.

Through our technical collaboration with global industry leaders such as Alstom SA, Siemens AG and Mitsubishi Heavy Industries Ltd., we believe we were one of the first companies in India to work on super-critical technology and indigenise this new technology for use in India. We believe that we are well-positioned to be a market leader in this technology which we believe will become the predominant technology used in India for power plants going forward. We are also actively involved in the GoI initiative for the development of ultra-supercritical technology.

Strong and diversified Order Book

We have a strong and diversified Order Book. In Financial Year 2011, the contract value of new orders that we booked was ₹605,070 million. As of June 30, 2011, our Order Book stood at ₹1,596,000 million. Our Order Book stood at ₹1,173,870 million as of March 31, 2009, ₹1,443,120 million as of March 31, 2010 and ₹1,641,450 million as of March 31, 2011.

In the power segment, our new orders in Financial Year 2011 comprised power generation equipment of 16,507 MW capacity. Our order inflow in the domestic power segment was split between the public (both at the central and state levels) and private sectors in Financial Year 2011, representing approximately 49% and 51%, respectively in MW terms, reflecting the increased participation of the private sector in power projects. In the

industry segment, our Order Book comprises orders from companies in the Indian power sector as well as the rail and water transportation, mining, electromechanical, oil and gas, cement and petrochemicals industries, among others.

In Financial Year 2011, we secured five orders for projects utilising super-critical technology capable of generating 6,400 MW of power, which is a new business for us. We also added seven new customers in the domestic and international markets in Financial Year 2011.

Strong financial track record

We have a strong financial track record. Our turnover grew from ₹286,506 million in Financial Year 2009 to ₹415,897 million in Financial Year 2011, representing a CAGR of 20.48%. Our EBIDTA grew from ₹54,416 million in Financial Year 2009 to ₹89,981 million in Financial Year 2011, representing a CAGR of 28.59%. Our EBIDTA margin grew from 19.0% in Financial Year 2009 to 21.6% in Financial Year 2011. Our profit after tax grew from ₹32,672 million in Financial Year 2009 to ₹54,991 million in Financial Year 2011, representing a CAGR of 29.74%. Our net worth was ₹129,646 million as of March 31, 2009, ₹164,479 million as of March 31, 2010 and ₹ 201,512 million as of March 31, 2011.

Our Order Book remained relatively stable throughout the global financial crisis during 2007-2010, with the contract value of new orders that we booked standing at ₹ 596,780 million in Financial Year 2009, ₹ 590,370 million in Financial Year 2010 and ₹ 605,070 million in Financial Year 2011. We have been able to achieve our results with relatively limited use of debt.

We have a strong record of uninterrupted dividend distribution since Financial Year 1977, reflecting our strong financial track record, with final dividends of 170% of par value paid in Financial Year 2009, 233% of par value paid in Financial Year 2010 and 311.5% of par value paid in Financial Year 2011.

Experienced management team and operating team

Our senior management team and key management personnel possess extensive management skills, operating experience and industry knowledge and are able to take advantage of market opportunities to formulate sound business strategies and to execute them in an effective manner. With several members having been with us for more than 30 years, our senior management team has shown its ability to steer us through different economic cycles as demonstrated by our sustained track record of earning profit since Financial Year 1972 and paying dividends since Financial Year 1977. We have also been able to attract many graduates from prestigious domestic universities. Through cooperation with leading international companies, we believe that we have assimilated international management practices and corporate governance standards.

Our Strategies

We intend to pursue the following principal strategies to exploit our competitive strengths and grow our business:

Sustain leadership in the power sector

We have a strong strategic focus in the Indian power sector and plan to sustain our competitive edge by pursuing capacity enhancement. We intend to complete our capacity enhancement plan by the end of Financial Year 2012, which will provide us with the capability to deliver power generation equipment of 20,000 MW per year. We believe that this will enable us to address the anticipated market demand for power generation equipment and to efficiently execute our existing Order Book.

We believe that we hold a leading position in the supply of power generation equipment in India. Based on information from the CEA, we estimate that our share in India's total installed generating capacity from utility sets (excluding non-conventional capacity) of 155,409 MW is approximately 96,311 MW, or 62%, as of March 31, 2011, to which we intend to continue to make significant contributions, which we expect to execute in the next five Financial Years. We continue to maintain and grow our strong position in private sector projects and seek to make inroads in the UMPP sector. In our power transmission business, we are addressing opportunities in the ultra high voltage ("UHV") transmission segment by offering 765kV and 1,200kV equipment in order to grow our Order Book for both loose equipment and turnkey substation projects. In addition, we plan to further

strengthen our presence in the extra high voltage ("EHV") gas-insulated substations segment. We also intend to grow our Order Book in the super-critical business over the next five years.

We have entered into several technical collaboration arrangements in order to develop and strengthen our power generation equipment manufacturing capabilities. To retain our leadership in the power sector and further expand our product and service offerings, we plan to continue to undertake joint ventures and other inorganic growth initiatives, including strategic acquisitions, as well as technical and strategic collaborations, including partnerships with SEBs through equity stakes in new power generation projects, which will enable us to secure exclusive supply arrangements in relation to such projects.

Diversify through expansion in new growth areas and strategic partnerships

We intend to continue to target specific business sectors and industry segments in which we believe there is high potential for growth and in which we enjoy competitive advantages. For example, we are currently focusing on developing business in new areas such as solar power generation, nuclear power generation, urban transportation, power transmission, wind energy generation and hydro-electric projects. To establish and strengthen our position in these areas, we have entered into and intend to continue to enter into technical collaborations with others.

We are also planning to expand in the area of renovation and modernisation of older thermal power projects. According to CEA, under the 12th Five Year Plan, life extension works are planned for 72 thermal units with an aggregate capacity of 16,532 MW and renovation and modernisation works are planned for 23 units with an aggregate capacity of 4,971 MW. A substantial part of the equipment required for these projects is supplied by BHEL. Approximately 68% of the aggregate capacity planned for life extension works has been supplied by BHEL and around 96% of the aggregate capacity planned for renovation and modernisation works has been supplied by BHEL. Since we provided a substantial proportion of the capacity identified for this purpose, we believe that we are strategically positioned to benefit from this opportunity.

In addition, we will continue to expand our international business and intend to firmly establish ourselves as an EPC contractor in the global market, enhance proximity to prospective overseas customers by opening new offices in target countries and continue to explore strategic associations with local subcontractors and suppliers in order to enhance local participation in power projects which we undertake outside of India.

Strengthen product cost competitiveness and accelerate project execution

We intend to implement a number of strategic initiatives to strengthen our product cost competitiveness, including, among others, expansion of our vendor base and leveraging low-cost manufacturing through outsourcing low-technology areas, such as structural fabrication. We also plan to form joint ventures with domestic steel manufacturers for the manufacture of critical steel materials such as cold-rolled grain-oriented steel, which is currently imported.

Our planned capacity enhancement and upgrades to higher-range equipment require an agile supply chain and shorter delivery cycles. To this end, we intend to continue implementing strategic initiatives such as expanding our vendor base to reduce risk and cost, entering into long-term rate contracts for raw materials such as steel, copper, cold-rolled grain-oriented steel and transformer oil and outsourcing low-technology or non-core manufacturing processes. In addition, we plan to continue to leverage our IT services to improve cost and delivery cycles through reverse auction and e-procurement. We believe that these initiatives will enable us to execute projects more quickly.

To further improve our operational efficiencies, we will continue to actively pursue the implementation of ERP across all our operations and other capability-building initiatives, including "design to cost", lean manufacturing, and "purchase and supply management".

We also plan to continue our productivity enhancement initiatives, such as multi-skilling of employees and continuing to improve the quality of delivery, as well as machine utilisation improvement strategies including effective utilisation of critical machines through three-shift, 24-hour operations, improved machine maintenance and upkeep, and redeployment of employees.

Enhance product and service lines through emphasis on R&D

We intend to continue to enhance our products and services through our focus on research and development, both internally and through our technical collaborations. We plan to use the latest computer-aided design tools and analytical software to complement our extensive research and development operations and ensure that we remain ahead of market trends. Furthermore, we will attempt to remain enterprise resource planning-compliant, ensuring that all our data and processes are organised into a unified system.

To maintain our leading market position in India, we intend to try and develop innovative technologies, placing a strong emphasis on the development and deployment of clean, low-carbon path technologies such as advanced ultra super-critical technology, integrated gasification combined cycle ("**IGCC**") technology and renewable energy, as well as improve the energy efficiency of all our existing products.

THE OFFER

The following table summarizes the Offer details:

Equity Shares offered	
Offer aggregating up to ₹ [●] million	24,476,000[###] Equity Shares*
Of which	
Employee Reservation Portion[#]	2,447,600 Equity Shares
Therefore Net Offer[#]	22,028,400 Equity Shares
Of which	
A) Qualified Institutional Buyers portion**	Up to 11,014,200 Equity Shares***
Of which	
Available for allocation to Mutual Funds only	550,710 Equity Shares***
Balance for all QIBs including Mutual Funds	10,463,490 Equity Shares***
B) Non-Institutional Portion	Not less than 3,304,260 Equity Shares***
C) Retail Portion	Not less than 7,709,940 Equity Shares***
Equity Shares outstanding prior to the Offer	489,520,000 Equity Shares
Equity Shares outstanding after the Offer	489,520,000 Equity Shares
Use of Offer Proceeds	See the section titled "Objects of the Offer" on page 87. The Company will not receive any proceeds of this Offer.

* The Equity Shares being offered by the Selling Shareholder in the Offer have been held for more than a period of one year as on the date of filing of this Draft Red Herring Prospectus. The Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, through its letter No. 3(9)/2009-PE.XI dated September 09, 2011, conveyed the approval granted by the GoI for the Offer.

[###] The Board of Directors of the Company on July 01, 2011 and the Shareholders of the Company on September 20, 2011 have approved the sub-division of equity share of face value of ₹ 10 each into 5 equity shares of face value of ₹ 2 each w.e.f. record date i.e. October 4, 2011. Based on the issued, subscribed and paid-up share capital of the Company of 489,520,000 equity shares of ₹ 10 each, the size of the present Offer is 2,44,76,000 equity shares of ₹ 10 each, which will translate to 12,23,80,000 equity shares of ₹ 2 each when adjusted for the stock split. Post the record date i.e. October 4, 2011, the above table shall be updated depicting face value as ₹ 2.

** 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder will be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received at or above the Offer Price. However, if the aggregate demand from Mutual Funds is less than550,710 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund portion will be added to the QIB Portion and allocated proportionately to QIBs in proportion to their Bids. For more information, see the section titled "Offer Procedure" on page 423 of this Draft Red Herring Prospectus. Allocation will be made on a proportionate basis.

*** In the event of over-subscription, allocation will be made on a proportionate basis, subject to valid Bids being received at or above the Offer Price.

[#]Any under-subscription in the Employee Reservation Portion will be added to the Net Offer. In the event of under subscription in the Net Offer, spill over to the extent of under-subscription will be allowed from the Employee Reservation Portion. Subject to valid Bids being received at or above the Offer Price, any under-subscription in any other category will be allowed to be met with spill-over from other categories or a

combination of categories, at the discretion of the Selling Shareholder and the Company, in consultation with the BRLMs and the Designated Stock Exchange.

The Company and the Selling Shareholder, in consultation with the BRLMs, has fixed a discount of ₹ [●] amounting to [●] % of the Offer Price to Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from the audited standalone and consolidated financial statements as of and for the years ended March 31, 2011, 2010 and 2009. These financial statements are presented in the section titled "—Financial Information - Financial Statements" beginning on page 200 of this Draft Red Herring Prospectus. The summary financial information presented below should be read in conjunction with the standalone and consolidated financial statements of the Company, the significant accounting policies, notes to accounts and annexures thereto, and the section titled —Management's Discussion and Analysis of Financial Condition and Results of Operations on page 324 of this Draft Red Herring Prospectus.

SUMMARY STATEMENT OF ASSETS AND LIABILITIES - RESTATED (CONSOLIDATED)

(₹ in millions)

	As at March 31st		
	2011	**2010**	**2009**
A. Fixed Assets & Intangible Assets			
Gross Block	83,440	68,574	55,011
Less:			
Accumulated Depreciation/Amortisation	47,342	41,855	37,673
Lease Adjustment Account	2	142	412
Net Block	36,096	26,577	16,926
Add: Capital Work-in-Progress	22,028	15,524	12,123
TOTAL FIXED ASSETS	**58,124**	**42,101**	**29,049**
B. Investments	**113**	**59**	**59**
C. Deferred Tax Assets Net	**21,652**	**19,311**	**22,564**
D. Current Assets, Loans and Advances			
Inventories	110,175	92,838	78,920
Sundry Debtors	275,105	228,173	172,139
Cash & Bank Balances	97,064	98,564	103,295
Other current assets	3,102	4,073	3,503
Loans and advances	30,763	24,041	19,500
TOTAL CURRENT ASSETS	**516,209**	**447,689**	**377,357**
E. Pre Operative Expenses	1	23	-
F. Preliminary Expenses	37	-	-
TOTAL ASSETS (A+B+C+D+E+F)	**596,136**	**509,183**	**429,029**
G. Liabilities & Provisions			
Secured Loans	-	18	16
Unsecured Loans	2,702	1,465	1,649
Current Liabilities	315,680	281,795	235,341
Provisions	76,204	61,403	62,377
TOTAL LIABILITIES	**394,586**	**344,681**	**299,383**

	As at March 31st		
NET WORTH (A+B+C+D-G)	**201,512**	**164,479**	**129,646**
REPRESENTED BY			
H. Share Capital	4,895	4,895	4,895
I. Reserves & Surplus	196,655	159,607	124,751
J. Less: Pre operative and Preliminary Exp. to the extent not written off (E+F)	38	23	-
NET WORTH (H+I-J)	**201,512**	**164,479**	**129,646**

The above statement should be read with the significant accounting policies and notes to accounts in the section titled "*Financial Information"* on page 196 of this Draft Red Herring Prospectus.

SUMMARY STATEMENT OF PROFIT & LOSS - RESTATED (CONSOLIDATED)

(₹ in millions)

	For the year ended 31st March		
	2011	**2010**	**2009**
INCOME			
Turnover (Gross)	415,897	351,442	286,506
Less: Excise duty & Service Tax	17,811	12,993	18,275
Turnover (Net)	**398,086**	**338,449**	**268,231**
Interest & other income	17,027	16,321	14,983
Accretion (Decretion) to Work-in-Progress & Finished Goods	1,262	7,758	11,640
TOTAL INCOME	**416,375**	**362,528**	**294,854**
EXPENDITURE			
Consumption of Material, Erection and Engineering Expenses	233,666	208,630	178,400
Employees' remuneration & benefits	55,857	49,483	38,257
Other expenses of Manufacture, Administration, Selling and Distribution	25,567	20,840	18,505
Provisions (net)	12,064	6,883	6,046
Interest & other borrowing costs	566	350	266
Depreciation and Amortisation	5,954	4,392	3,343
Less: Cost of jobs done for internal use	685	1,209	612
	332,989	**289,369**	**244,205**
Profit Before Tax, Extra Ordinary Items and Prior Period Items	**83,386**	**73,159**	**50,649**
Add/(Less): Prior period items (Net)	(3)	(1)	158
Add/(Less): Extra Ordinary Items	78	-	-
Profit Before Tax (Restated)	**83,461**	**73,158**	**50,807**
Provision for Income Tax	(30,811)	(21,554)	(25,150)
Deferred Tax	2,341	(3,253)	7,015
Profit After Tax (Restated)	**54,991**	**48,351**	**32,672**
Balance of profit brought forward from last year	10,922	6,081	3,329
Foreign Project Reserves written back	-	14	12
Profit available for appropriation	65,913	54,446	36,013
APPROPRIATION			
Transfer to General Reserve	40,029	30,025	20,022

	For the year ended 31st March		
Interim Dividend on Equity Shares	6,600	5,501	4,513
Proposed Dividend on Equity Shares	8,818	6,057	3,958
Corporate Dividend tax	2,527	1,941	1,439
Total Appropriation	**57,974**	**43,524**	**29,932**
BALANCE CARRIED TO BALANCE SHEET	**7,939**	**10,922**	**6,081**
NOTES TO ACCOUNTS			

The above statement should be read with the significant consolidating accounting policies and notes to accounts in the section titled "*Financial Information"* on page 196 of this Draft Red Herring Prospectus.

SUMMARY STATEMENT OF CONSOLIDATED CASH FLOW - RESTATED (CONSOLIDATED)

(₹ in millions)

	For the year ended 31st March		
	2011	**2010**	**2009**
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit Before Tax - Restated	**83,461**	**73,158**	**50,807**
Adjustment for			
Depreciation/Amortisation	5,957	4,394	3,344
Lease Equalisation	(140)	(270)	(179)
Provisions (Net)	6,389	6,249	12,750
Bad Debts & Liquidated Damages written off	405	1,429	57
Profit on sale of Fixed assets	(43)	(3)	(84)
Interest paid	566	351	272
Interest/Dividend Income	(6,395)	(8,017)	(7,848)
Operating Profit before Working Capital changes	**90,200**	**77,291**	**59,117**
Adjustment for			
Decrease/(Increase) in Debtors, Loans and Advances and others	(54,553)	(62,977)	(50,418)
Decrease/(Increase) in Inventories	(17,446)	(13,958)	(21,140)
Increase/(decrease) in Current Liabilities and Provisions	47,221	35,075	70,263
Cash generated from operations	**65,422**	**35,431**	**57,822**
Direct Taxes Paid (Net of refund)	(38,431)	(19,130)	(23,190)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**26,991**	**16,301**	**34,632**
B. CASH FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(21,861)	(17,279)	(13,562)
Sale and Disposal of Fixed Assets	65	86	318
Purchase of Investments	(53)	-	-
Interest & Dividend Receipts	7,457	7,775	8,569
NET CASH USED IN INVESTING ACTIVITIES	**14,392**	**9,418**	**4,675**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Long Term Borrowings (Secured)	(18)	2	16
Borrowings, Credit for Assets taken on lease (Unsecured)	1,310	(209)	(1,348)
Dividend Paid (including tax on dividend)	(14,738)	(11,064)	(8,946)
Interest paid	(653)	(343)	(343)
NET CASH USED IN FINANCING ACTIVITIES	**14,099**	**11,614**	**10,621**
D. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,500)**	**(4,731)**	**19,336**
Opening Balance of Cash and Cash Equivalents	98,564	103,295	83,959

	For the year ended 31st March		
Closing Balance of Cash and Cash Equivalents	**97,064**	**98,564**	**103,295**
Note: Cash and Cash Equivalent comprises of the following:			
Cash & Stamps in hand	16	15	12
Cheques, Demand Drafts in hand	4,340	2,307	3,865
Remittances in transit	86	358	0.2
Balances with Scheduled Banks			
Current Account	9,772	6,131	15,379
Current Account-unclaimed dividend account	37	16	13
Deposit Account	82,569	89,679	83,736
Balance with non-scheduled Banks			
Current Account	244	58	290
TOTAL	**97,064**	**98,564**	**103,295**

SUMMARY STATEMENT OF ASSETS AND LIABILITIES - RESTATED (STANDALONE)

(₹ in millions)

	As at March 31st				
	2011	**2010**	**2009**	**2008**	**2007**
A. Fixed Assets & Intangible Assets					
Gross Block	80,496	65,800	52,247	44,433	41,349
Less:					
Accumulated Depreciation/Amortisation	46,486	41,014	36,853	33,839	31,039
Lease Adjustment Account	2	142	412	591	293
Net Block	34,008	24,644	14,982	10,003	10,017
Add: Capital Work-in-Progress	17,622	15,500	12,123	6,857	3,061
TOTAL FIXED ASSETS	**51,630**	**40,144**	**27,105**	**16,860**	**13,078**
B. Investments	**4,392**	**799**	**524**	**83**	**83**
C. Deferred Tax Assets (Net)	**21,636**	**19,297**	**22,557**	**15,543**	**10,432**
D. Current Assets, Loans and Advances					
Inventories	109,630	92,354	78,370	57,364	42,177
Sundry Debtors	273,546	227,125	171,142	129,606	103,974
Cash & Bank Balances	96,302	97,901	103,147	83,860	58,089
Other current assets	3,096	4,068	3,502	4,211	1,997
Loans and advances	32,373	25,595	20,613	12,877	11,634
TOTAL CURRENT ASSETS	**514,947**	**447,043**	**376,774**	**287,918**	**217,871**
TOTAL ASSETS (A+B+C+D)	**592,605**	**507,283**	**426,960**	**320,404**	**241,464**
E. Liabilities & Provisions					
Secured Loans	-	-	-	-	-
Unsecured Loans	1,634	1,278	1,494	952	893
Current Liabilities	313,466	279,987	233,280	165,675	116,799
Provisions	75,968	61,358	62,382	47,082	35,686
TOTAL LIABILITIES	**391,068**	**342,623**	**297,156**	**213,709**	**153,378**
NET WORTH (A+B+C+D-E)	**201,537**	**164,660**	**129,804**	**106,695**	**88,086**
REPRESENTED BY					
F. Share Capital	4,895	4,895	4,895	4,895	2,448
G. Reserves & Surplus	196,642	159,765	124,909	101,800	85,638
NET WORTH (F+G)	**201,537**	**164,660**	**129,804**	**106,695**	**88,086**

The above statement should be read with the significant consolidated accounting policies and notes to accounts in the section titled "*Financial Information*" on page 196 of this Draft Red Herring Prospectus.

SUMMARY STATEMENT OF PROFIT & LOSS ACCOUNT - RESTATED
(STANDALONE)

(₹ in millions)

	For the year ended 31st March				
	2011	**2010**	**2009**	**2008**	**2007**
INCOME					
Turnover (Gross)	412,986	348,470	283,542	216,218	191,661
Less: Excise duty & Service Tax	17,709	12,923	18,209	20,964	15,014
Turnover (Net)	**395,277**	**335,547**	**265,333**	**195,254**	**176,647**
Interest & other income	16,933	16,177	14,974	11,808	8,130
Accretion/ (Decretion) to Work-in-Progress & Finished Goods	1,274	7,866	11,515	8,272	1,812
TOTAL INCOME	**413,484**	**359,590**	**291,822**	**215,334**	**186,589**
EXPENDITURE					
Consumption of Material, Erection and Engineering Expenses	232,091	206,723	176,201	118,209	100,179
Employees' remuneration & benefits	55,257	48,983	37,934	32,106	25,328
Other expenses of Manufacture, Administration, Selling and Distribution	25,359	20,646	18,358	16,442	16,601
Provisions (net)	12,063	6,905	5,768	4,929	3,930
Interest & other borrowing costs	549	318	221	114	417
Depreciation and amortisation	5,931	4,369	3,254	2,911	2,676
Less: Cost of jobs done for internal use	685	1,209	612	383	284
	330,565	**286,735**	**241,124**	**174,328**	**148,847**
Profit before tax, extra ordinary items and prior period items	**82,919**	**72,855**	**50,698**	**41,006**	**37,742**
Add/(Less): Prior period items (Net)	(4)	-	164	53	-
Add/(Less): Extra ordinary items	-	-	-	-	-
Profit Before Tax (Restated)	**82,915**	**72,855**	**50,862**	**41,059**	**37,742**
Provision for Income Tax	(30,630)	(21,418)	(25,030)	(18,827)	(15,545)
Deferred Tax	2,339	(3,260)	7,014	5,111	2,163
Profit After Tax (Restated)	**54,624**	**48,177**	**32,846**	**27,343**	**24,360**
Balance of profit brought forward from last year	11,241	6,371	3,250	4,630	2,181
Foreign Project Reserves written back	-	14	11	11	14

	For the year ended 31st March				
Profit available for appropriation	65,865	54,562	36,107	31,984	26,555
APPROPRIATION					
Transfer to General Reserve	40,000	30,000	20,000	20,000	15,000
Interim Dividend on Equity Shares	6,486	5,385	4,406	4,406	3,060
Proposed Dividend on Equity Shares	8,762	6,021	3,916	3,059	2,937
Corporate Dividend tax	2,499	1,915	1,414	1,269	928
Total Appropriation	**57,747**	**43,321**	**29,736**	**28,734**	**21,925**
BALANCE CARRIED TO BALANCE SHEET	**8,118**	**11,241**	**6,371**	**3,250**	**4,630**

The above statement should be read with the significant consolidated accounting policies and notes to accounts in the section titled "*Financial Information"* on page 196 of this Draft Red Herring Prospectus.

SUMMARY STATEMENT OF CASH FLOW - RESTATED (STANDALONE)

(₹ in millions)

	For the year ended 31st March				
	2011	**2010**	**2009**	**2008**	**2007**
A. CASH FLOW FROM OPERATING ACTIVITIES					
Net Profit Before Tax - Restated	**82,915**	**72,855**	**50,862**	**41,059**	**37,742**
Adjustment for					
Depreciation/Amortisation	5,934	4,371	3,255	2,912	2,675
Lease Equalisation	(140)	(270)	(179)	299	423
Provisions (Net)	6,416	6,295	12,546	6,790	1,443
Bad Debts & Liquidated Damages written off	410	1,399	53	424	687
Provision for diminution in investment	1	-	-	-	-
Profit on sale of Fixed assets	(43)	(3)	(84)	(17)	(12)
Interest paid	549	319	222	114	417
Interest/Dividend Income	(6,340)	(7,930)	(7,881)	(6,691)	(3,334)
Restated Operating Profit before Working Capital changes	**89,702**	**77,036**	**58,794**	**44,890**	**40,041**
Adjustment for					
Decrease/(Increase) in Debtors, Loans and Advances and others	(53,954)	(63,425)	(52,566)	(27,089)	(30,126)
Decrease/(Increase) in Inventories	(17,380)	(14,034)	(21,065)	(15,288)	(4,742)
Increase/(decrease) in Current Liabilities and Provisions	46,866	35,308	70,818	54,999	38,377
Cash generated from operations	**65,234**	**34,885**	**55,981**	**57,512**	**43,550**
Direct Taxes Paid (Net of refund)	(38,648)	(19,035)	(23,069)	(22,733)	(15,340)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**26,586**	**15,850**	**32,912**	**34,779**	**28,210**
B. CASH FROM INVESTING ACTIVITIES					
Purchase of Fixed Assets	(17,300)	(17,222)	(13,556)	(7,030)	(4,424)
Sale and Disposal of Fixed Assets	62	85	320	53	67
Investment in Subsidiary & Joint Ventures	(3,593)	(275)	(441)	-	-
Interest & Dividend Receipts	7,403	7,746	8,549	6,851	2,234
NET CASH USED IN INVESTING ACTIVITIES	**13,428**	**9,666**	**5,128**	**126**	**2,123**
C. CASH FLOW FROM FINANCING ACTIVITIES					
Long Term Borrowings (Secured)	-	-	-	-	(5,000)
Borrowings-Credit for Assets taken on lease (Unsecured)	351	(214)	526	51	306
Dividend Paid (including tax on dividend)	(14,563)	(10,879)	(8,730)	(8,589)	(4,051)
Interest paid	(545)	(337)	(293)	(344)	(593)

	For the year ended 31st March				
NET CASH USED IN FINANCING ACTIVITIES	**14,757**	**11,430**	**8,497**	**8,882**	**9,338**
D. NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,599)**	**(5,246)**	**19,287**	**25,771**	**16,749**
Opening Balance of Cash and Cash Equivalents	97,901	103,147	83,860	58,089	41,340
Closing Balance of Cash and Cash Equivalents	**96,302**	**97,901**	**103,147**	**83,860**	**58,089**
Note: Cash and Cash Equivalent comprises of the following:					
Cash & Stamps in hand	15	13	10	10	12
Cheques, Demand Drafts in hand	4,335	2,269	3,864	2,659	2,869
Remittances in transit	87	358	-	564	378
Balances with Scheduled Banks					
Current Account	9,584	5,937	15,328	11,717	17,378
Current Account-unclaimed dividend account	37	16	13	9	7
Deposit Account	82,000	89,250	83,642	68,750	37,400
Balance with non-scheduled Banks					
Current Account	244	58	290	151	45
Total	**96,302**	**97,901**	**103,147**	**83,860**	**58,089**

GENERAL INFORMATION

The Company was incorporated on November 13, 1964 as a private limited company under the Companies Act. Pursuant to a Board resolution dated December 24, 1991 and shareholders' resolution passed at the EGM on December 24, 1991, the Company was converted into a public limited company.

Registered and Corporate Office of the Company

BHEL House,
Siri Fort,
New Delhi 110 049, India
Tel: +91 (11) 6633 7000
Fax: +91 (11) 2649 3021
Website: www.bhel.com

Corporate Identity Number: L74899DL1964GOI004281

Registrar of Companies

The Company is registered at the office of:

Registrar of Companies,
National Capital Territory of Delhi and Haryana
4th Floor, IFCI Tower,
61, Nehru Place,
New Delhi - 110 019,
India.
Telephone: +91 (11) 2623 5704
Facsimile: + 91 (11) 2623 5702

Board of Directors

The following table sets out the current composition of the Board as on the date of the filing of this Draft Red Herring Prospectus. The Board currently consists of 13 Directors, of which five are independent Directors:

Sr. No.	Name, Designation, DIN and Occupation	Age	Address
1.	**Mr. B. Prasada Rao** *Chairman and Managing Director* DIN: 01705080 Occupation: Service	57	B-278, Asian Games Village Complex, New Delhi 110049, India
2.	**Mr. Anil Sachdev** *Director - HR* DIN: 01676957 Occupation: Service	59	B-276, Asian Games Village Complex, New Delhi 110049, India
3.	**Mr. Atul Saraya** *Director - Power* DIN: 02145899 Occupation: Service	57	B-273, Asian Games Village Complex, New Delhi 110049, India
4.	**Mr. O. P. Bhutani** *Director – E, R&D* DIN: 02898748 Occupation: Service	58	B 86, Suraj Mal Vihar, New Delhi 110092, India

Sr. No.	Name, Designation, DIN and Occupation	Age	Address
5.	**Mr. M. K. Dube** *Director – IS & P* DIN: 02732853 Occupation: Service	58	E-4/304 Arera Colony, Bhopal, Madhya Pradesh 462016, India
6.	**Mr. P. K. Bajpai** *Director – Finance* DIN: 02205660 Occupation: Service	56	11/16, West Patel Nagar, New Delhi 110008, India
7.	**Mr. Saurabh Chandra** *Part Time Official (Government Nominee) Director* DIN: 02726077 Occupation: Government Officer	56	D-I/9, Bharti Nagar, New Delhi 110003, India
8.	**Mr. Ambuj Sharma** *Part Time Official (Government Nominee) Director* DIN: 00613944 Occupation: Government Officer	52	D-I/11, Rabindra Nagar, New Delhi 110003, India
9.	**Mr. Ashok Kumar Basu** *Part Time Non-Official (independent) Director* DIN: 01411191 Occupation: Retired Bureaucrat	69	GD-282,Sector – III, Salt Lake City, Kolkata, West Bengal 700106, India
10.	**Mr. M. A. Pathan** *Part Time Non-Official (independent) Director* DIN: 00040352 Occupation: Professional	69	K-80, Ist Floor, Hauz Khas Enclave, New Delhi 110 016, India
11.	**Ms. Reva Nayyar** *Part Time Non-Official (independent) Director* DIN: 00890248 Occupation: Retired Bureaucrat	65	5-A, Old Friends Colony (West), Mathura Road, New Delhi 110 065, India
12.	**Mr. V. K. Jairath** *Part Time Non-Official (independent) Director* DIN: 00391684 Occupation: Retired Bureaucrat	52	194-B, Kalpataru Horizon, S.K. Ahire Marg, Worli, Mumbai, Maharashtra 400018, India
13.	**Mr. S. Ravi** *Part Time Non-Official (independent) Director* DIN: 00009790 Occupation: Professional	52	D-218, Saket, New Delhi 110017, India

For further details and profile of the Directors, see the section titled "The Management" on page 168.

Company Secretary and Compliance Officer

The company secretary and compliance officer is Mr. Inder Pal Singh. His contact details are as follows:

Mr. Inder Pal Singh,
Company Secretary,
BHEL House,
Siri Fort,
New Delhi 110 049, India
Tel: +91 (11) 2600 1046
Fax: +91 (11) 6633 7533
Website: www.bhel.com
Email: fpoinvestorsquery@bhel.in

Bidders can contact the company secretary and compliance officer, the BRLMs or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of Allotment advice, credit of Allotted Equity Shares in the respective beneficiary account or refund orders.

All complaints, queries or comments received by SEBI shall be forwarded to the Book Running Lead Managers, who shall respond to the same.

Book Running Lead Managers

DSP Merrill Lynch Limited 8th Floor, Mafatlal Centre, Nariman Point, Mumbai - 400 021, Maharashtra, India. Tel: +91 (22) 6632 8000 Fax: +91 (22) 2204 8518 Email: dg.bhelfpo@baml.com Investor Grievance E-mail: india_merchantbanking@baml.com Website: www.dspml.com Contact Person: Ms. Theresa Pimenta SEBI Registration No.: INM000011625	**ICICI Securities Limited** ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai - 400 020, Maharashtra, India. Tel: +91 (22) 2288 2460 Fax: +91 (22) 2282 6580 Email: bhel.fpo@icicisecurities.com Investor Grievance E-mail: customercare@icicisecurities.com Website: www.icicisecurities.com Contact Person: Mr. Mangesh Ghogle / Mr. Ayush Jain SEBI Registration No.: INM000011179
Kotak Mahindra Capital Company Limited 1st Floor, Bakhtawar, 229, Nariman Point, Mumbai – 400021, Maharashtra, India Tel: +91 (22) 6634 1100 Fax: +91 (22) 2283 7517 Email: bhel.fpo@kotak.com Investor Grievance E-mail: kmccredressal@kotak.com Website: www.investmentbank.kotak.com Contact Person: Mr. Chandrakant Bhole SEBI Registration No.: INM000008704	**Morgan Stanley India Company Private Limited** 18F/19F, Tower 2, One Indiabulls Centre, 841, Senapati Bapat Marg, Mumbai - 400 013, India Tel: +91 (22) 6118 1000 Fax: +91 (22) 6118 1040 Email: bhel_fpo@morganstanley.com Investor Grievance E-mail: investors_india@morganstanley.com Website: www.morganstanley.com/indiaofferdocuments Contact Person: Ms. Mayuri Gupta SEBI Registration No.: INM000011203

Syndicate Members

[●]

Domestic Legal Counsel to the Company and the Selling Shareholder

Khaitan & Co
One Indiabulls Centre, 13th Floor,
841 Senapati Bapat Marg, Elphinstone Road,
Mumbai 400013, Maharashtra, India
Tel: +91 (22) 6636 5000
Fax: +91 (22) 6636 5050

International Legal Counsel to the Company and the Selling Shareholder

Baker & McKenzie.Wong & Leow
8 Marina Boulevard #05-01,
Marina Bay Financial Centre Tower 1,
Singapore 018981
Tel: +65 6338 1888
Fax: +65 6337 5100

Domestic Legal Counsel to the Book Running Lead Managers

Luthra & Luthra Law Offices
103, Ashoka Estate,
Barakhamba Road,
New Delhi 110001, India
Tel: +91 (11) 4121 5100
Fax: +91 (11) 2372 3909

International Legal Counsel to DSP Merrill Lynch Limited and Morgan Stanley India Company Private Limited

O'Melveny & Myers LLP
9 Raffles Place
#22-01/02
Republic Plaza 1
Singapore 048619
Tel: +65 6593 1800
Fax: +65 6593 1801

Registrar to the Offer

Karvy Computershare Private Limited
Plot No. 17 to 24, Vithal Rao Nagar,
Madhapur, Hyderabad - 500 086,
Andhra Pradesh, India.
Tel: +91 (40) 4465 5000
Tel: (toll free): 1-800-345 4001
Fax: +91 (40) 2343 1551
Email: bhel.fpo@karvy.com
Website: www.karisma.karvy.com
Contact Person: Mr. Murali Krishna
SEBI registration number: INR000000221

Bankers to the Offer/Escrow Collection Banks

[●]

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSBs for the ASBA process is provided at http://www.sebi.gov.in/pmd/scsb.pdf or at such other website as may be prescribed by SEBI from time to time. For details on designated branches of SCSBs collecting the ASBA Bid cum Application Form, please refer to the above mentioned link.

In relation to ASBA Bids submitted to a member of the Syndicate, the list of branches of the SCSBs at the Syndicate ASBA Bidding Locations (Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat) named by the respective SCSBs to receive deposits of ASBA Forms from the members of the Syndicate is provided on http://www.sebi.gov.in/pmd/scsb-asba.html. For more information on such branches collecting ASBA Forms from the members of the Syndicate at Syndicate ASBA Bidding Locations, see the above mentioned SEBI link.

Refund Banks

[●]

Statutory Auditors to the Company

M/s. Gandhi Minocha & Co
Chartered Accountants
B-6, Shakti Nagar Extension,
Near Laxmi Bai College,
Delhi 110052
Tel: +91 (11) 2730 3078/ 4227 3690
Fax: +91 (11) 2730 8800
Email: gandhica@yahoo.com
Firm Registration No: 000458N

M/s. S. N. Dhawan & Co
Chartered Accountants
C37, Connaught Place,
New Delhi 110001
Tel: +91 (11) 4368 4444
Fax: +91 (11) 4368 4445
Email: suresh.seth@mazars.co.in
Firm Registration No: 000050N

Bankers to the Company

Allahabad Bank International Branch 3rd Floor, 17, Parliament Street, New Delhi 110001, India Tel: +91 (011) 23360326 / 23746613 Fax: +91 (011) 23742302 / 23361397 E-mail: br.del_ibl@allahabadbank.in Website: www.allahabadbank.com Contact Person: Dr. S. K. Sharma	**Andhra Bank** Vijya Bank, Green Park Branch, R-3 (Main) Green Park, Aurbindo Marg, New Delhi 110016, India Tel: +91 (011) 26512406 / 26569005 Fax: +91 (011) 26513478 E-mail: bmdel162@andhrabank.co.in Website: www.andhrabank.in Contact Person: Mr. K. Satya Prasad

Axis Bank Limited
Statesman House, 2nd Floor,
148 Barakhamba Road,
New Delhi 110001, India
Tel: +91 (011) 43682434
Fax: +91 (011) 41515449
E-mail: vivek.dawar@axisbank.com
Website: www.axisbank.com
Contact Person: Mr. Vivek Dawar

Bank of Baroda
Ground Floor,
Bank of Baroda Bldg, 16 Sansad Marg,
New Delhi 110001, India
Tel: +91 (011) 23320863 / 580
Fax: +91 (011) 23711267
E-mail: indel@bankofbaroda.com
Website: www.bankofbaroda.com
Contact Person: Mr. V. K. Kukerja

Bank of India
Large Corporate Branch,
4,Parliament Street,
PTI Building Parliament Street,
New Delhi 110001, India
Tel: +91 (011) 23765126 / 23765124 / 23765125
Fax: +91 (011) 23765123
E-mail:
LargeCorporateBr.NewDelhi@bankofindia.co.in
Website: www.bankofindia.com
Contact Person: Mr. G. P. Bose

Canara Bank
Prime Corporate Branch II,
2nd Floor, World Trade Tower,
Barakhamba Lane,
New Delhi 110001, India
Tel: +91 (011) 23413381
Fax: +91 (011) 23411590
E-mail: dgmcb1942@canarabank.com
Website: https://www.canarabank.in
Contact Person: Mr. K. Radhakrishnan

Central Bank of India
R.W.A., Sector 15A,
Noida 201301, Uttar Pradesh, India
Tel: +91 (0120) 2511747
Fax: +91 (0120) 2511747
E-mail: bmdela3172@centralbank.co.in
Website: www.centralbankofindia.co.in
Contact Person: Mr. S. K. Gupta

Citibank N.A.
DLF Square. 17th Floor,
Jacaranda Marg, M Block,
DLF City Phase II,
Gurgaon 122002, India
Tel: +91 (0124) 489 3521
Fax: +91 (0124) 489 3591
E-mail: ankit1.sharma@citi.com
Website: http://www.online.citibank.co.in
Contact Person: Mr. Ankit Sharma

Corporation Bank
Scope Complex,
Lodhi Road,
New Delhi 110003, India
Tel: +91 (011) 24392051 / 24361469
Fax: +91 (011) 24363542
E-mail: wadhwa@corpbank.co.in
Website: www.corpbank.com
Contact Person: Mr. H. C. Wadhwa

Deutsche Bank AG
DLF Square, 4th Floor,
Jacaranda Marg, DLF City Phase II,
Gurgaon 122002, India
Tel: +91 (0124) 4122601
Fax: +91 (0124) 256 0284
E-mail: ajay.rajan@db.com
Website: www.db.com
Contact Person: Mr. Ajay Rajan

The Federal Bank Limited
Satkar Building,
G-1-6, 79-80, Nehru Place,
New Delhi 110019, India
Tel: +91 (011) 26481939
Fax: +91 (011) 26484165
E-mail: ndld@federalbank.co.in
Website: www.federal-bank.com
Contact Person: Mr. V. K. Seth

HDFC Bank Limited
B-6/3, Safdarjung Enclave,
Opp. Deer Park,
New Delhi 110029, India
Tel: +91 (011) 41392121 / 41392100
Fax: +91 (011) 41652283
E-mail: l.k.dhamija@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. L. K. Dhamija

The Hongkong and Shangai Banking Corporation Limited
JMD Regent Square, DLF Phase II,
Mehrauli Road,
Gurgaon 122002, India
Tel: +91 (0124) 4182105
Fax: +91 (0124) 4182035
E-mail: anuragpandey@hsbc.co.in
Website: www.hsbc.co.in
Contact Person: Mr. Anurag Pandey

ICICI Bank Limited
ICICI Bank Towers, NBCC Place,
BP Marg, Pragati Vihar,
New Delhi 110003, India
Tel: +91 (011) 30278360/
Fax: +91 (011) 24369970 / 24390070
E-mail: sunil.rathi@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Sunil Rathi

IDBI Bank Limited
Indian Red Cross Society Building,
3rd Floor, 1, Red Cross Road,
New Delhi 110001, India
Tel: +91 (011) 66281028/ 66281035
Fax: +91 (011) 23752730
E-mail: nitin.jain@idbi.co.in
Website: www.idbi.com
Contact Person: Mr. Nitin Jain

Indian Bank
Main Branch, G-41,
Connaught Circus,
New Delhi 110001, India
Tel: +91 (011) 23712158 / 23712160
Fax: +91 (011) 23718418/ 23712161
E-mail:
cmcreditnewdelhimain@indianbank.co.in / ibnewdelhimain@vsnl.net
Website: www.indian-bank.com
Contact Person: Mr. R. Mani

IndusInd Bank Limited
219-220, Somdutt Chambers II,
Bikhaji Cama Place,
New Delhi 110066, India
Tel: +91 (011) 46032020
Fax: +91 (011) 46032682
E-mail: rakesh.arora@indusind.com
Website: www.indusind.com
Contact Person: Mr. Rakesh Arora

Kotak Mahindra Bank Limited
Ambadeep Building,
6th Floor,14 K G Marg,
New Delhi 110001, India
Tel: +91 (011) 45875130/ 66084230
Fax: +91 (011) 66084209
E-mail: sandeep.mishra@kotak.com
Website: www.kotak.com
Contact Person: Mr. Sandeep Mishra

Oriental Bank of Commerce
C-1, Sector 61,
Noida 201307,
Uttar Pradesh, India
Tel: +91 (0120) 2588821/ 2588861
Fax: +91 (0120) 2588861
E-mail: bm1208@obc.co.in
Website: www.obcindia.co.in
Contact Person: Mr. R C Sharma

Punjab & Sind Bank
Green Park Extension,
New Delhi 110016, India
Tel: +91 (011) 26867788 / 26529398
Fax: +91 (011) 26516299
E-mail: d0040@psb.org.in
Website: www.psbindia.com
Contact Person: Mr. G. S. Dhingra

Punjab National Bank
74, Janpath
New Delhi-110001, India
Tel: +91 (011) 23317606
Fax: +91 (011) 23358887
E-mail: BO0131@pnb.co.in
Website: www.pnbindia.in
Contact Person: Mr. Salim

The Royal Bank of Scotland N.V.
11th Floor, Tower C, Cyber Greens,
DLF Cyber City, Sector 25A,
Gurgaon-122002, India
Tel: +91 (0124) 4181933
Fax: +91 (0124) 4181737, 1710
E-mail: runa.baksi@rbs.com
Website: www.rbs.in
Contact Person: Ms. Runa Baksi

Standard Chartered Bank
3rd Floor, Building 7A,
DLCF Cyber City, Sector 24/25/25A,
Gurgaon-122002, India
Tel: +91 (0124) 4876142
Fax: +91 (0124) 4876204
E-mail: Rajat.Bahree@sc.com
Website: www.standardchartered.co.in
Contact Person: Mr. Rajat Bahree

State Bank of Hyderabad
Commercial Branch, 1st Floor,
74, Janpath,
New Delhi-110001, India
Tel: +91 (011) 23320756
Fax: +91 (011) 23329982 / 23313683
E-mail: ramprasad.s@sbhyd.co.in
Website: www.sbhyd.com
Contact Person: Mr. Rama Prasad

State Bank of India
CAG Branch,
11th/12th Floor,1 Tolstoy Marg,
Jawahar Vyapar Bhawan,
New Delhi 110001, India
Tel: +91 (011) 23352810
Fax: +91 (011) 23353101
E-mail: rakesh.singhala@sbi.co.in
Website: www.sbi.co.in
Contact Person: Mr. Rakesh Kumar Singhala

State Bank of Travancore
Travancore House, K G Marg,
New Delhi-110001, India
Tel: +91 (011) 23386806 /23386445
Fax: +91 (011) 23384189
E-mail: ifbdelhi@sbt.co.in
Website: www.statebankoftravancore.com
Contact Person: Mr. Virender Handa

Syndicate Bank
Nehru House, IP Estate,
4 Bahadur Shah Zafar Marg,
New Delhi-110002, India
Tel: +91 (011) 23329306 / 23358168
Fax: +91 (011) 23312695
E-mail: brn9017@yahoo.co.in
Website: www.syndicatebank.in
Contact Person: Mr. S.K. Sharma

UCO Bank
Flagship Corporate Centre 5,
Parliament Street,
New Delhi 110001, India
Tel: +91 (011) 23731529
Fax: +91 (011) 23710015
E-mail: bo.fccnewdelhi@ucobank.co.in
Website: www.ucobank.com
Contact Person: Mr. S. S. Wasan

Union Bank of India
IF BranchM-11,
Middle Circle, Connaught Place,
New Delhi 110001, India
Tel: +91 (011) 23417401 / 23417402/23417403
Fax: +91 (011) 23417405
E-mail: ifbcp@unionbankofindia.com
Website: www.unionbankofindia.co.in
Contact Person: Mr. K K Dhawan

United Bank of India
Delhi Oberoi Hotel Branch,
Hotel the Oberoi,
Zakir Hussain Marg,
New Delhi 110003, India
Tel: +91 (011) 24392052 / 24395133
Fax: +91 (011) 23741566 / 24395064
E-mail: bmich@unitedbank.co.in
Website: www.unitedbankofindia.com
Contact Person: Mr. Sanjay Koolwal

Vijaya Bank
D- 65,Hauz Khas,
New Delhi 110016, India
Tel: +91 (011) 26963242 / 26969614
Fax: +91 (011) 26961524
E-mail: del.hauzkhas6015@vijayabank.co.in
Website: www.vijayabank.com
Contact Person: Dr. Pradeep Naik

Statement of Responsibilities of the Book Running Lead Managers

The following table sets forth the inter se allocation of responsibilities for various activities in relation to this Offer among the BRLMs:

Sr. No.	Activity	Responsibility	Designated Coordinating BRLM
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	All BRLMs	DSPML
2.	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Red Herring Prospectus including the memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements & completion of prescribed formalities with the Stock Exchanges, the RoC & SEBI including finalization of Prospectus & RoC filing of the same.	All BRLMs	DSPML
3.	Drafting and approval of all statutory advertisements	All BRLMs	DSPML
4.	Drafting and approval of all publicity material (other than statutory advertisement) including corporate advertisement, brochure, corporate films, etc.	All BRLMs	Kotak
5a.	Appointment of Intermediaries: Printers and Advertising Agency	All BRLMs	Kotak
5b.	Appointment of Intermediaries: Registrars and Bankers	All BRLMs	I-Sec
6.	International institutional marketing Strategy, which will cover, inter alia: • Finalizing the list and division of investors for one to one meetings; • Finalizing the International road show schedule and investor meeting schedules; and • Preparing road show presentation and frequently asked questions	All BRLMs	Morgan Stanley
7.	Domestic institutional marketing strategy, which will cover, inter alia: • Finalizing the list and division of investors for one to one meetings; and • Finalizing the Domestic Institutional investor meeting schedules	All BRLMs	DSPML
8.	Domestic Retail Marketing of the Offer, which will cover, inter alia: • Formulating marketing strategies, preparation of publicity budget; • Finalising media and PR strategy; • Finalising centres for holding conferences for brokers etc.;	All BRLMs	Kotak

Sr. No.	Activity	Responsibility	Designated Coordinating BRLM
	• Finalising collection centres; and Follow-up on distribution of publicity and Offer material including form, prospectus and deciding on the quantum of the Offer material; and • Co-ordination with the Stock Exchanges for book building software, bidding terminals and mock trading.		
9.	Domestic HNI Marketing of the Offer, which will cover, inter alia: • Formulating marketing strategies, preparation of publicity budget; • Finalising media and PR strategy; • Finalising centres for holding conferences for brokers etc.; • Finalising collection centres; • Follow-up on distribution of publicity and Offer material including form, prospectus and deciding on the quantum of the Offer material.	All BRLMs	Kotak
10.	Managing the book, Finalisation of pricing in consultation with the Company & the Selling Shareholder	All BRLMs	Morgan Stanley
11.	The post-bidding activities including management of escrow accounts, follow-up with bankers to the offer, co-coordination of non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders etc. The post Offer activities will involve essential follow up steps, which include the finalization of listing of instruments and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as the Registrar to the Offer and Bankers to the Offer and the bank handling refund business. The designated coordinating BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company and the Selling Shareholder.	All BRLMs	I-Sec

Even if any of these activities are being handled by other intermediaries, the Book Running Lead Managers shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with the Company.

IPO Grading

As this is not an initial public offering of the Company's Equity Shares, grading of this Offer is not required.

Credit Rating

As this is an Offer comprising only Equity Shares, credit rating is not required.

Trustees

As the Offer is of Equity Shares, the appointment of trustees is not required.

Monitoring Agency

As this is an Offer for Sale, there is no requirement for appointing a monitoring agency.

Experts

Except for the report of the Auditors on standalone and consolidated financial statements and the statement of tax benefits on page 256 and 196 and page 92, respectively, included in the Draft Red Herring Prospectus, the Company has not obtained any expert opinions.

Book Building Process

Book Building refers to the process of collection of Bids on the basis of the Red Herring Prospectus, the Bid cum Application Forms and the ASBA Bid cum Application Form. The Offer Price will be determined by the Selling Shareholder and the Company, in consultation with the BRLMs, after the Bid Closing Date. The principal parties involved in the Book Building Process are:

1. the Company;
2. the Selling Shareholder;
3. the BRLMs;
4. the Syndicate Members;
5. the Registrar to the Offer;
6. the Escrow Collection Banks; and
7. the SCSBs.

The Offer is being made through the Book Building Process where up to 50% of the Net Offer will be allocated to QIBs on a proportionate basis. Further, 5% of the QIB Portion will be available for allocation on a proportionate basis to Mutual Funds only. Further, not less than 15% and 35% of the Net Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Bidders, respectively, subject to valid Bids being received at or above the Offer Price. Further, 2,447,600 Equity Shares will be made available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Offer Price. Any Bidder may participate in the Offer through the ASBA process by providing details of the ASBA Accounts in which the corresponding Bid Amounts will be blocked by the SCSBs. Any unsubscribed portion in the Employee Reservation Portion will be added to the Net Offer. Under subscription, if any, in any category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company and the Selling Shareholder, in consultation with the BRLMs and the Designated Stock Exchange. For more information, see the section titled "Offer Procedure" on page 423.

In accordance with the SEBI Regulations, QIBs are not allowed to withdraw their Bid(s) after the Bid Closing Date for QIBs, i.e. **[●]**. For further details, see the section titled "Offer Structure" on page 418.

The Book Building Process under the SEBI Regulations is subject to change from time to time and Bidders are advised to make their own judgement about investments through this process prior to making a Bid in the Offer. The Company and the Selling Shareholder shall comply with regulations issued by SEBI and any other ancillary directions that SEBI may issue for this Offer. In this regard, the Company has appointed the BRLMs to manage the Offer and to procure subscriptions to the Offer.

Steps to be taken by the Bidders for Bidding:

1. Check eligibility for making a Bid. For further details, see the section titled "Offer Procedure" on page 423;

2. Ensure that your PAN and demat account details, including DP ID and client ID details are correctly mentioned in the Bid cum Application Form or ASBA Bid cum Application Form. Based on these three parameters, the Registrar to the Offer will obtain details of the Bidders from the Depositories including Bidders name, bank account, number, etc.;

3. Ensure that the Bid cum Application Form or ASBA Bid cum Application Form is duly completed as per the instructions given in the Red Herring Prospectus and in the respective forms;

4. Except for bids on behalf of the Central or State Government and the officials appointed by the courts, for Bids of all values ensure that you have mentioned your PAN allotted under the I.T. Act in the Bid cum Application Form or ASBA Bid cum Application Form (see the section titled "Offer Procedure" on page 423). However, Bidders residing in the State of Sikkim are exempted from the mandatory requirement of PAN. The exemption is subject to the Depository Participants verifying the veracity of the claim of the Bidders that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address; and

5. Bids by ASBA Bidders may be submitted in the physical mode to the Syndicate on the prescribed ASBA Form at the Syndicate ASBA Bidding Locations and either in physical or electronic mode, to the SCSBs with whom the ASBA Account is maintained. ASBA Bidders should ensure that the specified ASBA accounts have adequate credit balance at the time of submission to the SCSB to ensure that the ASBA Bid cum Application Form is not rejected.

   For further details, please see the section titled "Offer Procedure" on page 423.

Illustration of Book Building Process and the Price Discovery Process

(Bidders should note that the following is solely for the purpose of illustration and is not specific to the Offer)

Bidders can bid at any price within the Price Band. For instance, assuming a price band of ₹ 20 to ₹ 24 per equity share, an offer size of 3,000 equity shares and receipt of 5 bids from bidders, details of which are shown in the table below, the illustrative book would be as given below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book shown below indicates the demand for the shares of the company at various prices and is collated from bids from various bidders.

Bid Quantity	Bid Price (₹)	Cumulative Quantity	Subscription (%)
500	24	500	16.67
1,000	23	1,500	50.00
1,500	22	3,000	100.00
2,000	21	5,000	166.67
2,500	20	7,500	250.00

The price discovery is a function of demand at various prices. The highest price at which the offeror is able to offer the desired number of shares is the price at which the book cuts off, i.e. ₹ 22 in the above example. The offeror, in consultation with the BRLMs, will finalize the offer price at or below such cut off, i.e., at or below ₹ 22. All bids at or above this offer price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Withdrawal of the Offer

In accordance with the SEBI Regulations, the Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right not to proceed with the Offer at any time including after the Bid Opening Date but before Allotment without assigning any reason thereof. However, in the event the Selling Shareholder and the Company withdraw the Offer after the Bid Closing Date, the Company will give the reason thereof within two days of the Bid Closing Date by way of a public notice in the same newspapers where the pre-Offer advertisement had appeared. The Stock Exchanges will also be informed promptly and the BRLMs, through the Registrar to the Offer, will notify the SCSBs to unblock the bank accounts specified by the ASBA Bidders within one day from the date of receipt of such notification.

In the event the Selling Shareholder, in consultation with the Company and the BRLMs, withdraws the Offer after the Bid Closing Date, a fresh offer document will be filed with the RoC/SEBI in the event we subsequently decide to proceed with a public offering.

Notwithstanding the foregoing, the Offer is subject to obtaining the final trading approvals of the Stock Exchanges with respect to the Equity Shares issued in the Offer, which our Company will apply for only after Allotment and dispatch of refunds within 12 Working Days of the Offer Closing Date.

BIDDING PROGRAMME			
BID OPENS ON	[●]	**BID CLOSES ON (FOR QIB BIDDERS)#**	[●]
		BID CLOSES ON (FOR ALL OTHER BIDDERS)	[●]

 # The Company and the Selling Shareholder, in consultation with the BRLMs, may consider closing the QIB Bidding Period a day before the Bid Closing Date for other Bidders.

Bids and any revision in Bids will be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time) during the Bidding Period at the Bidding centers mentioned in the Bid cum Application Form, or in the case of ASBA Bidders, at the Designated Branches, except that on the Bid Closing Date (which for QIBs will be a day prior to the Bid Closing Date for other non-QIB Bidders), Bids will be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders; and until (ii) 3.00 p.m. for Non-Institutional Bidders, Retail Bidders and Eligible Employees. Due to limitation of time available for uploading the Bids on the Bid Closing Date, Bidders other than QIB Bidders are advised to submit their Bids one day prior to the Bid Closing Date and no later than 3.00 p.m. (Indian Standard Time) on the Bid Closing Date. Bidders other than QIB Bidders are cautioned that in the event a large number of Bids are received on the Bid Closing Date, as is typically experienced in public offers, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Offer. If such Bids are not uploaded, the Company, the Selling Shareholder and the Syndicate will not be responsible. Bids will be accepted only on Working Days.

On the Bid Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received from Retail Bidders and Eligible Employees, after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms as stated herein and reported by the BRLMs to the Stock Exchanges within half an hour of such closure.

In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical or electronic ASBA Bid cum Application Form, for a particular ASBA Bidder, the Registrar to the Offer shall ask the relevant SCSB for rectified data.

Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation / Allotment. In the event of a discrepancy of data between the Bids registered on the online IPO system and the physical Bid cum Application Form, the decision of the Book Running Lead Managers and the Designated Stock Exchange, based on the physical records of Bid cum Application Forms shall be final and binding on all concerned.

The Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right to revise the Price Band during the Bidding Period in accordance with the SEBI Regulations. The Cap Price will be less than or equal to 120% of the lower end of the Price Band and the lower end of the Price Band will not be less than the face value of the Equity Shares. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band as disclosed at least one Working Day prior to the Bid Opening Date and the upper end of the Price Band will be revised accordingly.

In case of revision in the Price Band, the Bidding Period will be extended for at least three additional Working Days after revision of Price Band subject to the Bidding Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate and by intimation to the SCSBs.

Underwriting Agreement

After the determination of the Offer Price, but prior to filing of the Prospectus with the RoC, the Company and the Selling Shareholder intend to enter into an underwriting agreement with the Underwriters for the Equity Shares proposed to be offered through this Offer as per the SEBI Regulations. The Underwriting Agreement shall not apply to the subscription by the ASBA Bidders who have submitted their Bids directly to the SCSBs in

this Offer. Pursuant to the terms of the underwriting agreement, the obligations of the Underwriters are several and are subject to certain conditions to closing, as specified therein.

The underwriting agreement is dated [●]. The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be completed before filing of the Prospectus with the RoC)

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten*	Amount Underwritten (In ₹ million)*
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]

**The information will be finalized after determination of the Offer Price and finalization of the 'Basis of Allotment'.*

In the opinion of the Board of Directors (based on a representation given by the Underwriters), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. Each of the Underwriters is registered with SEBI under Section 12(1) of the SEBI Act or as a broker with the Stock Exchanges. Pursuant to a meeting of a committee of the Directors held on [●], 2011, the Selling Shareholder and the Board have accepted and entered into the Underwriting Agreement dated [●], 2011.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters will be severally responsible for ensuring payment with respect to the Equity Shares allocated to Bidders procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations mentioned in the underwriting agreement, will also be required to procure subscriptions/ subscribe for Equity Shares to the extent of the defaulted amount in accordance with the underwriting agreement

CAPITAL STRUCTURE

The share capital as on the date of filing of this Draft Red Herring Prospectus with the SEBI is set forth below:

(in ₹ million, except share data)

	Aggregate nominal value	Aggregate Value at Offer Price
A. Authorised Capital*		
2,000,000,000 Equity Shares	20,000.00	[●]
B. Issued, subscribed and paid up Equity Share capital before the Offer		
489,520,000 Equity Shares	4,895.20	[●]
C. Present Offer in terms of this Draft Red Herring Prospectus		
Offer of 24,476,000 Equity Shares fully paid up#	244.76	[●]
D. Employee Reservation in terms of this Draft Red Herring Prospectus		
Not more than 2,447,600 Equity Shares fully paid up	24.47	[●]
E. Net Offer to the Public		
Up to 22,028,400 Equity Shares fully paid up	220.28	[●]
Of Which:		
QIB Portion of up to 11,014,200 Equity Shares:	110.14	[●]
Non-Institutional Portion of not less than 3,304,260 Equity Shares:	33.04	[●]
Retail Portion of not less than 7,709,940 Equity Shares:	77.10	[●]
F. Equity Capital after the Offer		
489,520,000 Equity Shares fully paid up	4,895.20	[●]
G. Share Premium Account		
Before the Offer	-	
After the Offer	-	

**For details on changes in authorized share capital of the Company, see the section titled "History and Certain Corporate Matters" on page* 151.

The Board of Directors of the Company on July 01, 2011 and the Shareholders of the Company on September 20, 2011 have approved the sub-division of equity share of face value of ₹ 10 each into 5 equity shares of face value of ₹ 2 each w.e.f. record date i.e. October 4, 2011. Based on the issued, subscribed and paid-up share capital of the Company of 489,520,000 equity shares of ₹ 10 each, the size of the present Offer is 2,44,76,000 equity shares of ₹ 10 each, which will translate to 12,23,80,000 equity shares of ₹ 2 each when adjusted for the stock split. Post the record date i.e October 4, 2011, the above table shall be updated depicting face value as ₹ 2.

The Promoter presently holds 67.72% of the issued and paid up Equity Share capital of the Company. After the Offer, the shareholding of the Promoter will be 62.72% of the fully diluted post Offer paid-up Equity Share capital of the Company.

Notes to the Capital Structure:

1. Equity Share capital history of the Company:

Date of Allotment	Number of Equity Shares	Face Value (₹)	Issue price per Equity Share (₹)	Consideration (cash, bonus, consideration other than cash)	Nature of Allotment	Cumulative number of Equity Shares	Cumulative Equity Share Capital (₹)
February 2, 1965	3	1,000	1,000	Cash	Allotment to the Promoter as initial subscriber to the MoA	3	3,000
	1	1,000	1,000	Cash	Allotment to the Joint Secretary, Department of Heavy Engineering as initial subscriber to the MoA	4	4,000
	1	1,000	1,000	Cash	Allotment to Additional Secretary, MoF as initial subscriber to the MoA	5	5,000
	19,995	1,000	1,000	Cash	Allotment to the Promoter	20,000	20,000,000
August 2, 1965	90,000	1,000	1,000	Cash	Allotment to the Promoter	110,000	110,000,000
	10,000	1,000	1,000	Cash	Allotment to the Promoter	120,000	120,000,000
September 10, 1965	10,000	1,000	1,000	Cash	Allotment to the Promoter	130,000	130,000,000
	30,000	1,000	1,000	Cash	Allotment to the Promoter	160,000	160,000,000
October 30, 1965	20,000	1,000	1,000	Cash	Allotment to the Promoter	180,000	180,000,000
	20,000	1,000	1,000	Cash	Allotment to the Promoter	200,000	200,000,000
June 18, 1966	50,000	1,000	1,000	Cash	Allotment to the Promoter	250,000	250,000,000
	241,112	1,000	1,000	Consideration other than cash	Allotment to the Promoter pursuant to transfer of Assets from HEIL to the Company*	491,112	491,112,000
August 12, 1966	8,888	1,000	1,000	Cash	Allotment to the Promoter	500,000	500,000,000
February 25, 1967	86,112	1,000	1,000	Cash	Allotment to the Promoter	586,112	586,112,000

Date of Allotment	Number of Equity Shares	Face Value (₹)	Issue price per Equity Share (₹)	Consideration (cash, bonus, consideration other than cash)	Nature of Allotment	Cumulative number of Equity Shares	Cumulative Equity Share Capital (₹)
April 22, 1967	50,800	1,000	1,000	Cash	Allotment to the Promoter	636,912	636,912,000
July 25, 1967	10,000	1,000	1,000	Cash	Allotment to the Promoter	646,912	646,912,000
May 4, 1968	3,088	1,000	1,000	Cash	Allotment to the Promoter	650,000	650,000,000
June 17, 1972	150,000	1,000	1,000	Cash	Allotment to the Promoter	800,000	800,000,000
April 11, 1974	500,000	1,000	1,000	Consideration other than cash	Allotment to the Promoter pursuant to amalgamation of HEIL with the Company under Section 396 of the Companies Act*	1,300,000	1,300,000,000
September 29, 1980	100,000	1,000	1,000	Cash	Allotment to the Promoter	1,400,000	1,400,000,000
December 24, 1980	100,000	1,000	1,000	Cash	Allotment to the Promoter	1,500,000	1,500,000,000
October 1, 1981	100,000	1,000	1,000	Cash	Allotment to the Promoter	1,600,000	1,600,000,000
November 26, 1981	132,100	1,000	1,000	Cash	Allotment to the Promoter	1,732,100	1,732,100,000
August 10, 1982	260,000	1,000	1,000	Cash	Allotment to the Promoter	1,992,100	1,992,100,000
December 22, 1982	7,900	1,000	1,000	Cash	Allotment to the Promoter	2,000,000	2,000,000,000
March 21, 1983	32,100	1,000	1,000	Cash	Allotment to the Promoter	2,032,100	2,032,100,000
June 24, 1983	100,000	1,000	1,000	Cash	Allotment to the Promoter	2,132,100	2,132,100,000
December 17, 1983	160,000	1,000	1,000	Cash	Allotment to the Promoter	2,292,100	2,292,100,000
July 23, 1984	100,000	1,000	1,000	Cash	Allotment to the Promoter	2,392,100	2,392,100,000
September 29, 1984	55,500	1,000	1,000	Cash	Allotment to the Promoter	2,447,600	2,447,600,000
With effect from December 23, 1991, the equity shares of face value of ₹ 1,000 each were split into 100 Equity Shares of the face value of ₹ 10 each. Accordingly, the shareholding of the Promoter stood revised from 2,447,600 Equity Shares of ₹ 1,000 each to 244,760,000 Equity Shares of ₹ 10 each.							
June 6, 2007	244,760,000	10	-	Bonus	Bonus issue in the ratio of one Equity Share for each Equity Share held on the record date i.e. June 1, 2007	489,520,000	4,895,200,000

******For more information, please refer to the section titled "History and Certain Corporate Matters" on page 151*

Note: RoC filings pertaining to some of the allotments as per the table above are not traceable. Please refer to the section titled "*Risk Factors – Some of our records relating to forms filed with the Registrar of Companies are not traceable"* on page 34.

2. Build-up of Promoter's shareholding and Lock-in:

(a) Details of the build up of the Promoter's shareholding in the Company:

All allotments of Equity Shares were made to the Promoter. However, 79,004,800 Equity Shares were disinvested by the Promoter, the details of which are as follows:

Date	Nature of Transfer	Mode of Transfer	No.of Equity Shares
December 30, 1991	Disinvestment of the Equity Shares of the Company	Sale of Equity Shares to Institutional Investors	48,952,000
August 13, 1993	Disinvestment of the Equity Shares of the Company	Sale of Equity Shares to Institutional Investors	1,117,000
March 17, 1994	Disinvestment of the Equity Shares of the Company	Sale of Equity Shares to the existing employees of the Company	2,012,200
March 24, 1994	Disinvestment of the Equity Shares of the Company	Sale of Equity Shares to Institutional Investors	26,923,600
	Total		**79,004,800**

For the allotments made to Promoter, refer to the Equity Share capital history of the Company in the section titled "Capital Structure – Notes to the Capital Structure – Equity Share capital history of the Company" on page 79

(b) Minimum Promoter's Contribution and Lock-in:

There is no requirement for minimum Promoter's contribution under Regulation 34(b) of the SEBI Regulations. By a letter (No. F.No.3(9)/2009-PE XI) dated September 27, 2011 the Promoter has consented to lock in its post-Offer shareholding in the Company i.e. an aggregate of 307,034,400 Equity Shares for a period of one year from the date of Allotment or for such other time as may be required in terms of Regulation 36(b) of the SEBI ICDR Regulations.

The Company has not made any issue of Equity Shares during preceding one year from the date of this DRHP.

(c) Other requirements in respect of lock-in:

As per Regulation 39 read with Regulation 36(b) of the SEBI Regulations, the locked in Equity Shares held by the Promoter, as specified above, may be pledged only with any scheduled commercial banks or PFIs as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan.

In terms of Regulation 40 of the SEBI Regulations, the Equity Shares held by the Promoter may be transferred inter se or to new promoters or persons in control of the Company, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

3. Shareholding Pattern of the Company as on September 23, 2011:

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
(A) Shareholding of Promoter and Promoter Group							
(1) Indian							
Central Government / State Government(s)	4	331,510,400	-	67.72	67.72	-	-
Sub Total	**4**	**331,510,400**	**-**	**67.72**	**67.72**	**-**	**-**
(2) Foreign	-	-	-	-	-	-	-
Total shareholding of Promoter and Promoter Group (A)	**4**	**331,510,400**	**-**	**67.72**	**67.72**	**-**	**-**
(B) Public Shareholding							
(1) Institutions							
Mutual Funds / UTI	219	32,347,033	32,343,833	6.61	6.61	-	-
Financial Institutions / Banks	44	1,837,304	1,836,504	0.38	0.38	-	-
Insurance Companies	8	30,994,072	30,993,672	6.33	6.33	-	-
Foreign Institutional Investors	498	63,215,186	63,213,386	12.91	12.91	-	-
Sub Total	**769**	**128,393,595**	**128,387,395**	**26.23**	**26.23**	**-**	**-**
(2) Non-Institutions							
Bodies Corporate	3,193	17,440,520	17,439,320	3.56	3.56	-	-
Individuals							
Individual shareholders holding nominal share capital up to ₹ 1 lakh	268,965	10,592,168	10,266,701	2.16	2.16	-	-
Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	11	239,629	239,629	0.05	0.05	-	-
Any Others (Specify)							
Directors & their Relatives & Friends	3	620	220	0.00	0.00	-	-
Trusts	44	185,054	185,054	0.04	0.04	-	-
Clearing Members	344	345,047	345,047	0.07	0.07	-	-
Non Resident Indians	6,540	812,809	812,809	0.17	0.17	-	-
Foreign Nationals	2	158	158	0.00	0.00	-	-
Sub Total	**279,102**	**29,616,005**	**29,288,938**	**6.05**	**6.05**	**-**	**-**
Total Public shareholding (B)	**279,871**	**158,009,600**	**157,676,333**	**32.28**	**32.28**	**-**	**-**
Total (A)+(B)	**279,875**	**489,520,000**	**157,676,333**	**100.00**	**100.00**	**-**	**-**
(C) Shares held by Custodians and							

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
against which Depository Receipts have been issued							
(1) Promoter and Promoter Group	**-**	-	**-**	-	**-**	-	**-**
(2) Public	**-**	-	**-**	-	**-**	-	**-**
Sub Total	**-**	--	**-**	-	**-**	-	**-**
Total (A)+(B)+(C)	**279,875**	**489,520,000**	**157,676,333**	**100.00**	**100.00**	**-**	**-**

4. 2,447,600 Equity Shares, have been reserved for allocation to Eligible Employees on a proportionate basis, subject to valid Bids being received at the Offer Price and subject to the maximum Bid Amount by each Eligible Employee not exceeding ₹ 200,000. Only Eligible Employees are eligible to apply in this Offer under the Employee Reservation Portion. Bids by Eligible Employees bidding under the Employee Reservation Portion may also be made in the Net Offer and such Bids will not be treated as multiple Bids. If the aggregate demand in the Employee Reservation Portion is greater than 2,447,600 Equity Shares at the Offer Price, allocation will be made on a proportionate basis.

5. Any unsubscribed portion in the Employee Reservation Portion will be added to the Net Offer. In case of under-subscription in the Net Offer category, spill-over to the extent of under-subscription will be permitted from the Employee Reservation Portion to the Net Offer. Under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company and the Selling Shareholder, in consultation with the BRLMs and the Designated Stock Exchange.

6. The list of top ten shareholders of the Company and the number of Equity Shares held by them is as under:

a. Top ten shareholders as on September 23, 2011:

Sr. No.	Name of the Shareholders	Number of equity shares	% of pre-Offer Capital
1.	President of India	331,510,000	67.72%
2.	Life Insurance Corporation of India	48,830,123	9.98%
3.	Lazard Asset Management LLC A/C Lazard Emerging Markets Portfolio	7,071,092	1.44%
4.	Abu Dhabi Investment Authority – Beacon	3,454,425	0.71%
5.	Unit Trust of India	3,318,470	0.68%
6.	ICICI Prudential Life Insurance Company Limited	2,312,969	0.47%
7.	HDFC Standard Life Insurance Company Limited	2,231,989	0.46%
8.	CLSA (Mauritius) Limited	2,028,238	0.41%
9.	Comgest SA A/C Magellan	2,000,000	0.41%
10.	Blackrock Global Allocation Fund, Inc.	1,934,510	0.40%

b. Top ten shareholders as on September 9, 2011:

Sr. No.	Name of the Shareholders	Number of equity shares	% of pre Offer Capital
1.	President of India	331,510,000	67.72%
2.	Life Insurance Corporation of India	48,422,253	9.89%
3.	Lazard Asset Management LLC A/c Lazard Emerging Markets Portfolio	7,071,092	1.44%
4.	Abu Dhabi Investment Authority	3,397,038	0.69%
5.	Unit Trust of India	3,360,065	0.69%

Sr. No.	Name of the Shareholders	Number of equity shares	% of pre Offer Capital
6.	ICICI Prudential Life Insurance Company Limited	2,492,659	0.51%
7.	HDFC Standard Life Insurance Company Limited	2,231,113	0.46%
8.	CLSA (Mauritius) Limited	2,028,238	0.41%
9.	Comgest SA A/C Magellan	2,000,000	0.41%
10.	Blackrock Global Allocation Fund, Inc.	1,934,510	0.40%

c. *Top ten shareholders as on September 18, 2009:*

Sr. No.	Name of the Shareholders	Number of equity shares	% of pre Offer Capital
1.	President of India	331,510,000	67.72
2.	Life Insurance Corporation of India	393,898	5.52
3.	ICICI Prudential Life Insurance Company Limited	9,799,497	2.00
4.	Unit Trust of India	847	0.79
5.	Abu Dhabi Investment Authority	164,200	0.57
6.	SBI Mutual Fund	60,728	0.48
7.	JP Morgan Asset Management (Europe) S.A.R.L.	2,183,475	0.45
8.	CLSA (Mauritius) Limited	1,961,240	0.40
9.	Invesco Asia Infrastructure Fund	1,946,600	0.40
10.	Carmignac Gestion	1,916,000	0.39

7. A Bidder cannot Bid for more than the number of Equity Shares offered through the Net Offer, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidders.

8. The Promoter and Directors will not participate in this Offer.

9. Neither the Promoter nor the Directors and their immediate relatives have purchased or sold any Equity Shares during the period of six months immediately preceding the date of filing of this Draft Red Herring Prospectus.

10. None of the Directors, except Mr. B Prasada Rao, Mr. Atul Saraya and Mr. M.K. Dube, hold Equity Shares of the Company in their individual capacities. For more information, see the section titled "Management" on page 168.

11. The total number of holders of the Equity Shares as on September 23, 2011 was 279,875.

12. Except as stated below, the Company has not issued any Equity Shares for consideration other than cash:

Date of Allotment	Number of Equity Shares	Face Value (₹)	Issue price per Equity Share (₹)	Nature of Allotment
June 18, 1966	241,112	1,000	1,000	Transfer of Assets from HEIL to the Company
April 11, 1974	500,000	1,000	1,000	Amalgamation of HEIL with the Company under Section 396 of the Companies Act
June 6, 2007	244,760,000	10	-	Bonus issue in the ratio of one Equity Share for each Equity Share held on the record date i.e. June 1, 2007

13. The Company has not issued any Equity Shares out of its revaluation reserves.

14. The Promoter, the Company, the Directors and the BRLMs have not entered into any buyback or standby arrangements or any other similar arrangement for purchase of Equity Shares from any person, being offered in this Offer.

15. Except as disclosed below, the Book Running Lead Managers and/or their associates do not hold any Equity Shares as on September 23, 2011:

- DSPML and its associates do not hold any shares in the Company except 216,244 Equity Shares that are currently held by Merrill Lynch Capital Markets Espana SA SV;
- I-Sec and its associates jointly hold 4,062,608 Equity Shares besides the 1,471 Equity Shares which are held by ICICI Securities Limited under its equities broking operations where the clients are the ultimate beneficiaries;
- Kotak and its associates do not hold any shares in the Company except 17,770 Equity Shares that are currently held by Kotak Mahindra Investments Limited.
- Morgan Stanley and its associates do not hold any shares in the Company except 21,463 Equity Shares that are currently held by Morgan Stanley Mauritius Company Limited.

16. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into the Equity Shares as on the date of this Draft Red Herring Prospectus.

17. There will be only one denomination of the Equity Shares, unless otherwise permitted by law. We will comply with such disclosure and accounting norms as may be specified by the SEBI from time to time.

18. There will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with the SEBI until the Offer is completed.

19. There has been no financing arrangement by which the Directors of the Company and their relatives have financed the purchase by any other person of securities of the Company other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of this Draft Red Herring Prospectus with the SEBI.

20. No Equity Shares held by the Promoter are subject to any pledge.

21. The Equity Shares, including the Equity Shares in the Offer for Sale, are fully paid-up and there are no partly paid-up Equity Shares.

22. Except for the sub-division of equity share of face value of ₹ 10 each into 5 equity shares of face value of ₹ 2 each w.e.f. the record date i.e. October 4, 2011 approved by the Board of Directors of the Company on July 01, 2011 and by the Shareholders of the Company on September 20, 2011, the Company presently does not have any intention or proposal to alter the capital structure for a period of six months from the date of opening of the Offer, by way of split / consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly, for the Equity Shares) whether by way of preferential issue or bonus or right issue or further public issue of Equity Shares or qualified institutions placement or otherwise, except that if the Company enters into acquisition(s) or joint venture(s), the Company may consider additional capital to fund such activities or to use Equity Shares as a currency for acquisition or participation in such joint ventures.

23. The Company has not issued any Equity Shares at a price lesser than the Offer Price in the last one year preceding the date of filing of this Draft Red Herring Prospectus.

24. The Company does not currently have any employee stock option scheme / employee stock purchase scheme for its employees.

25. The Company confirms that all issues of capital by the Company whether by way of bonus issue of Equity Shares or any other manner after being listed on the Stock Exchanges, have been made in compliance with the relevant provisions of the applicable rules and regulations as prevailing at the time of such issuances.

OBJECTS OF THE OFFER

The Offer comprises of an Offer for Sale by the Selling Shareholder.

The object of the Offer for Sale is to carry out the disinvestment of 24,476,000 Equity Shares of ₹ 10 each constituting 5% of the Company's pre-Offer paid up Equity Share capital. The Company will not receive any proceeds from the Offer for Sale and all proceeds from the Offer for Sale shall go to the GoI.

OFFER RELATED EXPENSES

The estimated Offer expenses are as under:

Activity	Amount (₹ million)	% of the Offer Expenses	% of total Offer Size
BRLM fees*	[●]	[●]	[●]
Underwriting commission and selling commission (including commission to SCSBs for ASBA applications)*	[●]	[●]	[●]
Registrar's fees*	[●]	[●]	[●]
Publication of advertisements *	[●]	[●]	[●]
Advisors*	[●]	[●]	[●]
Bankers to the Offer*	[●]	[●]	[●]
Others (listing fees, etc.) *	[●]	[●]	[●]
Total	**[●]**	**[●]**	**[●]**

*Will be incorporated at the time of filing of the Prospectus.

All expenses with respect to fees payable to the BRLMs, Registrar to the Offer and Legal Counsels to the Company as well as expenses towards the publication of advertisements in connection with the Offer will be paid by the GoI.

BASIS FOR THE OFFER PRICE

The Offer Price will be determined by the Selling Shareholder in consultation with the BRLMs and the Company on the basis of an assessment of the market demand for the Equity Shares by way of the Book Building Process and on the basis of the qualitative and quantitative factors as described below. The face value of the Equity Shares is ₹ 10 each and the Offer Price is [●] times of the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band.

Investors should also refer to the Sections titled "Risk Factors" and "Financial Information" on pages 16 and 196, respectively, to have an informed view before making the investment decision.

Qualitative Factors

Some of the qualitative factors of the Company which form the basis for computing the price are:

- Well-positioned to capitalize on growing demand for power in India
- Diverse range of products and services serving a broad spectrum of businesses and adapted to customer requirements
- Significant focus on research and development and technological tie-ups leading to continuing technological innovation
- Strong and diversified order book

For details, please see the Sections titled "Our Business" and "Risk Factors" on pages 122 and 16 respectively of this Draft Red Herring Prospectus.

The Board of Directors of the Company on July 01, 2011 and by the Shareholders of the Company on September 20, 2011, respectively have approved the sub-division of equity share of face value of ₹10 each into 5 equity shares of face value of ₹ 2 each w.e.f. record date i.e. October 4, 2011. Based on the issued, subscribed and paid-up share capital of the Company of 489,520,000 equity shares of ₹10 each, the size of the present Offer is 2,44,76,000 equity shares of ₹10 each, which will translate to 12,23,80,000 equity shares of ₹ 2 each when adjusted for the sub-division.

Quantitative Factors

1. Earnings Per Share ("EPS") [(I)]

As per restated standalone financial statements:

Particulars	**EPS**	
	(Face Value ₹ 10 per equity share)	
	(₹/share)	**Weight**
Fiscal 2009 *	67.10	1
Fiscal 2010 *	98.42	2
Fiscal 2011 *	111.59	3
Weighted Average	**99.79**	

** As per standalone audited restated financial statements, Earning per share before extraordinary items.*

Note: The Board of Directors of the Company on July 01, 2011 and by the Shareholders of the Company on September 20, 2011, respectively have approved the sub-division of equity share of face value of ₹ 10 each into 5 equity shares of face value of ₹ 2 each w.e.f. record date i.e. October 4, 2011. Based on the issued, subscribed and paid-up share capital of the Company of 489,520,000 equity shares of ₹ 10 each, the size of the present Offer is 2,44,76,000 equity shares of ₹ 10 each, which will translate to 12,23,80,000 equity shares of ₹ 2 each when adjusted for the stock split.

As per restated consolidated financial statements:

Particulars	EPS	
	(Face Value ₹ 10 per equity share)	
	(₹/share)	Weight
Fiscal 2009 *	66.74	1
Fiscal 2010 *	98.77	2
Fiscal 2011 *	112.18	3
Weighted Average	**100.14**	

** As per consolidated audited restated financial statements, Earning per share before extraordinary itemss.*

Notes:
(I) For the definition of EPS please see the section titled "Financial Information" on page 196.

2. Price Earning Ratio ("P/E" Ratio)

P/E Ratio in relation to Price Band of ₹ [●] - ₹ [●] per Equity Share of face value of ₹ 10 each:

Particulars	P/E at the lower end of Price band (no. of times)	P/E at the higher end of Price band (no. of times)
Based on Standalone EPS for Fiscal 2011 of ₹ 111.59 *	[●]	[●]
Based on Standalone Weighted Average EPS of ₹ 99.79	[●]	[●]

** As per standalone audited restated financial statements.*

Particulars	P/E at the lower end of Price band (no. of times)	P/E at the higher end of Price band (no. of times)
Based on Consolidated EPS for Fiscal 2011 of ₹ 112.18*	[●]	[●]
Based on Consolidated Weighted Average EPS of ₹ 100.14	[●]	[●]

** As per consolidated audited restated financial statements.*

Industry P/E Ratio [(I)]

i. Highest: [●]x
ii. Lowest: [●]x
iii. Industry Composite: [●]x

Notes:
(I) The industry composite is the average data of the four (4) peers, i.e., Larsen & Toubro Limited, Crompton Greaves Limited, Thermax Limited and Siemens Limited. The P/E Ratio for each of the peers has been calculated based on the closing price on [●] on the NSE and the EPS sourced from the audited consolidated annual accounts as reported in the annual report or stock exchange website of the respective companies for the year ended March 31, 2011 for Larsen & Toubro Limited, Crompton Greaves Limited and Thermax Limited and for the year ended September 30, 2010 for Siemens Limited.

3. Average Return on Net Worth ("RONW") [(I)]

As per restated standalone financial statements:

Particulars	RONW %	Weight
Fiscal 2009 *	25.30	1
Fiscal 2010 *	29.26	2
Fiscal 2011 *	27.10	3
Weighted Average	**27.52**	

** As per standalone audited restated financial statements.*

As per restated consolidated financial statements:

Particulars	RONW %	Weight
Fiscal 2009 *	25.20	1
Fiscal 2010 *	29.40	2
Fiscal 2011 *	27.25	3
Weighted Average	**27.63**	

** As per consolidated audited restated financial statements.*

Notes:
(I) For definition of RONW please refer to the section titled "Financial Information" on page 196 respectively.

4. Minimum Return on Increased Net Worth required for maintaining pre-Offer EPS for the Financial Year 2011

There will be no change in the net worth post-Offer as the Offer is by way of offer for sale by the Selling Shareholder.

5. Net Asset Value ("NAV") per equity share [(I)]

The adjusted NAV per equity share of face value of ₹ 10 each is as under:

i. As of March 31, 2011 is ₹ 411.70 on a standalone basis and ₹ 411.65 on a consolidated basis *

ii. Offer Price per Equity Share: ₹ [●] **
iii. As of March 31, 2011 after the Offer is ₹ 411.70 on a standalone basis and ₹ 411.65 on a consolidated basis ***

** As per audited restated financial statements.*
*** Offer Price will be determined on the conclusion of the Book Building Process.*
**** There will be no change in the Net Worth post-Offer, due to the Offer, as the Offer is by way of offer for sale by the Selling Shareholder.*

Notes:
(I) For definition of NAV please refer to the section titled "Financial Information" on page 196 respectively.

6. Comparison of Accounting Ratios with Industry Peers

Sr. No.	Name of the company	Consolidated	Year End	Face Value (₹ per equity share)	Basic EPS (₹)	P/E Ratio	NAV (₹ per equity share)	RONW (%)	Revenue (in billion)
1.	BHEL	Consolidated	March 31, 2011	₹ 10[(1)]	₹ 112.18[(1)]	[●] [(2)]	₹ 411.65[(1)]	27.25[(1)]	416.38
Peer Group [(3)]									
2.	Larsen & Toubro Limited	Consolidated	March 31, 2011	2	72.39	20.0	410.95	18.43	532.05
3.	Crompton Greaves	Consolidated	March 31, 2011	2	14.45	10.7	50.83	32.23	101.19
4.	Thermax Limited	Consolidated	March 31, 2011	2	32.03	15.2	110.35	31.90	53.951
5.	Siemens Limited	Consolidated	September 30, 2010	2	22.48	38.0	97.24	25.02	98.10

Notes:

1) Face value, EPS, NAV per equity share and RONW of the Company are based on the consolidated audited restated financial statements of the Company for the year ended March 31, 2011.

2) The P/E Ratio for the Company will be based on the Offer Price which will be determined on conclusion of Book Building Process and the EPS of the Company on a consolidated restated basis for the Financial Year ended March 31, 2011.

3) The EPS (before extra ordinary income), NAV (net of revaluation reserve) per equity share and RONW (based on earnings before extraordinary income) for each of the peers are based on the audited consolidated annual accounts as reported in the annual report or stock exchange or website of the respective companies for the year ended March 31, 2011 for Larsen & Toubro Limited, Crompton Greaves Limited and Thermax Limited and for the year ended September 30, 2010 for Siemens Limited. The P/E Ratio for each of the peers has been calculated based on the closing price on September 27, 2011 on the NSE and the EPS sourced from the audited consolidated annual accounts for the year ended March 31, 2011 for Larsen & Toubro Limited, Crompton Greaves Limited and Thermax Limited and for the year ended September 30, 2010 for Siemens Limited.

The Offer Price of ₹ [●] has been determined by the Selling Shareholder in consultation with the Company and the BRLMs on the basis of assessment of market demand for the Equity Shares by way of the Book Building Process and is justified in view of the above qualitative and quantitative parameters. Kindly note that a Retail Discount of ₹ [●] to the Offer Price is being offered to Retail Individual Bidders and an Employee Discount of ₹ [●] to the Offer Price is being offered to Eligible Employees bidding in the Employee Reservation Portion. Prospective investors should also review the entire Red Herring Prospectus, including, in particular the sections titled "Risk Factors", "The Business" and "Financial Information" on pages 16, 122 and 196, respectively.

STATEMENT OF TAX BENEFITS

AUDITORS' REPORT ON STATEMENT OF TAX BENEFITS

To,

The Board of Directors,
Bharat Heavy Electricals Limited,
BHEL House, Siri Fort
New Delhi - 110049.

Dear Sirs,

We hereby report that the enclosed annexure states the possible direct tax benefits may be available to M/s. Bharat Heavy Electricals Limited (the **"Company"**) and its shareholders under the Income Tax Act, 1961 and the Wealth Tax Act, 1957, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is subject to fulfillment of such conditions. Additionally, in respect of the Company benefits listed, the business imperatives the faced by the company in the future will also affect the benefits actually claimed.

The benefits discussed in the enclosed annexure are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Unless otherwise specified, sections referred to below are sections of the Income-tax Act, 1961 ("the Act"). The income tax rates referred here are the existing tax rates based on the rates prescribed in the Finance Act, 2011 for the Financial Year 2011-12. All the provisions set out below are subject to conditions specified in the respective sections.

We do not express any opinion or provide any assurance as to whether:
i) The Company is currently availing any of these benefits or will avail these benefits in future; or
ii) The Company's shareholders will avail these benefits in future; or
iii) The conditions prescribed for availing the benefits have been / would be met with.

The contents of the enclosed **Statement of Tax benefits** are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

This report is intended solely for informational purposes for the inclusion in the Offer Document in connection with the Proposed Offer for Sale of Equity Shares of "the Company" by the President of India ("the Offer") and is not to be used in, referred to or distributed for any other purpose.

For S.N.Dhawan & Co.
Chartered Accountants
FRN - 000050N

(Suresh Seth)
Partner
Membership No.010577

For Gandhi Minocha & Co.
Chartered Accountants
FRN - 000458N

(Manoj Bhardwaj)
Partner
Membership No.098606

Place: New Delhi
Date: September 28, 2011

STATEMENT OF TAX BENEFITS

STATEMENT OF POSSIBLE DIRECT TAX KEY BENEFITS WHICH MAY BE AVAILABLE TO M/s. BHARAT HEAVY ELECTRICALS LIMITED AND THE PROSPECTIVE SHAREHOLDERS UNDER THE CURRENT DIRECT TAX LAWS IN INDIA.

The following key benefits are available to the Company and the shareholders under current direct tax laws in India for the Financial Year 2011-12.

The information provided below sets out the possible tax benefits available to the Company and its shareholders under the current direct tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill. The benefits discussed below are not exhaustive. This Statement is only intended to provide the tax benefits to the Company and its shareholders in a general and summary manner and does not purport to be a complete analysis or listing of all the provisions or possible tax consequences. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his/her own tax adviser with respect to specific tax implications arising out of their participation in the issue.

SPECIAL TAX BENEFITS

1. **SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY**

There are no special tax benefits available to the Company

2. **SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS OF THE COMPANY**

There are no special tax benefits available to the shareholders of the Company.

GENERAL TAX BENEFITS

1. Key benefits available to the Company under the Income-tax Act, 1961 ('Act')

A. COMPUTATION OF BUSINESS INCOME

I. **Depreciation**

The Company is entitled to claim depreciation on specific tangible and intangible assets owned by it and used for the purpose of its business under Section 32 of the Act.

Unabsorbed depreciation, if any, for an Assessment Year (AY) can be carried forward without any time limit and set off against any source of income (not being income chargeable under the head "Salaries") in the subsequent AYs as per section 32 of the Act.

II. **Expenditure on Scientific Research**

As per the provisions of section 35(2AB), a company engaged in any business of manufacture or production of any article or thing except those provided in the Eleventh Schedule of the Act subject to fulfillment of conditions specified therein, incurs any expenditure on scientific research (not being expenditure in the nature of cost of any land or building) on in-house research & development facility as approved by the prescribed Authority (i.e. DSIR), shall be allowed a deduction of a sum equal to two times of the expenditure so incurred. And as per the prevailing provisions of the Income Tax Act 1961 no deduction shall be allowed in respect of the above mentioned expenditure which is incurred after 31st March, 2012.

III. **Set off & Carry forward of business loss**

Business losses (not from speculation business) if any, for any AY, can be set off against any income of that year & the balance would be carried forward and set off against business profits for eight subsequent AYs.

IV. **Minimum Alternate Tax** ("**MAT") Credit:**

The Company would be required to pay tax on its book profits under the provisions of section 115JB in case where tax on its "total income" [the term defined under section 2(45) of the IT Act] is less than 18.50% (plus applicable Surcharge + Education and Secondary & Higher Education cess) of its book profit (the term defined under section 115JB of the IT Act). Such tax is referred to as (Minimum Alternate Tax (MAT.)

The difference between the MAT payable under section 115JB of the IT Act and the tax on its total income payable for that assessment year shall be allowed to be carried forward as "MAT credit" up to tenth assessment year (w.e.f. FY 2009-10) immediately succeeding the assessment year in which the tax credit becomes allowable. The MAT credit can be utilized to be set off against taxes payable on the total income computed under the provisions of the IT Act other than 115JB thereof if any, in the subsequent assessment years in accordance with the provisions & limit specified in section 115JAA of the IT Act.

B. COMPUTATION OF CAPITAL GAINS

I. The Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of the Unit Trust of India or units of a mutual fund specified under section 10(23D) of the Act or Zero-Coupons bonds will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

II. According to section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains [other than gains on transfer of bonds or debentures (other than capital indexed bonds issued by the government)], it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

III. **Exemption of long Term Capital gain**

(a) According to section 10(38) of the Act, long-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax.

(b) Under the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. Deduction under section 54EC of the Act is restricted to ₹ 50 lacs during any Financial Year. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

IV. **Tax on Long Term capital Gain u/s 112**

According to the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable Surcharge + Education and Secondary & Higher Education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or Units or Zero-Coupons bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable Surcharge + Education and Secondary & Higher Education cess).

V. Tax on Short Term Capital Gain u/s 111A

According to the provisions of section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to Securities Transaction tax ("STT") shall be subject to tax at a rate of 15 per cent (plus applicable Surcharge + Education and Secondary & Higher Education cess).

C. INCOME FROM OTHER SOURCES

Dividend Income:

Under Section 10(34) of the IT Act, income by way of dividend (whether Interim or Final) referred to in Section 115-O received by the Company on its investments in shares of another Domestic company is exempt from income tax in the hands of the Company.

Income received in respect of units of a mutual fund specified under Section 10(23D) of the Act (other than income arising from transfer of units in such mutual fund) shall be exempt from tax under section 10(35) of the income Tax Act.

However, it is pertinent to note that section 14A of the IT Act provides that no deduction shall be allowed in respect of any expenditure incurred in relation such exempt income.

2. Key benefits available to resident shareholders

I. Dividend Income exempt under Section 10(34)

Dividends (both interim or final) income, if any, received by the resident shareholders from a domestic company shall be exempt from tax under Section 10(34) of the Act read with Section 115-O of the Act.

II. Computation of capital gains

a. The Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of the Unit Trust of India or units of a mutual fund specified under section 10(23D) of the Act or Zero-Coupons bonds will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

b. According to section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of

acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

c. **Exemption of long term capital gain from income tax**

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.

- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Deduction under section 54EC of the Act is restricted to ₹ 50 lacs during any Financial Year. Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act [applicable to individuals and Hindu Undivided Families (HUFs)].

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. If the specified conditions prescribed in section 54F of the Act are not followed, then, the exemption claimed will be revoked and the gains so exempted will be taxable as long term capital gains in the year in which default is committed.

d. **Tax on Long Term capital Gain u/s 112**

According to the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable Surcharge + Education and Secondary & Higher Education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or Units or Zero-Coupons bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable Surcharge + Education and Secondary & Higher Education cess).

e. **Tax on Short Term Capital Gain u/s 111A**

According to the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 per cent (plus applicable Surcharge + Education and Secondary & Higher Education cess).

3. Key benefits available to Non-Resident Indian shareholders

I. **Dividend income exempt under Section 10(34)**

Dividends (both interim or final) income, if any, received by the non-resident shareholders from a domestic company shall be exempt from tax under Section 10(34) of the Act read with Section 115-O of the Act.

II. **Computation of capital gains**

a. Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of the Unit Trust of India or units of a mutual fund specified under section 10(23D) of the Act or Zero-Coupons bonds will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

b. Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing buying rate of exchange on the date of transfer.

c. **Tax on Long Term capital Gain u/s 112**

In case the investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost. According to the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable Surcharge + Education and Secondary & Higher Education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or Units or Zero- Coupons bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable Surcharge + Education and Secondary & Higher Education cess).

d. **Tax on Short Term Capital Gain u/s 111A**

According to the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 per cent (plus applicable Surcharge + Education and Secondary & Higher Education cess).

e. **Special provision in respect of income / Long Term Capital Gain from specified foreign exchange assets available to non-resident Indians under Chapter XII-A.**

As per section 115C (e) Non-Resident Indian (NRI) means an individual being a citizen of India or a person of Indian origin who is not a resident of India. Person is deemed to be of Indian origin if he or either of his parents or any of his grandparents were born in undivided India.
Non-Resident Indians, being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which *inter alia* entitles them to the following benefits in respect of income from specified foreign exchange assets means shares of an Indian company acquired or purchased with, or subscribed to in convertible foreign exchange:

- As per the provisions of section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable Surcharge + Education and

Secondary & Higher Education cess), without indexation benefit. Further, investment income arising on transfer of an Indian company's shares, will be subject to tax at the rate of 20 percent (plus applicable Surcharge + Education and Secondary & Higher Education cess).

- As per the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

- Further, if the specified asset or savings certificate in which the investment has been made is transferred / converted into money within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred / converted.

- According to the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

- According to the provisions of Section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

f. **Exemption of capital gain from income tax is not applicable in case non-resident Indian shareholder opts for taxability discussed above under Para e**

- As per the provisions of section 10(38) of the Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be exempt from tax.

- As per the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. Deduction under section 54EC of the Act is restricted to ₹ 50 lacs during any Financial Year. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains

exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

- As per the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. If the specified conditions prescribed in section 54F of the Act are not followed, then, the exemption claimed will be revoked and the gains so exempted will be taxable as long term capital gains in the year in which default is committed.

4. Benefits available to other Non-resident Shareholders

I. **Dividends Income**

Dividends (both interim or final) income, if any, received by the other non-resident shareholders from a domestic company shall be exempt from tax under Section 10(34) of the Act read with Section 115-O of the Act.

II. **Computation of capital gains**

a. The Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of the Unit Trust of India or units of a mutual fund specified under section 10(23D) of the Act or Zero-Coupons bonds will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

b. As per section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing buying rate of exchange on the date of transfer.

c. **Exemption of long term capital gain from income tax**

- As per section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.

- As per the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising to the assesses on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. Deduction under section 54EC of the

Act is restricted to ₹ 50 lacs during any Financial Year. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act (applicable to individuals).

- As per the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. If the specified conditions prescribed in section 54F of the Act are not followed, then, the exemption claimed will be revoked and the gains so exempted will be taxable as long term capital gains in the year in which default is committed.

d. **Tax on Long Term capital Gain u/s 112**

In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost. As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable Surcharge + Education and Secondary & Higher Education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or Units or Zero-Coupons bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable Surcharge + Education and Secondary & Higher Education cess).

e. **Tax on Short Term capital Gain u/s 111A**

According to the provisions of section 111A of the Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 15 per cent (plus applicable Surcharge + Education and Secondary & Higher Education cess).

5. Key Benefits available to Foreign Institutional Investors (FIIs)

a. **Dividend Income**

Dividends (both interim or final) income, if any, received by the Foreign Institutional Investors (FIIs) from a domestic company shall be exempt from tax under Section 10(34) of the Act read with Section 115-O of the Act.

b. **Taxability of Capital Gains**

As per the provisions of section 115AD(1) of the Act, where the total income of a Foreign Institutional Investor ("Foreign Institutional Investor" means such investor as the Central Government may, by notification in the Official Gazette, specify in this behalf) includes income (other than income by way of dividends referred to in Section 115-O) received in respect of the equity shares of the Company, or income by way of short term or long term capital gains arising from the transfer of such securities, subject to the sub section (2) & (3) of the said section, the income tax payable shall be the aggregate of:

(i) The amount of income tax calculated on dividends at the rate of 20%;

ii) The amount of income tax calculated on the income by way of short term capital gains at the rate of 30%.
However, the amount of income tax calculated on the income by way of short term capital gains referred to in section 111A shall be at the rate of 15% ; and

iii) The amount of income tax calculated on the income (calculated in the specified manner) by way of long term capital gains included in the total income, at the rate of 10%.

Further, as per the provisions of section 196D, where any dividend income (other than dividends referred to in Section 115-O) is payable to a Foreign Institutional Investor, the person responsible for making the payment shall, at the time of credit of such income to the account of the payee or at the time of payment thereof, deduct income tax thereon at the rate of 20%. However, no deduction of tax shall be made from any income, by way of capital gains arising from the transfer of securities referred to in Section 115AD(1)(b), payable to a Foreign Institutional Investor.

c. As per the provisions of section 10(38) of the Act, any income arising from transfer of long-term capital asset being sale of equity shares or units of an equity oriented fund specified under section 10(23D) where such transaction is chargeable to securities transaction tax shall be exempt from tax.

6. Tax Treaty benefits

A Non-resident / Non-resident Indian shareholder / Foreign Institutional Investor has an option to be governed by the provisions of section 90 of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

7. Key Benefits available to Mutual Funds

According to the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the

Reserve Bank of India would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

8. Benefits available under the Wealth Tax Act, 1957

Asset as defined under Section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies. Hence, wealth tax is not leviable on shares held in a company.

9. Benefits available under the Gift Tax Act, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

Notes:

a) All the above benefits are as per the current tax law and will be available only to the sole/first named holder in case the shares are held by joint holders unless otherwise provided in the Act.

b) In respect of non-residents, the tax rates and the consequent taxation mentioned above will be further subject to any benefits available under the relevant Double Tax Avoidance Agreement (DTAA), if any, between India and the country in which the non-resident has fiscal domicile.

c) Wherever applicable, the benefits mentioned hereinabove are subject to fulfillment of the specified conditions and up to the limits as mentioned in the relevant provisions.

d) In view of the individual nature of tax consequences, each investor is advised to consult his / her own tax advisor with respect to specific tax consequences of his / her participation in the scheme.

e) The above statement of possible direct taxes benefits sets out the provisions of law in a summary manner only and is not complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.

f) Direct Tax code proposed to be introduced with effect from 01-04-2012 would replace the present Income Tax Act, 1961

SECTION IV – ABOUT THE COMPANY

INDUSTRY OVERVIEW

We have not commissioned any report for the purposes of this Draft Red Herring Prospectus. The data and information in this section have been extracted from publicly available sources prepared by various entities, including the Indian Ministry of Power ("MoP"), the Central Electricity Authority of India ("CEA"), the Central Electricity Regulatory Commission of India ("CERC"), the Reserve Bank of India ("RBI") and officially prepared materials by the Government of India ("GoI"), and various multilateral institutions. We may have re-classified the data and information for the purposes of presentation. While we believe that the information and data in this section are reliable, we cannot ensure the accuracy of such information or data, and none of our Company, the Selling Shareholder, the BRLMs or any of our and their respective affiliates or advisors have independently verified this information or data. You should not assume that the information and data contained in this section speak as of any date other than the date of this Draft Red Herring Prospectus, except as otherwise indicated. You should also be aware that since the date of this Draft Red Herring Prospectus there may have been changes in the power and manufacturing industries, and the various sectors therein, that could affect the accuracy or completeness of the information in this section.

OVERVIEW OF THE INDIAN ECONOMY

India is the world's largest democracy by population with an estimated population size of 1.2 billion as of March 31, 2011 (*Source: Provisional Population Totals Paper 1 of 2011 India series 1, Census Data 2011 published by the Office of the Registrar General & Census Commissioner, India*). India's 2010 Gross Domestic Product ("GDP") in purchasing power parity terms was US$4.05 trillion. (*Source: Central Intelligence Agency (CIA) World Factbook, September 2011*). This made India the fifth largest economy in the world after the European Union, the United States, China and Japan. The Indian economy is among the fastest growing economies globally and has grown at an average rate of 8.6% per annum during the last five years (Financial Years 2006 to 2010) (*Source: World Development Indicators (WDI) Database, World Bank, September 2011*). The following table compares India's GDP growth rate with the GDP growth rate of certain other countries:

Country	2006	2007	2008	2009	2010
Australia	3.1%	3.8%	3.7%	1.3%	n.a.
Brazil	4.0%	6.1%	5.2%	(0.6%)	7.5%
China	12.7%	14.2%	9.6%	9.2%	10.3%
France	2.5%	2.3%	(0.1%)	(2.7%)	1.5%
Germany	3.4%	2.7%	1.0%	(4.7%)	3.6%
India	9.3%	9.8%	4.9%	9.1%	9.7%
Japan	2.0%	2.4%	(1.2%)	(6.3%)	5.1%
Korea (South)	5.2%	5.1%	2.3%	0.3%	6.2%
Malaysia	5.8%	6.5%	4.7%	(1.7%)	7.2%
Russia	8.2%	8.5%	5.2%	(7.8%)	4.0%
United Kingdom	2.8%	2.7%	(0.1%)	(4.9%)	1.3%
United States	2.7%	1.9%	(0.0%)	(2.7%)	2.9%

Source: World Development Indicators (WDI) Database, World Bank, September 2011

Five Year Plans

India follows a system of successive five-year plans (each, a "Five Year Plan"), which establish targets for economic development in various sectors. The Five Year Plans are one of GoI's key tools for economic planning. The Five Year Plans are developed, executed and monitored by the Planning Commission of India. According to the Planning Commission of India, the 11th Five Year Plan (2007-2012) is aimed at achieving a sustainable GDP growth rate of 9.0%. Such sustainable growth rate is dependent largely on investments in infrastructure development, which includes transportation (railways, roads, ports and civil aviation), electricity generation, transmission and distribution, communications (telecommunication and post), water supply and sanitation, and solid waste management. The following table sets forth the actual levels of infrastructure investment in various sectors under the 10th Five Year Plan (Financial Year 2002 to Financial Year 2007) and

planned levels for the 11th Five Year Plan (Financial Year 2007 to Financial Year 2012) for the respective periods:

Sector-wise Investments: 10th Five Year Plan and Projected for the 11th Five Year Plan

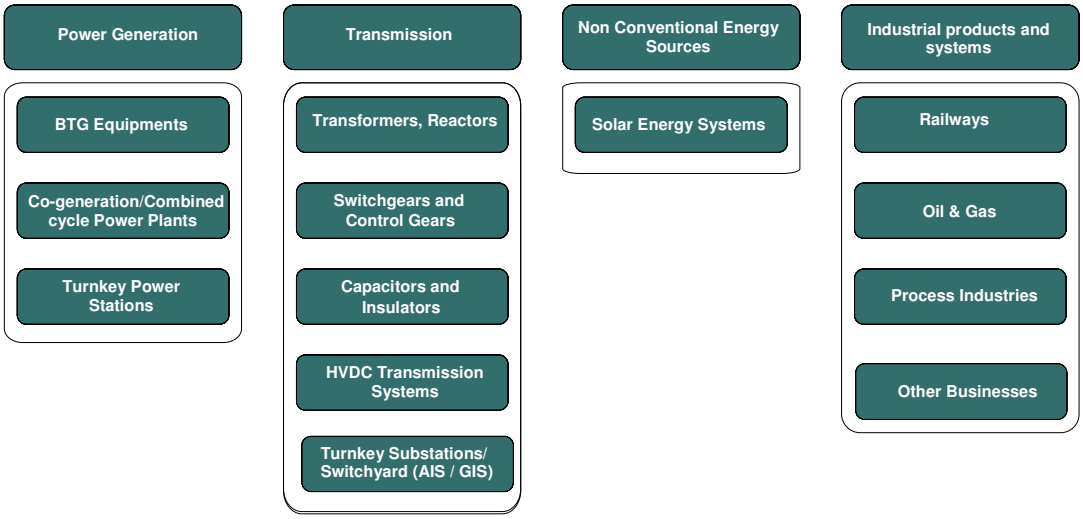
(₹ billion at Financial Year 2007 prices)

	10th Five Year Plan			11th Five Year Plan		
Sectors	**₹ Billion**	**US$ Billion**	**Share (%)**	**₹ Billion**	**US$ Billion**	**Share**
Electricity (incl. non-conventional energy)	3,402.4	75.6	37.0	6,586.3	146.4	32.1
Roads and Bridges	1,271.1	28.2	13.8	2,786.6	61.9	13.6
Telecommunications	1,018.9	22.6	11.1	3,451.3	76.7	16.8
Railways (incl. mass rapid transit system)	1,020.9	22.7	11.1	2,008.0	44.6	9.8
Irrigation (incl. watershed)	1,198.9	26.6	13.0	2,462.3	54.7	12.0
Water supply & sanitation	601.1	13.4	6.5	1,116.9	24.8	5.4
Ports	230.0	5.1	2.5	406.5	9.0	2.0
Airports	68.9	1.5	0.7	361.4	8.0	1.8
Storage	56.4	1.3	0.6	89.7	2.0	0.4
Oil & Gas Pipelines	323.7	7.2	3.5	1,273.1	28.3	6.2
Total (₹ Billion)	**9,192.3**	**204.3**	**100.0**	**20,542.**	**456.5**	**100.0**

Source: Planning Commission, Government of India, Mid Term Appraisal of the 11th Five Year Plan
Note: 1USD = 45INR

The Central and State Governments of India are also focusing on establishing an appropriate policy framework for the infrastructure sector, which provides the private sector with incentives to make large-scale investments, while preserving adequate checks and balances through transparency, competition and regulation. There has been a shift towards financing of infrastructure development in the private sector, primarily through Public Private Partnerships ("PPPs"), which are designed to mobilise financial resources and realise benefits from private sector efficiencies to meet the growing demand for infrastructure services. Private sector investments in infrastructure are expected to grow from 24.5% under the 10th Five Year Plan to 36.2% under the 11th Five Year Plan. Private sector investments in infrastructure are expected to grow from ₹ 7081.9 billion in Financial Year 2007 to ₹ 20,841.3 billion in Financial Year 2012, representing a CAGR of 24.1%. (*Source: Planning Commission, Government of India, Mid-Term Appraisal of the 11th Five Year Plan*).

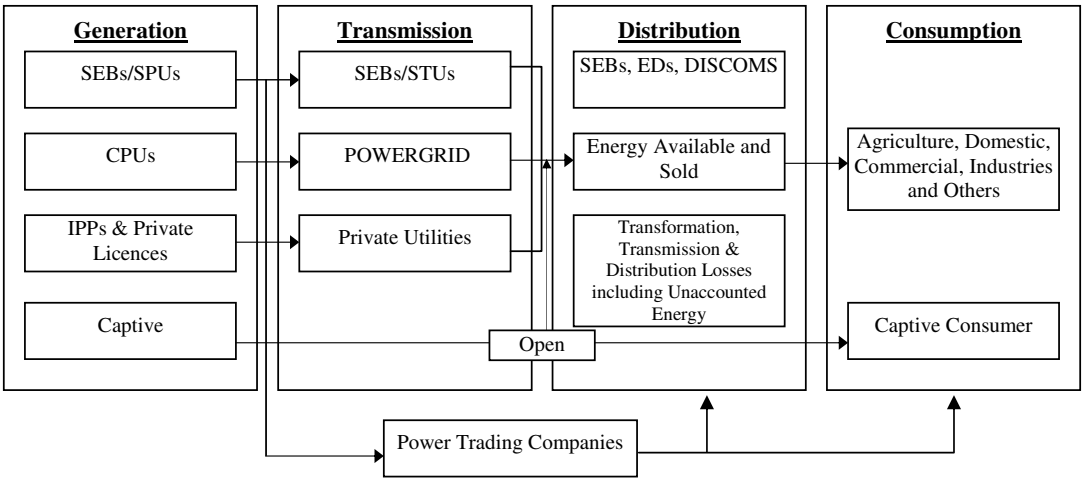
SUMMARY OF SECTORS IN WHICH THE COMPANY OPERATES



OVERVIEW OF THE INDIAN POWER SECTOR

India is both a major producer and a major consumer of power. According to data from *IEA - Key World Energy Statistics (2010)* India ranked as the world's fifth largest power producing nation as well as the fifth largest power consuming nation in 2010 behind the United States, China, Japan and Russia. As of March 31, 2011, India's total annual power production was 811.1 billion kWh, including 5.6 billion kWh imported from Bhutan. (*Source: CEA, Energy Generation Report, April 2011*). Its total annual power requirement was approximately 861.6 billion kWh. (*Source: CEA, Monthly Review of Power Sector, March 2011*).

The following diagram depicts the structure of the Indian power industry for generation, transmission, distribution and consumption:



Legend:

IPPs	Independent Power Producer	**SPUs**	State Power Utilities
CPUs	Central Power Utilities	**POWERGRID**	Power Grid Corporation of India Limited
SEBs	State Electricity Boards	**EDs**	Electricity Departments
STUs	State Transmission Utilities	**Discoms**	Distribution Companies

Power Demand in India

India's rapid economic growth spurred the domestic demand for power. The persistent shortages of electricity both for peak power and for energy indicate the need for improving the performance of the power sector in the country. Reforms for a more efficient and competitive power sector have been under way in India for several years. While there has been some progress in this regard, shortage of power and lack of access continue to be major constraints on India's economic growth. (*Source: Planning Commission of India*). Although power generation capacity in India has increased substantially in recent years, it has not kept pace with the rapid and continuing growth of the Indian economy, despite relatively low per capita electricity consumption in comparison to other major economies. *(Source: IEA, Key Energy World Statistics 2010).*

Compared to the world average per capita electricity consumption, India's low per capita electricity consumption presents a significant potential for sustainable growth in power demand in India. The per capita consumption of power in India increased from 566.7 kWh per year in Financial Year 2003 to 733.5 kWh per year in Financial Year 2009, representing a CAGR of 4.4% for the same period. (*Source: Source: CEA, Monthly Review of Power Sector, March 2011*).

The following table sets forth information relating to India's per capita consumption of power for the periods indicated:

Year	Per Capita Consumption (kWh)
FY 2003	566.7
FY 2004	592.0
FY 2005	612.5

Year	Per Capita Consumption (kWh)
FY 2006	631.5
FY 2007	671.9
FY 2008	717.1
FY 2009	733.5

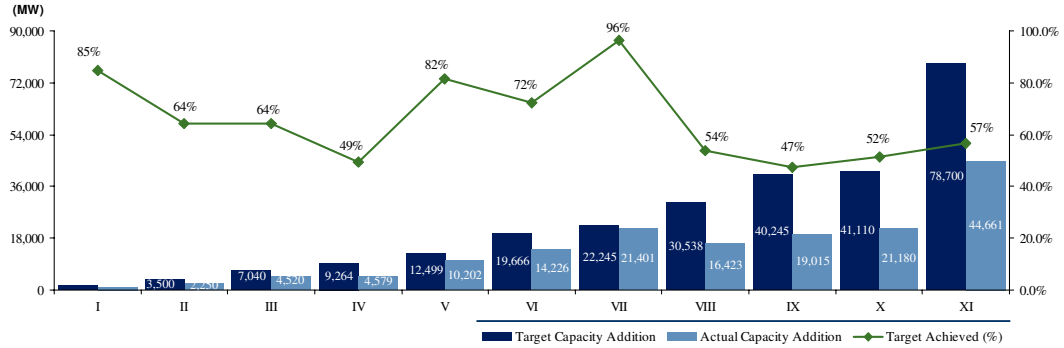
Source: CEA, Monthly Review of Power Sector, March 2011.

In its National Electricity Policy, the central government of India aims to increase per capita availability of electricity to over 1000 units by Financial Year 2012, reinforcing the potential for investment in the Indian power sector.

Power Supply in India

Each successive Five Year Plan of the GoI has contained increased targets for the addition of power generation capacity. The energy deficit in India is a result of insufficient progress in the development of additional power generation capacity. In each of the last three Five Year Plans (the 8th, 9th and 10th Five Year Plans, covering Financial Years 1992 through 2007), only about 50% of the targeted additional energy capacity level was added. India added an average of approximately 20,000 MW to its energy capacity in each of the 9th and 10th Five Year Plan periods. (*Source: White Paper on Strategy for Eleventh Plan, prepared by CEA and Confederation of Indian Industry (the "White Paper"*).

The following chart sets forth the targeted energy capacity addition for the Five Year Plans to date, the installed capacity actually achieved at the end of these Five Year Plans and the installed capacity actually achieved as a percentage of the targeted capacity additions for each of these Five Year Plans:



Source: White Paper and CEA Reports
Note: Figures for 11th Five Year Plan up to June 30, 2011

The total capacity addition during the past 25 years, between the 6th Five Year Plan and the 10th Five Year Plan, was approximately 92,200 MW. The target capacity addition under the 11th Five Year Plan is 78,700 MW, 56.7% of which was achieved as of June 30, 2011. (*Source: CEA Monthly Review of Power Sector, June 2011*)

Out of India's total installed capacity of 176,990.4 MW as on June 30, 2011, the installed capacity of state power sector utilities, private sector entities and central sector companies accounted for approximately 46.7%, 21.9% and 31.4%, respectively.

The following table sets forth a summary of India's energy generation capacity as of June 30, 2011 in terms of fuel source and ownership:

Sector	Hydro	Thermal				Nuclear	Renewable Sources	Total
		Coal	Gas	Diesel	Total			
	(in MW)							
State	27,296.0	47,362.0	4,327.1	602.6	52,291.7	-	3,008. 9	82,596.6
Private	1,925.0	14,176.4	6,677.0	597.1	21,450.5	-	15,445.7	38,821.2
Central	8,885.4	35,205.0	6,702.2	-	41,907.2	4,780.0	-	55,572.6
Total	38,106.4	96,743.4	17,706.5	1,199.8	115,649.6	4,780.0	18,454.5	176,990.4

Source: CEA, Monthly Review of Power Sector, June 2011

Together, the Central and State governments own and operate approximately 78.1% of the installed power capacity in India. The private sector has historically been reluctant to enter the market for power because of onerous governmental regulations on the construction and operation of power plants, and the sourcing of fuel for such plants. However, private sector participation has been increasing over time owing to power sector reforms. (*Source: CEA Monthly Review of Power Sector, June 2011*)

Demand-Supply Imbalance in India

India has continuously experienced shortages in energy and peak power requirements. According to the CEA Monthly Review of Power Sector published in June 2011, the total energy deficit for June 2011 was approximately 5.3% and the peak power deficit for June 2011 was 8.7%.

The following table sets forth the shortage of power in the peak demand and normative energy requirement in India from Financial Year 2003 to Financial Year 2012:

Period	Peak Demand				Energy Requirement			
	Demand (MW)	Availability (MW)	Deficit (MW)	(%)	Demand (MU*)	Availability (MU*)	Deficit (MU*)	(%)
FY 2003	81,492	71,547	9,945	12.2	545,983	497,890	48,093	8.8
FY 2004	84,574	75,066	9,508	11.2	559,264	519,398	39,866	7.1
FY 2005	87,906	77,652	10,254	11.7	591,373	548,115	43,258	7.3
FY 2006	93,255	81,792	11,463	12.3	631,554	578,819	52,735	8.4
FY 2007	100,715	86,818	13,897	13.8	690,587	624,495	66,092	9.6
FY 2008	108,866	90,793	18,073	16.6	739,343	666,007	73,336	9.9
FY 2009	109,809	96,785	13,024	11.9	777,039	691,038	86,001	11.1
FY 2010	119,166	104,009	15,157	12.7	830,594	746,644	83,950	10.1
FY 2011	125,077	112,167	12,910	10.3	862,125	789,013	73,112	8.5
FY 2012	122,391	111,163	11,228	9.2	227,658	212,628	15,030	6.6

** Million Units*
Note: FY12 figures for April 2011 - June 2011
Source: "Power Scenario At A Glance", CEA Report, January 2011 and CEA Monthly Reviews of Power Sector, March 2011 and June 2011

The deficits in electric energy and peak power requirements vary across different regions in India. The peak deficit was at 12.5% in the western region of the country, followed by 11.0% in the north-eastern region of the country in June 2011. In contrast, in June 2011, eastern India had the lowest regional deficit of 5.5%. (*Source: CEA Monthly Review of Power Sector, June 2011*). The larger deficit in the former regions is a result of the slow development progress of additional power generation capacity in these areas.

The following table outlines the peak and normative power shortages in India for the period April to June 2011 across the regions of India:

Region	Peak Demand				Energy Requirement			
	Demand (MW)	Availability (MW)	Deficit (MW)	(%)	Demand (MU*)	Availability (MU*)	Deficit (MU*)	(%)
North	37,651	34,575	3,076	8.2	66,976	63,932	3,044	4.5
West	39,566	33,705	5,861	14.8	72,421	65,111	7,310	10.1
South	33,937	31,489	2,448	7.2	61,843	59,478	2,365	3.8
East	14,000	12,879	1,121	8.0	23,787	22,752	1,035	4.4
North-East	1,762	1,581	181	10.3	2,631	2,351	280	10.6

**Million Units*
Source: CEA Monthly Review of Power Sector, June 2011

Thermal Power Generation

As of March 31, 2011, thermal power plants accounted for 65.0% of India's installed capacity, of which 83.2% is accounted for by coal-based plants, based on total available thermal capacity. *(Source: CEA, "Power Scenario at a Glance", March 2011, provisional figures).*

Capacity Utilisation

Capacity utilisation in the Indian power sector is measured by the plant load factor ("**PLF**") of generating plants. The average PLF for coal-fired plants in India has increased from 69.0% in FY 2001 to 77.5% in FY 2010 as may be seen from the following table:

Average PLF for Thermal Power Plants in India

Period	Central	State	Private	Overall
FY 2001	74.3%	65.6%	73.1%	69.0%
FY 2002	74.3%	65.6%	73.1%	69.0%
FY 2003	77.1%	68.7%	78.9%	72.1%
FY 2004	78.7%	68.4%	80.5%	72.7%
FY 2005	81.7%	69.6%	85.1%	74.8%
FY 2006	82.1%	67.1%	85.4%	73.6%
FY 2007	84.8%	70.6%	86.3%	76.8%
FY 2008	86.7%	71.9%	90.8%	78.6%
FY 2009	84.3%	71.2%	91.0%	77.2%
FY 2010*	85.5%	70.9%	82.4%	77.5%
FY 2011*	83.1%	63.9%	79.7%	72.9%

** Up to December*
Source: Ministry of Power, Annual Report 2010-11

Captive Power Generation

Another segment of power generation in India is the captive power segment. Captive power refers to power generation from a project established by the industry / others for their own consumption. Captive power capacity, at 19,509.5 MW, accounted for 11.0% of the 176,990.4 MW of total installed capacity in India. (*Source: CEA Monthly Review June 2011*)

India's dependence on captive power has been rising due to the continuing shortage of power and India's sustained economic growth. The Electricity Act provided further incentives to captive power generation companies to grow by making them exempt from licensing requirements. This has resulted in an increase in captive power capacity. Reliability of power supply and better economics are other variables pushing industries to develop captive generation plants.

Demand Projections

India had an installed generation capacity of 176,990.4 MW as of June 30, 2011. To deliver a sustained economic growth rate of 8.0% through Financial Year 2032, according to the CEA, India needs, at a minimum, to increase its primary energy supply between three and four times, and its electricity generation capacity between five and six times, based on Financial Year 2004 levels. India would require an additional capacity of approximately 43 to 56 gigawatts ("GW") by the end of Financial Year 2012, 129 to 160 GW by Financial Year 2017 and 248 to 311 GW by Financial Year 2022, respectively, based on normative parameters in order to sustain an 8.0% to 9.0% GDP growth rate. The following table sets forth the additional capacity required by Financial Year 2012, Financial Year 2017 and Financial Year 2022, respectively, under different GDP growth rate scenarios and the current (provisional) capacity as of June 30, 2011:

	Assumed GDP Growth	Electricity Generation Required	Peak Demand	Installed Capacity	Capacity Addition Required[(1)]
	(%)	(BU)	(GW)	(GW)	(GW)
By FY 2012	8.0	1,097	158	220	43
	9.0	1,167	168	233	56
By FY 2017	8.0	1,524	226	306	129
	9.0	1,687	250	337	160
By FY 2022	8.0	2,118	323	425	248
	9.0	2,438	372	488	311

(1) Based on the current existing installed capacity of 177 GW in India as of June 30, 2011.
Source: IEP Report, Expert Committee on Power and CEA, Monthly Review of Power Sector, June 2011

Future Capacity Additions

11th Five Year Plan (2007-2012)

The central government has identified the power sector as a key sector to promote sustained industrial growth by embarking on an aggressive mission titled "Power for All" by Financial Year 2012, backed by extensive reforms intended to make the power sector more attractive for private sector investment. As per the Mid-Term Appraisal of the 11th Five Year Plan released by the Planning Commission, the electricity sector is expected to attract 32.1% of the total investment in infrastructure. According to the Monthly Review published by CEA in June 2011, the proposed capacity addition for power generation during the 11th Five Year Plan is 78,700.4 MW, as set forth below:

Sector	Hydro	Thermal	Nuclear	Total
	(in MW)			
Central	8,654.0	24,840.0	3,380.0	36,874.0
State	3,482.0	23,301.4	0.0	26,783.4
Private	3,491.0	11,552.0	0.0	15,043.0
All-India Total	15,627.0	59,693.0	3,380.0	78,700.4

Source: CEA, Monthly Review of Power Sector, June 2011

12th Five Year Plan (2012-2017)

A tentative capacity addition of approximately 100,000 MW has been envisaged under the 12th Five Year Plan. This comprises an estimated 74,000 MW from thermal power, 20,000 MW from hydro power, 3,400 MW from nuclear power and 2,500 MW from lignite. Gas capacity under the 12th Five Year Plan has not been estimated due to the uncertainty about the availability of gas for the power sector. However, the GoI is making efforts to plan some gas-based capacity addition under the 12th Five Year Plan. (*Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for the 12th Plan & Beyond, organised by MoP and CEA, August 18-19, 2009*)

Regulatory Structure in India

In India, control over the development of the power industry is shared between the Centre and the State. The Ministry of Power ("MoP") is the highest authority governing the power industry in India. The CEA, a statutory organisation constituted under the Electricity (Supply) Act, is the technical branch of the Ministry of Power, assisting in technical, financial and economic matters relating to the electricity industry. The CEA is responsible for giving concurrence to schemes involving capital expenditure beyond a certain limit fixed by the GoI from time to time, and it is also responsible for the development of a sound, adequate and uniform power policy in relation to the control and utilisation of national power resources. The Central Electricity Regulatory Commission ("CERC") formed under the Electricity Regulatory Commissions Act, 1998 is an independent statutory body with quasi-judicial powers. Its main functions include the formulation of policy and the framing of guidelines with regard to electricity tariffs.

Several States have set up State Electricity Regulatory Commissions ("SERCs"). The SERCs are engaged in regulating the purchase, distribution, supply and utilisation of electricity, tariffs and charges payable, as well as the quality of electricity supply service. State governments have set up SEBs at the state level, which are responsible for ensuring that the supply, transmission and distribution of electricity in such States is carried out in the most economical and efficient manner. These SEBs are required to coordinate with power generating companies as well as with government entities that control the relevant power grids.

In recent years, in light of persistent power shortages and given the estimated rate of increase in Indian electricity demand, the GoI has taken significant action to restructure the power sector, increase capacity, improve transmission, sub-transmission and distribution, and attract investment to the sector. Some of the various strategies and reforms adopted by the GoI as well as other initiatives in the Indian power are summarised below:

Government Policy and Initiatives in the Indian Power Generation Sector

Electricity Act, 2003 (the "Electricity Act")

The most significant reform package was the introduction of the Electricity Act in 2003, which modified the legal framework governing the electricity sector and was designed to alleviate many of the problems facing India's power sector as well as to attract capital for large-scale power projects. The Electricity Act replaced the multiple pieces of legislation that previously governed the Indian electricity sector. The most significant reform under the Electricity Act is the move towards a multi-buyer, multi-seller system, as opposed to the previous

structure which permitted only a single buyer to purchase power from generators. Furthermore, under the Electricity Act, the regulatory regime is more flexible, has a multi-year approach and allows the Central and State regulatory commissions greater freedom in determining tariffs, without being constrained by rate-of-return regulations.

National Electricity Policy, 2005

GoI issued the National Electricity Policy in February 2005. This policy aims to accelerate the development of the power sector by focusing on providing electricity supply to all areas in India and on protecting the interests of consumers and other stakeholders. At the same time the policy keeps in view the availability of energy resources, the technology available to exploit such resources, the economics of power generation through various resources as well as energy security issues.

National Tariff Policy, 2006

GoI issued the National Tariff Policy ("NTP") on January 6, 2006. Its main objectives are to:

- ensure availability of electricity to consumers at reasonable and competitive rates;
- ensure financial viability of the sector and attract investments;
- promote transparency, consistency and predictability in regulatory approaches across jurisdictions;
- minimise perceptions of regulatory risks; and
- promote competition, efficiency in operations and improvement in quality of supply.

The NTP stipulates that all future power requirements should be procured competitively by distribution licencees except in cases of expansion of pre-existing projects or in cases in which a developer controlled or owned by the public sector is involved. In these cases, regulators must resort to tariffs set by reference to standards of the CERC, provided that expansion of generating capacity by private developers for this purpose will be restricted to a one-time addition of not more than 50% of the existing capacity. Under the NTP, even for public sector projects, tariffs for all new generation and transmission projects will be decided on the basis of competitive bidding after a certain time period.

Ultra Mega Power Projects ("UMPPs")

For meeting the growing needs of the economy, power generation capacity in India must rise significantly and sustainably over the coming decades. There is, therefore, a need to develop large capacity projects at the national level to meet the requirements of different States. Development of UMPPs is one step the MoP is taking to meet this objective. Each project has a capacity of minimum 4,000 MW and involves an estimated investment of approximately US$ 4.0 billion. The projects are expected to substantially reduce power shortages in India. The UMPPs will be awarded to developers on a build-own-operate basis. (*Source: website of the MoP*)

OVERVIEW OF THE POWER TRANSMISSION IN INDIA

The transmission of electricity is typically defined as the bulk transfer of power over a long distance at a high voltage, generally at 132 KV and above. The distribution of electricity is the delivery of power from the transmission system to the customer. A reliable T&D system is important for the proper and efficient transfer of power from generating stations to load centers and beyond. A typical T&D system comprises transmission lines, sub-stations, switching stations, transformers and distribution lines. Inter-regional transmission networks are also required in India because power generation sources are unevenly distributed and power needs to be carried over large distances from areas where power is generated to areas where load centers and demand exist.

In India, the T&D system is a three-tier structure comprising distribution networks, State grids, and regional grids. The distribution networks and State grids are principally owned and operated by SEBs or other State utilities, or State governments (through state electricity departments). Most of the interstate and inter-regional transmission lines are owned and operated by the Power Grid or its joint ventures. At present, there are five regional grids operating in India, in the Northern, Eastern, Western, Southern and Northeastern regions. Regional or interstate grids facilitate the transfer of power from a region with a surplus to one with a deficit. These regional grids also facilitate the scheduling of maintenance outages and coordination between power plants. Presently the Northern, Eastern, Western and North Eastern regions are operating in one synchronous mode and the Southern region is interconnected with Western Region and Eastern Region through HVDC links. (*Source: Ministry of Power, Annual Report 2009-2010*).

Setting up of a National Grid

At the time of Independence, transmission power systems in India were isolated systems developed in and around urban and industrial areas. The SEBs were responsible for the development of generation, transmission, distribution and utilisation of electricity projects in their respective States. The objective of the projects was to have a coordinated approach to an integrated electricity system. In 1964, for the purpose of coordinating power sector planning on a larger scale and integrating state grid systems to achieve optimum development and utilisation of resources, the country was divided into five regions. Regional Electricity Boards (REBs) were established in each region to facilitate the integrated operation of state systems and to encourage the exchange of power among the States. For this, inter-state lines were planned, which were treated as centrally sponsored schemes. In 1981, the GoI approved a plan for setting up a national grid.

Since 2003, the focus of planning the generation and the transmission system in the country has shifted from regional self-sufficiency towards optimisation of utilisation of resources on a nationwide basis. The process of setting up the national grid was initiated with the formation of the central sector power-generation and transmission companies, National Thermal Power Corporation Limited (now known as NTPC Limited), National Hydroelectric Power Corporation Limited (now known as NHPC Limited) and POWERGRID. POWERGRID was made responsible for planning, constructing, operating and maintaining all inter-regional links as well as the integrated operation of national and regional grids.

Increase in Transmission Capacity under the 11th and 12th Five Year Plans

The goal of the transmission system development under the 11th Five Year Plan is to provide adequate inter-regional and intra-regional transmission capacity, and to move towards a strong consolidated all-India grid. With the strengthening of inter-regional connections by 2012, the inter-regional capacity is expected to grow to 32,650 MW by the end of the 11th Five Year Plan, according to the *Planning Commission's Mid-Term Appraisal of the 11th Five Year Plan*. The CEA anticipates that inter-regional transmission capacity would be in the order of 57,000 MW by Financial Year 2015 and 75,000 MW by the end of the 12th Five Year Plan. The actual increase in transmission capacity will depend on the corresponding growth in generation capacity. (*Source: CEA, Key Inputs for Accelerated Development of Indian Power Sector for 12th Plan & Beyond*)

Setting up a national grid requires the gradual strengthening and improvement of regional grids and their progressive integration through extra high voltage and HVDC transmission lines.

The proposed targeted transmission lines capacity at the outset of the 11th Five Year Plan is set forth in the table below:

	Targeted Capacity under the 11th Five Year Plan (ckm)
± 500 kV HVDC	7,432
765 kV	7,850
400 kV	125,000
230/220 kV	150,000
Total	290,282

Source: CEA, Base Paper, Key Inputs for Accelerated Development of Indian Power Sector for 12th Plan & Beyond

The proposed targeted sub-station capacity at the outset of the 11th Five Year Plan is set forth in the table below:

	Targeted Capacity under the 11th Five Year Plan (MVA)
± 500 kV HVDC	11,200
765 kV	53,000
400 kV	145,000
230/220 kV	230,000
Total	428,000

Source: CEA, Base Paper, Key Inputs for Accelerated Development of Indian Power Sector for 12th Plan & Beyond

The inter-regional transmission capacity planned at the outset of the 11th Five Year Plan is set forth below:

	Targeted Capacity under the 11th Five Year Plan (MW)

	Targeted Capacity under the 11th Five Year Plan (MW)
East-South	3,630
East-North	12,130
East-West	6,490
East-North East	2,860
North-West	4,220
West-South	2,720
North East/East North/West	6,000
Total	38,050

Source: CEA, Base Paper, Key Inputs for Accelerated Development of Indian Power Sector for 12th Plan & Beyond
Note: Figures only include links of 220 kV and above

Investments in Transmission under the 11th and 12th Five Year Plans

Traditionally, the Indian government has focused on investments in the power generation sector to alleviate the acute power shortage in the country. In the process, the T&D sector remained neglected and attracted significantly less investment in comparison to the power generation sector. The average investment in T&D during the 10th Five Year Plan was approximately 32% of the investment in power generation. (*Source: Ministry of Power, Report on the Working Group on Power for Eleventh Plan (2007-2012)).* An investment of ₹ 1,400 billion was originally planned in the transmission sector under the 11th Five Year Plan as set out below:

	(₹ in billion)
Inter-State	750
Intra-State	650
Total	1,400

Source: Ministry of Power, Report of the Working Group on Power for Eleventh Plan (2007-2012)

The CEA estimates that the targeted investment under the 12th Five Year Plan (2012-2017) in the power sector will exceed that under the 11th Five Year Plan. The estimated investment in T&D to be made under the 12th Five Year Plan is set forth below:

	(₹ in billion)
Transmission	2,400
Distribution	3,700
Total	6,100

Source: CEA, Base Paper, Key Inputs for Accelerated Development of Indian Power Sector for 12th Plan and Beyond

Private Investments in Electric Power Transmission

In 1998, the Electricity Laws (Amendment) Act was enacted, which recognised transmission as an independent activity, distinct from generation and distribution, and allowed private investment in that sector. In 2000, the GoI issued guidelines whereby the State transmission utilities (STUs, SEBs or their successor entities) and the central transmission utility could identify transmission projects for the intrastate and the inter-state and inter-regional transmission of power, respectively. The STUs and the CTU could invite private companies to implement these projects through an Independent Private Transmission Company ("IPTC") or on a joint-venture basis. (*Source: Website of the MoP*). The role of the IPTC would be limited to the construction, ownership and maintenance of transmission systems. Operations of the grid, including load despatch, scheduling and monitoring, will be undertaken by the STUs and the CTU at the intrastate and interstate, and inter-regional levels, respectively. The CTU and STUs would be involved in the development phase for obtaining project approvals and various regulatory, and statutory clearances (such as environmental, forest and right-of-way clearances), and would transfer such clearances to the private companies selected.

In April 2006, the GoI issued tariff-based competitive bidding guidelines for transmission services and bid process management. It also issued guidelines for encouraging competition in the development of transmission projects. The GoI also created an Empowered Committee, headed by a member of CERC. The functions of the empowered committee include identifying projects under the above scheme, facilitating preparation of bid documents, evaluating bids, finalising project agreements and developing projects. Regarding intrastate

transmission projects, the State governments can also adopt these guidelines and may constitute similar committees. In May 2009, the GoI updated its regulations for the Empowered Committee and tariff-based competitive bidding guidelines for transmission services.

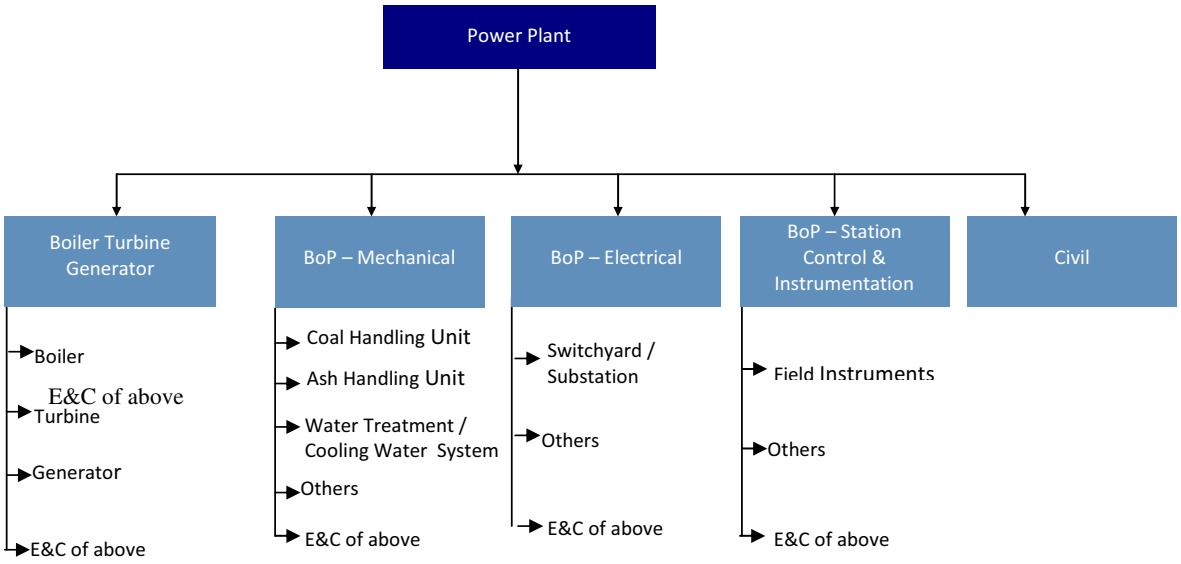
Anticipated Requirement of Sub-Stations and Transmission Lines	
Expected Transmission Requirement	**2012-17**
± 800 kV HVDC Bipole Projects, 6000 (MW)	2 to 3
HVDC Bipole ± 800 kV (ckm)	4,000 to 6,000
765 kV / 400 kV Substations (nos.)	40 to 50
765/400 kV (MVA)	120,000
765 kV Transmission Lines (ckm)	25,000 to 30,000
400/220, 400/132 kV (MVA)	80,000
400 kV Transmission Lines (ckm)	50,000
220/132, 66, 22, 11 kV (MVA)	95,000
220 kV Transmission Line (ckm)	40,000

Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for the 12th Plan & Beyond, organised by MoP and CEA, August 18-19, 2009

OVERVIEW OF THE POWER GENERATION EQUIPMENT MARKET IN INDIA

Power generation equipments are split into two main components, namely BTG and BOP. The BTG component constitutes the boiler as one unit and turbine generator as another unit, while the BOP component mainly comprises CHP, AHP, chimney, cooling tower, fuel oil handling systems, boiler feed pump, etc.

Generation system components



Source: Company data
Note: (1) Others include condensers, cooling towers, boiler feed pumps, HP-LP heaters etc.
(2) "E&C" – Erection & Commissioning

The performance of the power generation equipment industry in India is closely linked to the capacity addition envisaged in each of the Five Year Plans. The 12th Five Year Plan envisages a total capacity addition of approximately 100,000 MW by 2017, representing an average 20 GW capacity addition per year. (*Source: CEA, Key Inputs for Accelerated Development of Indian Power Sector for Twelfth Plan and Beyond*). Even beyond the 12th Five Year Plan, 15-20 GW of power capacity is expected to be added every year given the significant shortages in energy and peak-power requirements. These capacity additions are expected to drive demand for power generation equipments going forward.

Coal-based thermal power plants account for a major part of the demand for power generation equipments in India, primarily due to the heavy dependence on coal-fired generation to meet India's power generation requirements. In the future, out of the 100,000 MW estimated capacity additions, approximately 76,500 MW is expected from thermal power, out of which 74,000 MW is expected to come from coal-based power plants. (*Source: Key Inputs for Accelerated Development of Indian Power Sector for Twelfth Plan and Beyond*).

The following table shows the breakup of thermal capacity additions, by units, envisaged under the 12th Five Year Plan:

Fuel Type	Unit Size	No. of Units	No. of Stations	Capacity (MW)
Coal	250/255	9	6	2,275
	270	4	3	1,080
	300	14	7	4,200
	334	2	1	668
	350	17	6	5,950
	500	17	10	8,500
	600	13	6	7,800
	660	54	24	35,640
	800	10	3	8,000
Sub Total		**140**	**66**	**74,113**
Lignite	125	4	2	500
	500	4	2	2,000
Sub Total		**8**	**4**	**2,500**
Total - Thermal		**148**	**70**	**~76,500**

Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for the 12th Plan & Beyond, organised by MoP and CEA, August 18-19, 2009

Key Trends in the BTG Equipment Market in the Power Segment in India

Increasing Domestic Competition

Since the introduction of the Electricity Act in 2003, the power industry in India has experienced a surge in capacity addition. Until 2009, BHEL was the major player in the BTG segment in the domestic market with an operational capacity of 10 GW. To cater to the surge in demand for power equipment, BHEL has ramped up its capacity to the present level of 15 GW and is in the process of further expanding it to 20 GW by 2012. Considering the demand, other domestic companies such as L&T, JSW, Bharat Forge and BGR Energy etc. have announced plans to set up BTG manufacturing capacities. These companies have formed joint ventures with foreign partners with experience of manufacturing boiler/turbine generators, such as L&T – Mitsubishi Heavy Industries, Bharat Forge – Alstom, JSW – Toshiba and BGR Energy – Hitachi.

Several private sector power producers such as Adani Power, JSW Energy, Lanco Infratech and Sterlite Energy have revealed plans to set up large power generation capacities between 2007 and 2010. Foreign companies like Shanghai Electric Group Company Limited, Doosan Heavy Industries, Harbin Power Plant Equipment and Dongfang Electric Corporation were among the awardees of the contracts.

Move towards supercritical technology

The thermodynamic efficiency of a power plant can be improved by using higher steam parameters. Power plant cycles operating above the critical pressure of 221.1 bar are classified as supercritical cycles and the associated technology is "supercritical technology".

The GoI has planned to adopt a number of measures with a view to reducing pollution and increasing the unit size of coal-based plants by means of introducing supercritical technology-based power plants. Supercritical technology development plans under the 12th and 13th Five Year Plans include developing mass indigenous production of supercritical boilers and turbine generators to reduce the cost of production and to meet the demand for supercritical equipment. (*Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for the 12th Plan & Beyond, organised by MoP and CEA, August 18-19, 2009*)

Increasing private sector share in power capacity addition

Private sector participation has grown significantly in the power generation sector since the Electricity Act 2003 and the National Tariff Policy 2006. Several private players have plans to set up substantial capacities in the medium term. The private sector contributed 1,970 MW to thermal generation capacity in India from 2002 to 2007. Since then, thermal generation capacity of 5,920 MW was commissioned in 11th Five Year Plan and approximately 16,266 MW additional thermal generation capacity is currently under construction in the private sector. The private sector is also likely to contribute substantial generating capacity under the 12th Five Year Plan. *(Source: CEA 2009-10 Annual Report, September 2010)*

Balance of Plant Market in India

BOP covers all components of a power plant except BTG such as CHP, AHP, water treatment systems, cooling tower, civil works, fuel handling system and chimney, amongst others.

CHP

CHP handles coal from the unloading stage through transportation to the boiler to storage in bunkers. It also processes raw coal to make it suitable for boiler operation, which includes receiving the coal from the mines, weighing it, crushing it down to the required size and transferring it to various coal mill bunkers.

The 12th Five Year Plan estimates a total requirement of 148 CHPs. (*Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for the 12th Plan & Beyond, organised by MoP and CEA, August 18-19, 2009*)

AHP

AHP refers to the system of collecting fly ash and bottom ash generated when coal is burnt. Indian coal has high ash content (around 40%).

The 12th Five Year Plan estimates a total requirement of 148 AHPs to be executed over the 12th Five Year Plan period. (*Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for the 12th Plan & Beyond, organised by MoP and CEA, August 18-19, 2009*)

Water treatment system and cooling tower

The water treatment system primarily comprises of systems transporting water from the source to the plant, Pre Treatment ("PT") plant and Demineralisation ("DM") plant. The requirement of clarified water for the power plant is taken care of by the PT plant, while the DM plant supplies demineralised water to the power plant.

Cooling towers are heat removal devices that transfer process waste heat into the atmosphere. Cooling towers evaporate water to remove process heat and cool the water.

The 12th Five Year Plan estimates a total requirement of 211 DM Plants and 218 cooling towers to be executed over the 12th Five Year Plan period. (*Source: Base Paper, International Conclave on Key Inputs for Accelerated*

Development of Indian Power Sector for the 12th Plan & Beyond, organised by MoP and CEA, August 18-19, 2009)

The following table shows the tentative estimated requirement of BOP equipments for thermal projects under the 12th Five Year Plan:

Name of System	BOP Requirement (no. of units)
Coal Handling System	148
Ash Handling System	148
DM Plant	211
Cooling Towers	218
Chimneys	77
Fuel Oil System	148
Pre-Treatment Plant	160

Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for the 12th Plan & Beyond, organised by MoP and CEA, August 18-19, 2009

Status of BOPs for 11th Five Year Plan

Name of the BOP System	BOPs Required for Projects Commissioned & Under Const. (Nos.)	BOP Orders Placed (Nos.)	BOP Orders Yet to be Placed (Nos.)
Coal Handling System	67	56	11
Ash Handling System	68	59	9
DM Plant	71	58	13
Cooling Towers	143	133	10
Chimneys	116	109	7
Fuel Oil System	74	62	12
Pre-Treatment Plant	76	63	13

Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for the 12th Plan & Beyond, organised by MoP and CEA, August 18-19, 2009

OVERVIEW OF THE TRANSMISSION SYSTEM COMPONENTS MARKET IN INDIA

The transmission segment plays a key role in transmitting power to various distribution entities across the country. A reliable T&D system ensures proper and efficient transfer of power from power generating stations to remote load centres and consumers. The T&D system is organised in a power grid, which interconnects various power generating stations and remote load centres. It further ensures reliable power supply to load centres and optimal utilization of generating capacity, even in the event of a failure of feeding power at the local generating station or a maintenance shutdown. In addition, the power grid also ensures that power is transmitted through alternate routes if a particular transmission line or a section of a transmission line suffers a breakdown or is otherwise unavailable.

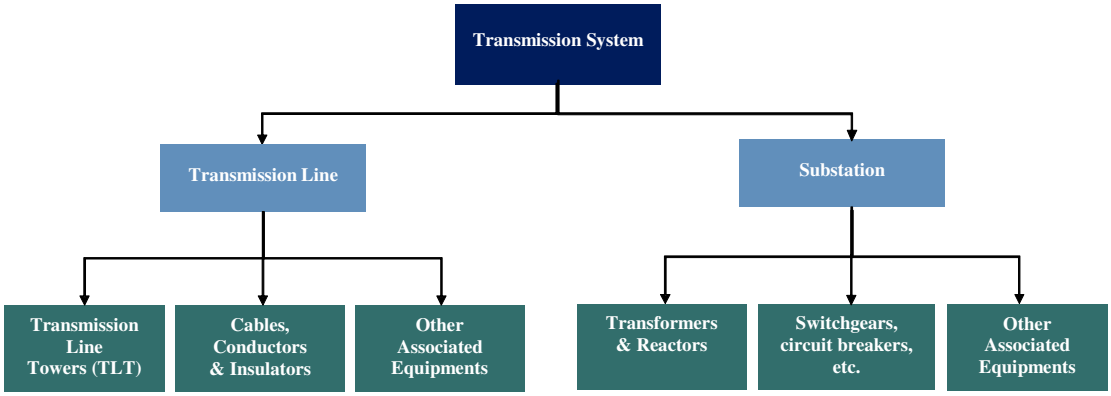
Transmission and sub-transmission networks are used to supply power to the distribution system. These, in turn, supply power to end load centres and consumers. To facilitate the transfer of power between States, state grid networks are interconnected through extra-high-voltage ("EHV") and high-voltage ("HV") transmission links to form a regional grid. India has five such regional grids. These regional grids facilitate the transfer of any surplus power to load centres facing power deficit.

Along with strengthened inter-regional transfer capability, these regional grids would also facilitate transferring power from power surplus regions and States to regions and States experiencing power deficit. This would result in the optimal utilisation of generating capacity. Setting up a national grid would require the integration of

regional grids through EHV and HVDC transmission networks. Further, a national grid would require modern and reliable communication systems to effect data and voice transmission between load dispatch centres and power generating stations.

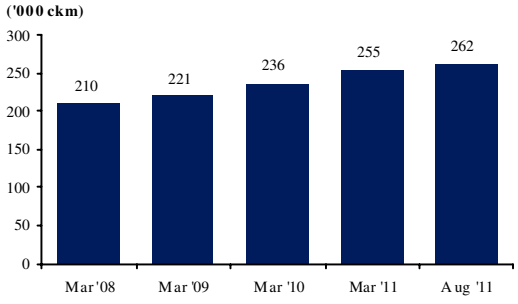
The transmission line equipments consist of components like cables, motors, switchgears, transmission line towers, transformers, capacitors etc. Under a broad-based classification, cables and transmission line towers ("TLTs") form part of transmission line equipments, while components like switchgears and transformers would form part of a sub-station.

The following chart shows the key components of the transmission system:

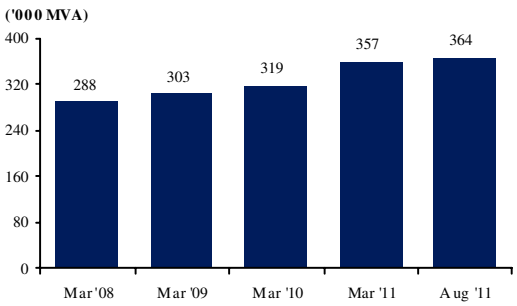


The following chart shows the actual installed capacity of transmission lines and substations during the last five years:

Transmission Lines Capacity



Substations Capacity



**For the period ended August 31, 2011*
Source: Year-ending CEA Reports
Note: Installed capacities include ckm of 765 kV, 400 kV, 220 kV & ± 500 kV HVDC transmission lines and MVAs/MW of 765 kV, 400 kV, 220 kV and ± 500 kV HVDC substations

Transmission line equipments

Transmission Towers

Transmission line towers are steel structures used to support transmission lines and to provide the requisite ground clearance for the transmission of HV, EHV, Ultra-high-voltage ("UHV") and HVDC power currents. The size and the structure of the transmission towers depends on the voltage of the transmission lines and the number of conductors to be mounted.

Conductors

Conductors are bunch-stranded metal wires used for overhead transmission and distribution of power. Conductors are made of, for example, copper, aluminium or alloys containing these two metals.

Insulators

An insulator is a material that does not respond to an electric field and completely resists the flow of electric charge. Electrical insulators are used to support or to separate electrical conductors by completely resisting the passage of electric current through them.

Competition

The transmission line sector is dominated by major players like KEC International, Jyoti Structures and Kalpataru Transmission. These players execute projects on an EPC basis for the transmission segment. Transmission tower EPC players offer a range of integrated services including designing, manufacturing, erection, testing and commissioning of transmission line towers.

Substation components

Switchgears

Switchgears is a combination of electrical equipments such as fuses, LT & HT circuit breakers, isolators, control panels and switch boards. One of the basic functions of switchgears is to protect the transmission network under abnormal system conditions arising out of short-circuit faults, overloads, etc., while maintaining continuity in the supply of power. Switchgears also provide for the isolation of circuits from power supplies.

Transformers

Transformers are pieces of electrical equipment primarily used for increasing or decreasing the voltage level to transmit power efficiently over long distances. Generator transformers are employed at power stations to increase the power voltage levels to transmit power at low energy loss. Power transformers are employed at substations to decrease the power voltage levels and to deliver power to consumers.

Instrument transformers

Instrument transformers are pieces of electrical equipment used to reduce high voltage and high current values to levels suitable for feeding into relays for protection and metering applications.

Competition

Some of the major players in the manufacturing of substation components such as power transformers, instrument transformers and sub-station components (such as switchgears) are ABB, Areva T&D, Crompton Greaves, EMCO and Siemens Ltd, etc. Some of these companies are also involved in the complete set-up of sub-stations.

High Voltage Direct Current ("HVDC") transmission

HVDC is used for transmitting bulk power economically over long distances. Transmission in DC enables reduction in power loss in the power grid making higher amounts of power available at the receiving end or at load centres. HVDC back-to-back systems are used as asynchronous links between two power systems for controlled power flow.

HVDC thyristor valve converters are used at converter stations to convert alternating current ("AC") to DC. The DC power is then transported and converted back to AC at the receiving end by employing converter equipment.

INDUSTRIAL PRODUCTS AND SYSTEMS

The growth in demand for industrial products and systems such as captive power plants, compressors, oil field equipment, electrical machines (high tension motors), etc. is dependent on the growth of various related industries such as power, oil & gas, steel, cement, fertilisers, irrigation etc.

RAILWAY ELECTRICAL EQUIPMENTS IN INDIA

Indian Railways was at the threshold of a major change at the beginning of the 11th Five Year Plan. The key challenge before it was not just attracting additional traffic, but meeting the accelerating demand for high-quality services imposed by a growing economy. GoI had to take immediate and appropriate steps to augment capacity and deploy it optimally through new investment and tariff policies. Indian Railways also had to implement projects and procure assets rapidly by adopting practices in project execution, production, and procurement of new assets.

In light of the arrears in replacement of over-aged assets, in the early part of the 10th Five Year Plan, GoI made a decision to create a Special Railway Safety Fund ("SRSF") in the amount of ₹ 170 billion of which ₹ 120 billion was to come from general revenues. As a result, the proportion of gross budgetary support ("GBS") had increased to 45% under the 10th Five Year Plan as compared to 34% under the 9th Five Year Plan and 23% under the 8th Five Year Plan. (*Source: Planning Commission, Government of India, Eleventh Five Year Plan 2007-2012)*

Under the 11th Five Year Plan, GoI's clear priority was to achieve higher maintenance standards of existing assets in order to sustain Financial Year 2007 levels of traffic of about 730 million tonnes. GoI envisioned renewals, rehabilitation, replacement and modernisation of assets in order to reduce asset failures, improve utilisation levels and improve safety rates. These plans required an investment of over ₹ 600 billion (at constant Financial Year 2007 prices) under the 11th Five Year Plan. Such a strategy would enable Indian Railways to increase the output from the existing level of assets. With the quantum increase in both passenger and freight traffic during the last three years of the 10th Five Year Plan, and the projected increase under the 11th Five Year Plan, rolling stock availability was to be a key factor in the next five years. In addition to augmenting existing production capacities, new production facilities capable of producing superior coaches, locomotives, and wagons were required.

Technological upgradation and modernisation of rolling stock is also a key element of GoI's plan for rolling assets. Universal switchover to 22.9 tonne axle load wagons from the present axle load of 21.3 tonne will lead to improved loadability of the wagons. Efforts are directed at introducing lighter and corrosion-resistant materials to improve the payload to tare ratio of wagons. Indian Railways are also planning to introduce special types of wagons for transportation of automobiles, bulk cement, fly ash, and hazardous chemicals.

Under the 11th Five Year Plan the proportion of high-horsepower locomotives was to be increased as set forth below:

11th Five Year Plan – Requirements for Rolling Stock

	Tenth Plan		Eleventh Plan Targets
	Targets	**Actual**	
Wagons (nos in FWUs)	65,000	90,554	155,000
Electric Locos (nos)	343	524	1,800
Diesel Locos (nos).....	444	622	1,800
BG Conventional Coaches (VUs)	9,160	10,789	17,500
EMUs/DEMUs/MEMUs (VUs).....	2,715	1,413	5,000

Legend:
EMUs – Electric Multiple Units
FWUs – Four Wheeler Units
VUs – Vehicle Units
Source: Planning Commission, Government of India, Eleventh Five Year Plan 2007-2012

Indian Railways' Vision 2020 ("Vision 2020")

The Indian Railways have drawn up Vision 2020, a high-growth strategy which would require massive investments in capacity creation, network expansion and upgradation over the next ten years. It estimates an investment of approximately ₹ 14,000 billion through Financial Year 2020. The bulk of the investment for world-class stations and high-speed corridors may be mobilised through Public Private Partnerships ("PPPs"). A sizeable part of the investment required for port connectivity projects, electric/diesel locomotive manufacturing units and new coach manufacturing units may also be mobilised through PPPs through special purpose vehicles or joint ventures. Metropolitan transport projects and some new line projects may be undertaken through partnerships with State governments. PPPs may also be used in setting up private freight terminals, logistics parks, wagon investment schemes and licensing of freight service operators who would bring in specialized

rolling stock and new terminals. Railways may also borrow within prudent limits through Indian Railway Finance Corporation (IRFC), a dedicated financing arm of the Ministry of Railways.

The rolling stock requirements of Indian Railways as per Vision 2020 are as set forth below:

Vision 2020: Capacity Enhancement and Modernisation Works for Rolling Stock

Broad Category	Sub-Category	Short-Term 2010-11 to 2011-12		Long-Term 2012-13 to 2019-20		Total	
		Physical Target (Units)	Investment (₹ Billion)	Physical Target (Units)	Investment (₹ Billion)	Physical Target (Units)	Investment (₹ Billion)
	Freight-Wagon	33,910	101.7	255,230	765.7	289,140	867.4
	Diesel Locomotive	690	72.5	4,640	487.6	5,330	560.1
	Electric Locomotive	555	67.2	3,730	581.5	4,280	648.7
	Passenger Coaches EMU/DEMUs/MEMUs	6,912	110.6	43,970	714.6	50,880	825.2
	Upgradation/expansion setting up of PU/Workshops		103.6		912.3		1,016.0

Source: Indian Railways' Vision 2020 of Government of India, Ministry of Railways (Railway Board)

Electric Locomotives

With the development of and increase in electrification of railways and the improvement in domestic railway equipment, the electric locomotive is expected to become the dominant product in India's locomotive market. According to the IR Yearbook 2009-10, Indian Railways had 8,889 locomotives as of March 31, 2010, of which 3,825 were electric locomotives and 5,022 diesel-electric locomotives.

The locomotive market is expected to reflect the growing market trend towards electric locomotives and the production demand for electric locomotives is expected to grow significantly in coming years.

Electric Multiple Units ("EMUs")

Under the 10th Five Year Plan, as India increased the electrification of its railways, rail vehicles manufacturers in India developed EMUs that were primarily used for passenger transportation on these electrified railways. By improving foreign EMU technologies and cooperating with overseas manufacturers, Indian rail vehicles manufacturers have successfully introduced suitably modified EMUs.

OIL FIELD EQUIPMENTS

The oil field equipment market in India includes the supply of equipment for oil exploration and production. The range of equipment covers on-shore deep drilling rigs, super-deep drilling rigs, helirigs, work-over rigs, mobile rigs and desert rigs with matching draw works, hoisting equipment, well heads and Christmas trees.

INDUSTRIAL ELECTRICAL MACHINES

Based on production data published by the Indian Electrical & Electronics Manufacturers' Association ("**IEEMA**"), the Indian HT Motor Industry has grown from 2,372 units at a total of 1,888 MW in the financial 2007 to 4,231 units at a total of 3,526 MW in Financial Year 2011, indicating a CAGR of 15.5% in units and 16.5% in MW. (Source: IEEMA – Annual 2010-11, May 25, 2011)

DEFENCE

The Union Budget for Financial Year 2012 makes a provision of ₹ 1,644.2 billion for defence services, including ₹ 692 billion for capital expenditures on new infrastructure, weapons, aircraft and aero engines, heavy and medium vehicles, as well as other types of equipment for the Indian armed forces and naval fleet. (*Source: Union Budget 2011-12*, *Government of India*)

GoI has recently brought out Defence Production Policy under which preference will be given to indigenous design, development and production of equipment / weapon systems / platforms required for defence. (*Source: Ministry of Defence Annual Report 2011*)

SOLAR THERMAL AND SOLAR PHOTOVOLTAIC BUSINESS

In January 2010, the Prime Minister of India launched the *Jawaharlal Nehru National Solar Mission* ("JNNSM") with a target of 20,000 MW of grid solar power (based on solar thermal power generating systems and solar photovoltaic technologies), 2,000 MW of off-grid capacity, including 20 million solar lighting systems and 20 million sq. m. solar thermal collector area, by 2022. The JNNSM will be implemented in three phases. The first phase is scheduled to end in March 2013, the second phase is scheduled to end in March 2017 and the third phase is scheduled to end in March 2022. The target for the first phase is to set up 1,100 MW of grid-connected solar plants including 100 MW of rooftop and small solar plants, 200 MW capacity equivalent off-grid solar applications and 7 million sq. m. solar thermal collector area. (*Source: MNRE website data as of September 3, 2011*)

THE BUSINESS

Unless otherwise stated, financial information included in this section for Financial Years 2011, 2010 and 2009 has been derived from our restated and audited consolidated financial statements as of and for the Financial Years ended March 31, 2011, March 31, 2010 and March 31, 2009. For further information, see the section titled "Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation – Financial Information".

In this section, unless the context otherwise requires, a reference to "the Company" is a reference to Bharat Heavy Electricals Limited and unless the context otherwise requires, a reference to "we", "us" and "our" refers to Bharat Heavy Electricals Limited and its Subsidiaries and joint ventures, as applicable in the relevant fiscal period, on a consolidated basis.

Overview

We are an integrated power plant equipment manufacturer and one of the largest engineering and manufacturing companies in India in terms of turnover. We are engaged in the design, engineering, manufacture, construction, testing, commissioning and servicing of a wide range of products and services in our power and industry segments. We have 15 manufacturing divisions, two repair units, four regional offices, eight service centres and 15 regional centres and currently operate at more than 150 project sites across India and abroad. Since our establishment by the GoI in 1964, we have been at the forefront of India's indigenous heavy electrical equipment industry with a sustained track record of earning profit since Financial Year 1972 and paying dividends since Financial Year 1977.

We carry on our business in two business segments: the power segment and the industry segment.

Power Segment. In the power segment, we offer a wide range of products and systems for coal-based thermal, gas-based thermal, nuclear and hydro power projects. We execute these projects either on a turnkey/EPC basis or by engineering, supplying and executing main plant equipment, which comprises primarily boilers, turbines and generators, as well as auxiliary equipment such as electrostatic precipitators (ESP), electrical equipment, control and instrumentation systems, pumps and heaters. In the turnkey business, we design, engineer, manufacture, procure, construct and commission projects in the power generation sector, wherein we take turnkey responsibility to supply a range of equipment and services, including the BOP and civil works and any other work that may be required under the contract for a project. In addition, we provide spare parts and after sales services for the life cycle of a plant. Based on information from the CEA, we estimate that our share in India's total installed generating capacity from utility sets (excluding non-conventional capacity) of 155,409 MW is approximately 96,311 MW, or 62%, as of March 31, 2011 and that, in Financial Year 2011, power generating sets manufactured by us contributed approximately 72% of the total power generated in India by utility sets (excluding non-conventional capacity). We have the capability to deliver power generation equipment of 15,000 MW per year, and expect to be able to increase this capability to 20,000 MW per year by the end of Financial Year 2012 upon completion of our capacity enhancement plan. We have technical collaboration agreements with a number of leading international manufacturers, including General Electric Company, Alstom SA, Siemens AG and Mitsubishi Heavy Industries Ltd. In Financial Years 2010 and 2011, our power segment operations accounted for 78.7% and 79.9%, respectively, of our total turnover.

Industry Segment. We design, manufacture, supply and offer services for a broad range of systems and individual products for the following business areas: captive power plants, power transmission, rail transportation, renewable energy, industrial products (electrical and mechanical) and others. In Financial Years 2010 and 2011, our industry segment operations accounted for 21.3% and 20.1%, respectively, of our total turnover.

We have been exporting our power and industry segment products and services for approximately 40 years. As of June 30, 2011, we have exported our products and services to more than 70 countries. As of June 30, 2011, we had cumulatively installed capacity of over 8,500 MW outside of India in 21 countries, including Malaysia, Iraq, the UAE, Egypt and New Zealand, and had approximately 5,200 MW in 19 countries under various stages of execution. Our physical exports range from turnkey projects to after sales services and in Financial Years 2010 and 2011, accounted for 4.9% and 3.2%, respectively, of our total turnover.

In Financial Year 2011, the contract value of new orders that we booked was ₹ 605,070 million. We book orders as per the terms of the relevant contract. As of June 30, 2011, our Order Book stood at ₹ 1,596,000 million. Our Order Book stood at ₹ 1,173,870 million as of March 31, 2009, ₹ 1,443,120 million as of March 31, 2010 and ₹ 1,641,450 million as of March 31, 2011.

The following table sets forth the breakdown by segment of our total turnover for the periods indicated:

	Financial Year Ended March 31,						
	2009		2010		2011		2009-2011
	Turnover (₹ million)	% of total	Turnover (₹ million)	% of total	Turnover (₹ million)	% of total	Compound annual growth rate (%)
Power segment	217,788	76.0	276,649	78.7	332,139	79.9	23.50
Industry segment	68,718	24.0	74,793	21.3	83,758	20.1	10.40
Total	**286,506**	**100.0**	**351,442**	**100.0**	**415,897**	**100.0**	**20.48**

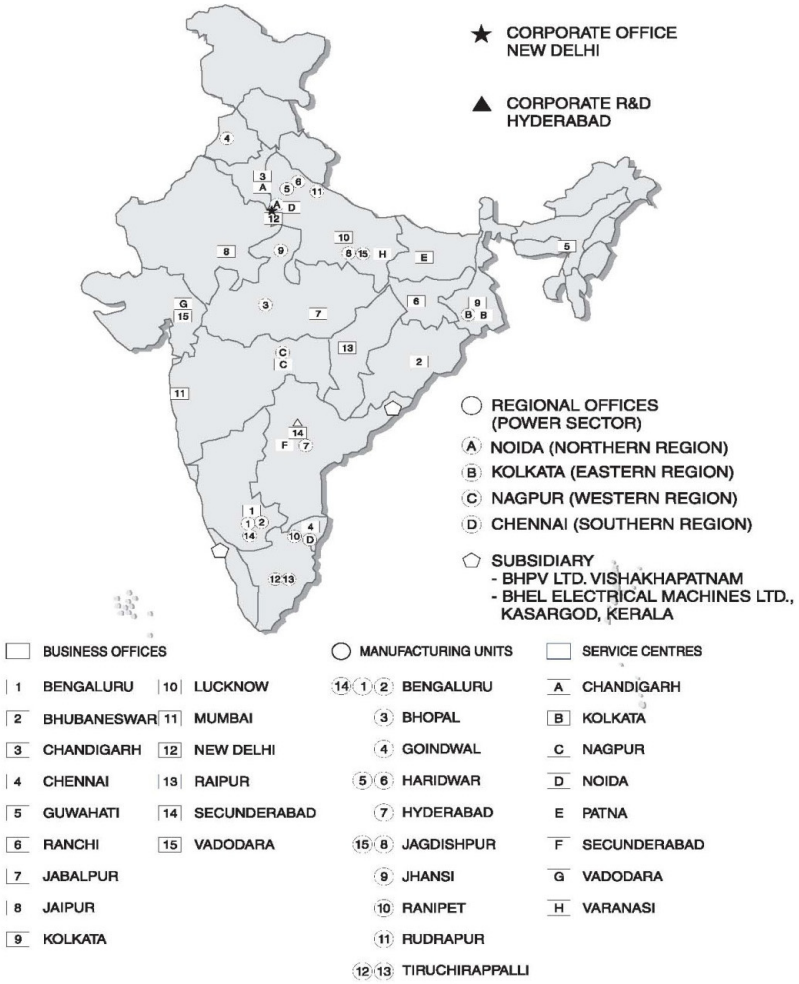
From Financial Year 2009 to Financial Year 2011, our profit before tax grew at a compound annual growth rate of 28.17%. Over the same period, our EBITDA grew from ₹ 54,416 million in Financial Year 2009 to ₹ 89,981 million in Financial Year 2011, a compound annual growth rate of 28.59%. The table below summarises our financial results for the periods indicated:

	Financial Year Ended March 31,			
	2009	2010	2011	2009-2011
		(₹ millions)		Compound annual growth rate (%)
Turnover	286,506	351,442	415,897	20.48
EBITDA[(1)]	54,416	77,900	89,981	28.59
EBITDA margin (%)	19.0	22.2	21.6	NA
Profit before tax	50,807	73,158	83,461	28.17
Profit after tax	32,672	48,351	54,991	29.74

[(1)] *Please refer to the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 324 of this Draft Red Herring Prospectus.*

We are a listed government company under the Companies Act. The GoI holds 67.72% of our outstanding shares as of June 30, 2011, and is expected to hold 62.72% of our outstanding shares immediately after the Offer. We are one of the nine "Navratna" public sector enterprises. The grant of the "Navratna" status by the GoI in 1997 provided us with strategic and operational autonomy and enhanced financial powers to make investment decisions up to certain specified limits without GoI approval. We received an "Excellent" rating from the GoI in Financial Years 2007, 2008 and 2010. We were also awarded the Meritorious Award for Research and Development, Technology Development and Innovation in Financial Year 2011 from the Standing Conference of Public Enterprises ("**SCOPE**"), presented by the President of India, the Award for Excellence and Outstanding Contribution to Public Sector Management (2008-09) in the Large Scale PSE Category in Financial Year 2010 from SCOPE, presented by the Prime Minister of India and the IEI Industry Excellence Award 2010 for Overall Business Excellence and Industry Practices.

The following map shows our presence throughout India as of June 30, 2011.



Our Strengths

We believe that we have significant industry expertise and knowledge. In particular, we believe that the following strengths enable us to compete successfully in our industry:

Well-positioned to capitalise on growing demand for power in India

With more than 40 years of operating experience as a specialised power generation and industrial systems and products manufacturer, we believe that we have established a leading market position providing reliable and high-quality products in the areas in which we operate. In our power segment operations, we have the capability to deliver power generation equipment of 15,000 MW per year, and expect to be able to increase this capability to 20,000 MW per year by the end of Financial Year 2012. Based on information from the CEA, we estimate in Financial Year 2011, the power generated by BHEL manufactured sets contributed 72% of the total power generated in India by utility sets (excluding non-conventional capacity). As per CEA, the GoI's 12th Five-Year Plan envisages a tentative capacity addition of approximately 100,000 MW, with total investment in the Indian power sector in the next five years of approximately ₹ 11,000 billion. We believe that we are well-positioned to capitalise on the expected growth and expansion of the power sector in India.

Diverse range of products and services serving a broad spectrum of businesses and adapted to customer requirements

We offer a diverse range of high-quality products and services that serve a broad spectrum of businesses in the industries in which we operate.

In the power segment, we offer a broad range of equipment and services based on the individual specifications and requirements of our customers, for power plants in India and elsewhere. We design, manufacture and service coal-fired, nuclear, gas combined cycle and hydro-electric generation equipment of various capacities. Based on information from the CEA, we estimate that, as of March 31, 2011, power generating sets manufactured by us represented approximately 62% of the total installed generating capacity from utility sets (excluding non-conventional capacity) in India. We also supply complete systems tailored to the requirements of our domestic and overseas customers for entire power stations, and we have an established track record for executing power projects on a turnkey basis. In the industry segment, we design, manufacture, supply and offer services for a broad range of systems and individual products for the following business areas: captive power plants, power transmission, rail transportation, renewable energy, industrial products (electrical and mechanical) and others. Internationally, we are particularly active in the Middle East, Southeast Asia and Africa, and have been executing turnkey contracts since 1980.

By customising the equipment and services that we sell to the specific requirements of our customers, we are able to adapt to the evolving needs of the industries and markets in which we operate. In addition, through our eight service centres, strategically located throughout India, we provide our customers with a "single window" facility for after sales services, including the supply of spare parts, renovation and modernisation, and overhauling and maintenance of power plants, which allows our customers to extend the life of the power plants they operate.

Significant focus on research and development and technological tie-ups leading to continuing technological innovation

We spend a substantial amount of funds on research and development to develop new and better products that address the needs of our customers and the markets in which we operate. These expenditures amounted to ₹ 6,722 million, ₹ 8,019 million and ₹ 9,440 million in Financial Years 2009, 2010 and 2011, respectively, representing 2.4%, 2.3% and 2.2%, respectively, of our turnover in those years. Our efforts in this area were most recently recognised by "Forbes" magazine, which ranked us as the 9th most innovative company in the world in July 2011.

Through our technical collaboration with global industry leaders such as Alstom SA, Siemens AG and Mitsubishi Heavy Industries Ltd., we believe we were one of the first companies in India to work on super-critical technology and indigenise this new technology for use in India. We believe that we are well-positioned to be a market leader in this technology which we believe will become the predominant technology used in India for power plants going forward. We are also actively involved in the GoI initiative for the development of ultra-supercritical technology.

Strong and diversified Order Book

We have a strong and diversified Order Book. In Financial Year 2011, the contract value of new orders that we booked was ₹ 605,070 million. As of June 30, 2011, our Order Book stood at ₹ 1,596,000 million. Our Order Book stood at ₹ 1,173,870 million as of March 31, 2009, ₹ 1,443,120 million as of March 31, 2010 and ₹ 1,641,450 million as of March 31, 2011.

In the power segment, our new orders in Financial Year 2011 comprised power generation equipment of 16,507 MW capacity. Our order inflow in the domestic power segment was split between the public (both at the central and state levels) and private sectors in Financial Year 2011, representing 49% and 51%, respectively in MW terms, reflecting the increased participation of the private sector in power projects. In the industry segment, our Order Book comprises orders from companies in the Indian power sector as well as the rail and water transportation, mining, electromechanical, oil and gas, cement and petrochemicals industries, among others.

In Financial Year 2011, we secured five orders for projects utilising super-critical technology capable of generating 6,400 MW of power, which is a new business for us. We also added seven new customers in the domestic and international markets in Financial Year 2011.

Strong financial track record

We have a strong financial track record. Our turnover grew from ₹ 286,506 million in Financial Year 2009 to ₹ 415,897 million in Financial Year 2011, representing a CAGR of 20.48%. Our EBIDTA grew from ₹ 54,416 million in Financial Year 2009 to ₹ 89,981 million in Financial Year 2011, representing a CAGR of 28.59%. Our EBIDTA margin grew from 19.0% in Financial Year 2009 to 21.6% in Financial Year 2011. Our profit after tax grew from ₹ 32,672 million in Financial Year 2009 to ₹ 54,991 million in Financial Year 2011, representing a CAGR of 29.74%. Our net worth was ₹ 129,646 million as of March 31, 2009, ₹ 164,479 million as of March 31, 2010 and ₹ 201,512 million as of March 31, 2011.

Our Order Book remained relatively stable through out the global financial crisis during 2007-2010, with the contract value of new orders that we booked standing at ₹ 596,780 million in Financial Year 2009, ₹ 590,370 million in Financial Year 2010 and ₹ 605,070 million in Financial Year 2011. We have been able to achieve our results with relatively limited use of debt.

We have a strong record of uninterrupted dividend distribution since Financial Year 1977, reflecting our strong financial track record, with final dividends of 170% of par value paid in Financial Year 2009, 233% of par value paid in Financial Year 2010 and 311.5% of par value paid in Financial Year 2011.

Experienced management team and operating team

Our senior management team and key management personnel possess extensive management skills, operating experience and industry knowledge and are able to take advantage of market opportunities to formulate sound business strategies and to execute them in an effective manner. With several members having been with us for more than 30 years, our senior management team has shown its ability to steer us through different economic cycles as demonstrated by our sustained track record of earning profit since Financial Year 1972 and paying dividends since Financial Year 1977. We have also been able to attract many graduates from prestigious domestic universities. Through cooperation with leading international companies, we believe that we have assimilated international management practices and corporate governance standards.

Our Strategies

We intend to pursue the following principal strategies to exploit our competitive strengths and grow our business:

Sustain leadership in the power sector

We have a strong strategic focus in the Indian power sector and plan to sustain our competitive edge by pursuing capacity enhancement. We intend to complete our capacity enhancement plan by the end of Financial Year 2012, which will provide us with the capability to deliver power generation equipment of 20,000 MW per year. We believe that this will enable us to address the anticipated market demand for power generation equipment and to efficiently execute our existing Order Book.

We believe that we hold a leading position in the supply of power generation equipment in India. Based on information from the CEA, we estimate that our share in India's total installed generating capacity from utility sets (excluding non-conventional capacity) of 155,409 MW is approximately 96,311 MW, or 62%, as of March 31, 2011, to which we intend to continue to make significant contributions, which we expect to execute in the next five Financial Years. We continue to maintain and grow our strong position in private sector projects and seek to make inroads in the UMPP sector. In our power transmission business, we are addressing opportunities in the ultra high voltage ("UHV") transmission segment by offering 765kV and 1,200kV equipment in order to grow our Order Book for both loose equipment and turnkey substation projects. In addition, we plan to further strengthen our presence in the extra high voltage ("EHV") gas-insulated substations segment. We also intend to grow our Order Book in the super-critical business over the next five years.

We have entered into several technical collaboration arrangements in order to develop and strengthen our power generation equipment manufacturing capabilities. To retain our leadership in the power sector and further expand our product and service offerings, we plan to continue to undertake other inorganic growth initiatives, including strategic acquisitions, as well as technical and strategic collaborations, including partnerships with

SEBs through equity stakes in new power generation projects, which will enable us to secure supply arrangements in relation to such projects.

Diversify through expansion in new growth areas and strategic partnerships

We intend to continue to target specific business sectors and industry segments in which we believe there is high potential for growth and in which we enjoy competitive advantages. For example, we are currently focusing on developing business in new areas such as solar power generation, nuclear power generation, urban transportation, power transmission, wind energy generation and hydro-electric projects. To establish and strengthen our position in these areas, we have entered into and intend to continue to enter into technical collaborations with others.

We are also planning to expand in the area of renovation and modernisation of older thermal power projects. According to CEA, under the 12th Five Year Plan, life extension works have been identified for 72 thermal units with an aggregate capacity of 16,532 MW and renovation and modernisation works have been identified for 23 units with an aggregate capacity of 4,971 MW. A substantial part of the equipment required for these projects is supplied by BHEL. Approximately 68% of the aggregate capacity planned for life extension works has been supplied by BHEL and around 96% of the aggregate capacity planned for renovation and modernisation works has been supplied by BHEL. Since we provided a substantial proportion of the capacity identified for this purpose, we believe that we are strategically positioned to benefit from this opportunity.

In addition, we will continue to expand our international business and intend to firmly establish ourselves as an EPC contractor in the global market, enhance proximity to prospective overseas customers by opening new offices in target countries and continue to explore strategic associations with local subcontractors and suppliers in order to enhance local participation in power projects which we undertake outside of India.

Strengthen product cost competitiveness and accelerate project execution

We intend to implement a number of strategic initiatives to strengthen our product cost competitiveness, including, among others, expansion of our vendor base and leveraging low-cost manufacturing through outsourcing low-technology areas, such as structural fabrication. We also plan to form joint ventures with domestic steel manufacturers for the manufacture of critical steel materials such as cold-rolled grain-oriented steel, which is currently imported.

Our planned capacity enhancement and upgrades to higher-range equipment require an agile supply chain and shorter delivery cycles. To this end, we intend to continue implementing strategic initiatives such as expanding our vendor base to reduce risk and cost, entering into long-term rate contracts for raw materials such as steel, copper, cold-rolled grain-oriented steel and transformer oil and outsourcing low-technology or non-core manufacturing processes. In addition, we plan to continue to leverage our IT services to improve cost and delivery cycles through reverse auction and e-procurement. We believe that these initiatives will enable us to execute projects more quickly.

To further improve our operational efficiencies, we will continue to actively pursue the implementation of ERP across all our operations and other capability-building initiatives, including "design to cost", lean manufacturing, and "purchase and supply management".

We also plan to continue our productivity enhancement initiatives, such as multi-skilling of employees and continuing to improve the quality of delivery, as well as machine utilisation improvement strategies including effective utilisation of critical machines through three-shift, 24-hour operations, improved machine maintenance and upkeep, and redeployment of employees.

Enhance product and service lines through emphasis on R&D

We intend to continue to enhance our products and services through our focus on research and development, both internally and through our technical collaborations. We plan to use the latest computer-aided design tools and analytical software to complement our extensive research and development operations and ensure that we remain ahead of market trends. To that end, we aim to maintain our R&D spending at the level of at least 2.3% of our total turnover. Furthermore, we will attempt to remain enterprise resource planning-compliant, ensuring that all our data and processes are organised into a unified system.

To maintain our leading market position in India, we intend to try and develop innovative technologies, placing a strong emphasis on the development and deployment of clean, low-carbon path technologies such as advanced ultra super-critical technology, IGCC technology and renewable energy, as well as improve the energy efficiency of all our existing products.

Our Businesses

Power Segment

We are one of India's largest manufacturers in the power sector in terms of manufacturing capacity. Based on information from the CEA, we estimate that our share in India's total installed generating capacity from utility sets (excluding non-conventional capacity) of 155,409 MW is approximately 96,311 MW, or 62%, as of March 31, 2011 and that in Financial Year 2011 power generating sets manufactured by us contributed approximately 72% of the total power generated in India by utility sets (excluding non-conventional capacity). We supply a broad range of products and systems for thermal, nuclear, gas and hydro-based utilities. Due to our extensive range of products and services, we are able to provide complete solutions from concept to commissioning to meet customer requirements.

In Financial Years 2009, 2010 and 2011, our power segment operations generated turnover of ₹ 217,788 million, ₹ 276,649 million and ₹ 332,139 million, respectively, accounting for approximately 76.0%, 78.7%, and 79.9%, respectively, of our total turnover in those periods and representing a CAGR of 23.50% from Financial Year 2009 to Financial Year 2011.

Key products and services

We offer a broad range of equipment and services based on the individual specifications and requirements of our customers, for power plants in India and elsewhere. We design, manufacture and service coal-fired, gas combined cycle and hydro-electric power generation equipment of various capacities. We also provide integrated systems and services in the form of turnkey power plant projects. The table below sets out our key power segment products:

Category	Key products
Thermal power plants	• Steam turbines, boilers and turbo generators of up to 800 MW rating for fossil-fuel applications; capability to manufacture boilers and steam turbines with super-critical steam cycle parameters and matching turbo generators of unit size of higher rating • Condensers and heat exchangers meeting above requirement of turbo generator sets of higher ratings
	• Boilers and related products • Boiler auxiliaries • Fans, air-preheaters, gravimetric feeders, pulverisers, electrostatic precipitators, flue gas desulphurisation systems, steel chimneys for auxiliary boilers, desalination and water treatment plants, guillotine gates and dampers • Steam generators for utilities, ranging from 30 MW to 800 MW rating, using coal, lignite, oil, natural gas or combination thereof; capability to manufacture boilers with super-critical parameters of higher ratings unit size • Heat recovery steam generators ("**HRSG**") • Chemical recovery boilers • Pressure vessels
Nuclear power plants	• Steam generators and turbines and matching turbo generators, condensers up to 700 MW rating • Heat exchangers • Pressure vessels • Reactor vessels
Gas-based power plants	• Gas turbines of up to 280 MW (ISO advance class rating) • Gas turbine-based co-generation and combined cycle systems

Category	Key products
Hydro power plants	• Custom-built conventional hydro turbines of Kaplan, Francis and Pelton types with matching generators, pump turbines with matching motor generators up to 300 MW (in speed range of 200-300 rpm), bulb turbines with matching generators up to 10 MW • High capacity pumps along with matching motors for lift irrigation schemes (up to 150 MW)
Others	• Soot blowers, valves, piping systems, heat exchangers and pressure vessels, condensers and heat exchangers, pumps

The contract value of new orders booked by our power segment business was ₹ 502,390 million in Financial Year 2009, ₹ 449,630 million in Financial Year 2010 and ₹ 500,940 million in Financial Year 2011. In Financial Year 2011, such new orders comprised power generation equipment of 16,507 MW capacity. In the power segment, our Order Book stood at ₹ 1,046,610 million as of March 31, 2009, ₹ 1,241,260 million as of March 31, 2010 and ₹ 1,420,810 million as of March 31, 2011.

Our key orders during Financial Year 2011 included:

- a record volume of orders (nine turbine generator sets and seven steam generator sets) for super-critical units of 660 MW, 700 MW and 800 MW, including (i) our first order for one unit of 700 MW from Karnataka Power Corporation Ltd. for its thermal power plant at Bellary, Karnataka, (ii) our first order from our joint venture company, Raichur Power Corporation Ltd., for two units of 800 MW for its thermal power plant at Yermarus, Raichur, Karnataka and additional order for one unit of 800 MW for its thermal power plant at Edlapur, Raichur, Karnataka, and (iii) an order against bulk tender for a 2x660 MW turbine generator package from NTPC Limited for its thermal power plant at Mauda, Maharashtra;

- repeat orders for 10 sets of 270 MW from Indiabulls Group for its thermal power plants at Nasik, Maharashtra and Amravati, Maharashtra; and

- order for two units of 500 MW for a thermal power plant in West Bengal.

Our principal customers in our power segment operations include major Indian public power generation companies, such as NTPC Limited, Karnataka Power Corporation Ltd., NHPC Limited, Bhakra Beas Management Board, Andhra Pradesh Power Generation Corporation Ltd, Gujarat State Electricity Corporation Limited as well as major Indian private power generation companies, such as Indiabulls Power Ltd., Jaiprakash Power Ventures Limited, Korba West Power Company Ltd., Jindal India Thermal Power Limited, Hinduja National Power Corporation Limited and Jindal Power Limited. Notable new customers added in Financial Year 2011 included, Lalitpur Power Generation Company Limited and our joint venture company, Raichur Power Corporation Ltd.

We have the capability to produce coal-fired power generation equipment with steam pressure parameters with both sub-critical technology with unit capacities up to 600 MW and super-critical technology with unit capacities up to 1,000 MW. Our power generation equipment products are generally large and technically sophisticated, involving relatively long gestation periods from the signing of a contract to delivery and installation.

According to CEA, thermal sets achieved a plant load factor ("**PLF**") of 80.39% in Financial Year 2010. Based on data from the CEA, we estimate that our PLF figure for such period is higher than the corresponding national figure. All of the eight thermal power stations in India awarded with the Ministry of Power's Meritorious Performance Awards in the category of "Thermal Power Station Performance" held in Financial Year 2010 have been equipped with our power generation equipment.

The main components of a power plant, collectively known as the boiler, turbine and generator (the "**BTG**"), cannot by themselves facilitate the production of power. They need a range of electrical, mechanical, control and instrumentation systems and civil buildings to become a complete power plant. These other components comprise the BOP package. For example, for a coal-fired thermal power plant, the BOP package generally consists of:

- Control and instrumentation;
- Electrical transformers;

- Switchgears ("**LT & HT**");
- Civil works;
- Coal handling;
- Ash handling;
- Cooling water intake system / water systems;
- Cooling tower;
- Water treatment plant;
- Chimney;
- Substations – power evacuation system;
- Cables and pipes;
- Heat ventilation and air conditioning ("**HVAC**");
- Fire protection system ("**FPS**");
- Compressed air system ("**CAS**"); and
- Material handling system.

Power generation companies either place an EPC order for the complete plant, including BTG and BOP, with one EPC contractor or they may place an order for the BTG with a manufacturer and buy the BOP package from another supplier or individual components of the BOP package from multiple manufacturers/suppliers.

In addition to manufacturing BTG, we offer a broad range of integrated products and services. Our services also include the development and manufacture of components and systems for power plants; planning, engineering and construction of new power plants; and comprehensive servicing, retrofitting and modernisation of existing facilities. Our turnkey projects involve the provision of a full range of EPC services ranging from concept to commissioning of power plants. We supply integrated systems tailored to the requirements of our domestic and overseas customers.

Industry Segment

In order to address the diverse requirements of our industrial customers in a focused manner, we established our industry segment as a separate business segment in 1982. We design, manufacture, supply and offer services for a broad range of systems and individual products, such as coal and gas-based captive power plants (including co-generation and combined cycle plants), industrial boilers and auxiliaries, waste heat recovery boilers, gas turbines, heat recovery steam generators, steam turbines and auxiliaries, pumps, HT motors, centrifugal compressors, drive turbines, oil rigs, well heads and Christmas trees, transformers, reactors, switchgear, insulators, photovoltaic modules, electric locomotives, track machines, electrical propulsion systems and others, for power utilities and a number of other industries, including oil and gas, metallurgical and mining, as well as process industries, such as cement, fertiliser, sugar and paper industries. Our industry segment operations primarily comprise the following business areas: captive power plants, power transmission, rail transportation, renewable energy and industrial products (electrical and mechanical). In Financial Years 2009, 2010 and 2011, our industry segment operations generated turnover of ₹ 68,718 million, ₹ 74,793 million and ₹ 83,758 million, respectively, accounting for 24.0%, 21.3% and 20.1%, respectively, of our total turnover in those periods and representing a CAGR of 10.40% from Financial Year 2009 to Financial Year 2011.

The contract value of new orders booked by our industry segment business was ₹ 94,390 million in Financial Year 2009, ₹ 140,740 million in Financial Year 2010 and ₹ 104,130 million in Financial Year 2011. In the industry segment, our Order Book stood at ₹ 127,260 million as of March 31, 2009, ₹ 201,860 million as of March 31, 2010 and ₹ 220,640 million as of March 31, 2011.

Our key orders during Financial Year 2011 included:

- an order for a 3x150 MW BTG package with single cylinder reheat machines for a thermal power plant in Haldia, West Bengal;
- orders for state-of-the-art insulated-gate bipolar transistor ("**IGBT**")-based AC/AC propulsion equipment for 6,000 HP electric locomotives and 1,400 HP AC EMUs;
- an order for three turbo blower packages with steam turbine drives for a steel plant in Bhilai, Chhattisgarh;
- an order for (above 800 kV) 6,000 MW ultra high-voltage multi-terminal DC transmission link, in consortium with an international partner; and
- orders for 36 transformers totaling 4,078 MVA, including 10 generator transformers of 330 MVA, 400 kV each.

Key customers in our industry segment operations include Indian Oil Corporation Ltd., Karnataka Power Corporation Ltd., Oil India Limited ("**OIL**"), NTPC Limited, Steel Authority of India Limited ("**SAIL**"), HPCL-Mittal Energy Ltd., Oil and Natural Gas Corporation ("**ONGC**") and India Power Corporation (Haldia) Limited, which became our customer in Financial Year 2011.

Captive Power Plants Business

Growth in industries such as metal, petrochemical, refining, fertiliser, paper, sugar, chemicals, cement and textiles in India has created a need for reliable power through standalone captive power plants. To address their power requirements, customers set up their own power plants, which are typically smaller than those supplied by our power segment operations, with outputs ranging up to 150 MW (unit rating). Depending on customer requirements, we bid for main equipments (such as turbines or boilers), BTG and EPC contracts.

In our captive power plants business, the contract value of new orders that we booked was ₹ 46,490 million in Financial Year 2011.

Key products and services

In our captive power plants business, we offer similar types of products and services as in our power segment operations. However, each captive power plant is specifically designed to meet the particular requirements of each customer.

In addition to producing equipment sets, our captive power plants business offers complete integrated systems and associated services on a turnkey basis. These include supplying turnkey projects for co-generation and combined cycle plants and after sales services.

Power Transmission Business

Our power transmission business encompasses design, manufacture, supply and services for a broad range of power transmission equipment and systems, including EHV and UHV switchyards and substations on a turnkey basis, for both AC and DC power grids.

In our power transmission business, the contract value of new orders that we booked was ₹ 25,040 million in Financial Year 2011.

Key products and services

Our key products and the markets segments served in this business are:

Key products	Market segments
• Power transformers (up to 1,200 kV) • Shunt reactors (up to 765 kV) • Dynamically controlled shunt reactors (up to 400 kV) • Medium and extra high voltage ("**EHV**") switchgear equipment • Instrument transformers (up to 1,200 kV) • Dry type transformers • Capacitors • Bushing • Bus duct • Insulators (up to 1,200 kV AC and up to ± 800 kV HVDC) • Thyristor converter/inverter equipment • SCADA control and protection panels • Flexible AC transmission systems ("**FACTS**") • Power system analysis	• Central and state utilities, state electricity boards, IPPs, EPC operators, private sector transmission companies

In addition to manufacturing equipment sets, we design and commission systems such as indigenous 36 kV and 145 kV gas insulated substations and EHV AC, ultra high voltage ("**UHV**") and HVDC substations.

Rail Transportation Business

We provide electrical propulsion systems and controls to Indian Railways, which operates one of the world's largest railway networks. We also manufacture and supply electric locomotives to Indian Railways and diesel-electric locomotives to cement, steel and fertiliser plants, thermal power stations, coal fields, ports and other medium and large industries and metro rail transportation projects. We have also diversified into the area of track maintenance machines and coach building for Indian Railways.

In our rail transportation business, the contract value of new orders that we booked was ₹ 12,240 million in Financial Year 2011.

Key products and services

Our rail transportation business designs, manufactures and sells a broad range of locomotives and traction equipment. Our key products and the markets segments served in this business are:

Category	Key products	Market segments
Rolling stock	• Electric locomotives (AC/DC) (5,000 HP) • Electric multiple unit ("**EMU**") coaches	• Railways
	• Diesel-electric shunting locomotives (up to 1,400 HP)	• Cement, steel and fertiliser plants, thermal power stations, ports, metro railways
Electrical propulsion equipment	• 3-phase AC/AC electric locomotives (6,000 HP) (GTO / IGBT) • 3-phase AC/AC diesel electric locomotives (4,000 HP) • Diesel electric multiple units ("**DEMU**") • Diesel electric locomotives (up to 3,100 HP) • 25 KV AC electric multiple units ("**EMU**") • 3-phase AC/AC EMU (GTO) • Kolkata Metro propulsion system • 3-phase AC-AC EMU (IGBT)	• Railways
Track machines	• Diesel electric tower car	• Railways

Renewable Energy Business

In keeping with the GoI's efforts to develop and promote renewable energy-based products on a sustainable basis, we manufacture and supply solar photovoltaic ("**SPV**") modules and systems, concentrated solar power ("**CSP**") power blocks and reverse osmosis ("**RO**") based water treatment plants.

In our renewable energy business, the contract value of new orders that we booked was ₹ 1,160 million in Financial Year 2011.

Key products and services

Our renewable energy business designs, manufactures and sells a broad range of equipment. Our key products and the markets segments served in this business are:

Category	Key products	Market segments
Solar energy	• SPV modules and systems • Concentrated solar power blocks	• Utilities, industries
Water treatment	• RO-based water treatment plants	• Utilities, industries

Industrial Products (Electrical and Mechanical) Business

We also design, manufacture, supply and offer services for various types of industrial products, both electrical and mechanical, for the power, oil and gas and metal, petrochemical, refining, fertiliser, paper, sugar, chemicals, cement and textile industries.

In our industrial products business, the contract value of new orders that we booked was ₹ 11,660 million in Financial Year 2011.

Key products and services

Our industrial products (electrical and mechanical) business designs, manufactures and sells a broad range of industrial products. Our key products and the markets segments served in this business are:

Category	Key products	Market segments
Electrical machines	• All types of HT motors, including squirrel cage motors, slip ring motors and synchronous motors for safe / hazardous areas • HT and LT alternators	• Power plants, refineries, petrochemicals, cement industry, process industries, fertiliser, paper industries, metal (ferrous and non-ferrous) industries, pipeline (oil and gas) projects, irrigation
Oil field equipment	• Onshore rigs, including deep drilling rigs, super-deep drilling rigs (up to 9,000 m depth), heli-rigs, work-over rigs (up to 6,100 m depth), mobile rigs (up to 3,000 m depth), desert rigs • Rig equipment, including draw works, rotary tables, traveling blocks, swivels, masts and sub structures, mud systems and rig electrics • Well heads and Christmas trees (up to 10,000 psi rating), casing support systems, mudline suspension systems and block valves	• State oil and gas companies, private drilling companies
Centrifugal compressors	• Compressors for various process applications	• Refineries, petrochemicals, fertilisers, steel plants, gas pipelines

Industrial Products – Mechanical

We supplied 67 onshore drilling rigs and 17 work-over rigs to ONGC and OIL between 1977 and 1994. Out of 79 drilling rigs owned by ONGC and OIL currently in operation, 57 were supplied by us. Since 2002 we have received orders from ONGC and OIL for refurbishment and upgradation of 50 of their ageing rigs, 37 of which have been completed. In addition, we have supplied over 350 centrifugal compressors for various industries and approximately 7,500 sets of well heads and Christmas trees for both onshore and offshore applications.

Industrial Product – Electrical

We are engaged in the design, manufacture and supply of electrical motors for the power sector as well as various industries, including oil and gas, cement and metals, and are a market leader for these products in terms of manufacturing capacity in India. We are equipped for the design, manufacture and supply of HT motors for power plants of up to 800 MW, which comprise the highest rating boiler feed pump ("**BFP**") and cooling water pump ("**CWP**") motors manufactured in India, namely 17.5 MW BFP motors and 5.2 MW CWP motors.

Other Businesses

We also manufacture, supply and offer services for defence products, including 76/62 Super Rapid Gun Mounts and integrated platform management systems for naval applications. In our other businesses, including defence

and miscellaneous loose items, the contract value of new orders that we booked was ₹ 7,540 million in Financial Year 2011.

International Operations

We have been exporting products and services in our power and industry segment for approximately 40 years. As of June 30, 2011, we have exported our products and services to more than 70 countries. As of June 30, 2011, we had cumulatively installed generating capacity of over 8,500 MW outside of India in 21 countries, including Malaysia, Iraq, UAE, Egypt and New Zealand, and had approximately 5,200 MW in 19 countries under various stages of execution. Our international operations encompass a wide range of our power and industry segment products and services, including thermal, hydro and gas-based turnkey power projects, substation projects and rehabilitation projects, as well as a broad range of products (such as transformers, compressors, valves, oil field equipment, electrostatic precipitators, photovoltaic equipment, insulators, heat exchangers, switchgear equipment, castings and forgings) and after sales services. We are particularly active in the Middle East, Southeast Asia and Africa and have been executing turnkey contracts since 1980. Our recently completed projects outside of India include 2x126 MW gas turbine-based Siddhirganj peaking power plant in Bangladesh, 4x126 MW gas turbine-based Sulaymanniah power project in Iraq, 2x42 MW gas turbine-based Al Ghail power plant in UAE and 2x26 MW gas turbine generating sets for Oman Refinery Company in Oman.

In Financial Years 2009, 2010 and 2011, our physical exports contributed ₹ 18,722 million, ₹ 17,116 million and ₹ 13,183 million, respectively, accounting for 6.5%, 4.9% and 3.2%, respectively, of our total turnover in those periods. In Financial Year 2011, the contract value of new orders that we booked was ₹ 37,380 million, comprising both power and industry segment products. Our Order Book for exports stood at ₹ 67,780 million as of March 31, 2009, ₹ 86,670 million as of March 31, 2010 and ₹ 109,970 million as of March 31, 2011, representing 5.8%, 6.0% and 6.7%, respectively, of our total Order Book as of such dates.

Production

We have 15 manufacturing units located throughout India. In our power segment operations, we have the capability to deliver power generation equipment of 15,000 MW per year, and expect to be able to increase this capability to 20,000 MW per year by the end of Financial Year 2012 when we complete our capacity enhancement plan.

As of June 30, 2011, we had the following manufacturing units:

Location	Product groups
Goindwal, Punjab	• Industrial valves
Haridwar, Uttarakhand	• Steam turbines • Turbo-generators • Condensers • Large size gas turbines • Castings and forgings
Rudrapur, Uttarakhand	• Bus ducts
Jhansi, Uttar Pradesh	• Transformers • Locomotives
Jagdishpur, Uttar Pradesh	• Ceramics, insulators • Stampings
Bhopal, Madhya Pradesh	• Hydroturbines and hydrogenerators • Steam turbines • Electrical machines • HV switchgear, control gear and rectifiers • Traction motors • Transformers, capacitors and bushings
Hyderabad, Andhra Pradesh	• Steam turbines, gas turbines and compressors for industrial and utility applications • Turbo-generators • Heat exchangers • Pulverisers

Location	Product groups
	• Pumps • Oil field equipment
Bengaluru, Karnataka	• Ceramics, insulators • Control equipment • Semiconductors and photovoltaics • Industrial systems
Ranipet, Tamil Nadu	• Boiler house auxiliaries • Desalination products
Tiruchirappalli, Tamil Nadu	• Advance technology projects • Fluidised bed combustion (FBC) and heat recovery steam generators (HRSG) • Fossil boilers • Piping systems • Valves and soot blowers

Order Book Position

Demand for our products and services is affected by, among other factors, the economic environment and government policy in India and, to a lesser extent, in other parts of the world.

Our principal customers in our power segment operations are Indian public and private power generation companies. In our industry segment operations, our customer base includes companies in the Indian power, rail transportation, mining and metallurgy, oil and gas, cement, petrochemical, reverse osmosis (RO)-based water treatment, irrigation and fertiliser industries, among others.

In our power segment operations, historically, orders from public sector companies constituted a substantial majority of our orders, although in recent years orders from private sector companies have increased significantly and constituted approximately 51% of all domestic power segment orders in Financial Year 2011 in MW terms.

As of June 30, 2011, our Order Book stood at ₹ 1,596,000 million. These orders are subject to cancellation and modification provisions contained in various contracts.

Generally, our customer base is widely spread and we do not depend on a single customer for our business. The exceptions are our rail transportation and defence businesses, where the GoI accounts for a substantial majority of our orders.

Sales, Marketing and Customer Contracts

Our business activities vary widely in size from comparatively small projects to turnkey construction contracts for new power plants. We sell the majority of our products and integrated systems in the Indian domestic market. Physical exports accounted for approximately 3.2% of our total turnover in Financial Year 2011.

We obtain our sales contracts either through participating in open tenders for equipment supply contracts or turnkey projects, or through bilateral negotiations with our customers. We sell all of our products and services directly to customers.

We promote our products and services through regular interactions with our customers and advertising in print and visual media. In addition, from time to time, we undertake marketing initiatives, such as organising segment-wise customer events, participating in industry conferences and exhibitions at both national and international levels, and making presentations of our products and services, including new developments, to our customers, consultants and others.

In general, and specifically in case of competitive tenders, technical specifications and commercial terms and conditions are typically provided by the customer. These terms and conditions include payment terms and price basis, dispute resolution and milestone/completion dates. Based on tender / market conditions, the offer is made with certain deviations, which are subsequently settled with the customer by mutual agreement before the contract is awarded. Typically, our contracts are either for supply of products or services or are EPC contracts

Our power segment sales contracts typically have a price variation clause, while a significant portion of our industry segment orders are on a fixed price basis. Our sales contracts typically include terms of payment, milestone schedules (including inputs from customers), statutory variation clauses and formulas for variations in the exchange rates for the foreign exchange component of the contracts.

We typically offer a guarantee/warranty period for our projects, which generally ranges from 12 to 18 months from the date of commissioning. We are also regularly required to provide either bank guarantees or corporate guarantees of our performance under long-term contracts which generally cover a period that is co-terminous with the warranty. We provision for these guarantees/warranties at the rate of 2.5% of revenue recognised from such projects.

We are typically required by our customers to obtain specialised insurance during the execution of our projects including contractors' all risk (erection all risk) and contractors' plant and machinery policies, which, in turn, includes third party liability insurance policies. Generally, our projects are covered under our insurance policies until completion of trial operations or testing. Upon the provisional taking-over of the unit by the project owner customer, the unit becomes covered by its operation and maintenance insurance policy.

In accordance with the general practice in the industries in which we operate in India, substantially all of our contracts with our customers require us to comply with certain minimum standard of service and for either termination or payment of liquidated damages (capped at a particular percentage of the contract price) for any failure or delay in meeting the agreed standards. In certain cases, we are also required to indemnify our customers such as for a breach of any patents or any loss or injury caused to their other contractors or third parties arising out of our operations that are caused solely by us.

Quality Control and Service

Quality Control

We focus on product quality in our manufacturing operations. Many of our products require very strict tolerances and exact specifications. We use an extensive quality control system that is integrated into each step of the manufacturing process. We have obtained ISO certifications for all our manufacturing facilities. We recently upgraded our quality system to conform to the latest ISO 9001-2008 standard. The quality system is re-certified by Bureau Veritas Certification India (P) Ltd. every three years with surveillance audits conducted twice a year. Currently, all our certifications are valid.

For both turnkey projects and single products, a quality plan, which details specific steps to be taken and at which stages of development, is typically approved by the customer or a third party consultant. Quality inspections are carried out by us, third parties and the customer.

When testing our products, we subject them to higher pressure and strain than will be expected of them once in use. We inspect our projects at each stage of development as per project-specific field quality plans to ensure quality standards are being met throughout the process.

Service

Providing timely after sales services to our customers is a high priority for us. To meet our customers' requirements, we have a dedicated spare parts and services group with eight regional service centres strategically located throughout India. Through these service centres, we provide our customers a "single window" facility for after sales services, including the supply of spare parts, renovation and modernisation of old sets (which allows our customers to extend the life, and improve performance, of the power plants they operate), overhauling and maintenance of power plants, including supervisory services for servicing and trouble-shooting work.

Suppliers

The principal raw materials that we use in our operations include steel, including cold-rolled grain-oriented steel ("**CRGO**") and cold-rolled non-grain-oriented steel, copper, castings and forgings, tubes and pipes.

We have internal procedures for the procurement of the goods and services that we require in our operations. We procure a majority of the goods and services we need through an open / limited tender process, whereby we

solicit bids from suppliers who meet our technical requirements and quality standards. In open / limited tenders, we purchase goods and services from the lowest bidder.

We generally satisfy our raw material needs from sources within India, although we import certain raw materials which are generally unavailable in India, such as CRGO, large size castings and forgings, higher sizes tubes and pipes and boiler-quality thick steel plates. In addition, we may source materials and products from outside of India to control costs and ensure product availability. Some high-end products are sourced from Europe, China, the United States and Japan.

We also enter into rate contracts with our suppliers for one or two years duration. Our rate contracts may contain a price variation clause, depending on the nature of the material and price fluctuations. Whenever possible, we follow a "lead agency" concept for common items, whereby procurement requirements of all our units are pooled together and tendered by one unit.

We also source various bought-out items and packages that we require for our power projects, including coal handling and ash handling systems, ventilation equipment, DM water plants, cooling water systems, cooling towers, compressed air systems, and fire fighting systems.

Research and Development

We place strong emphasis on innovation and creative development of new technologies. 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. Our Corporate R&D division at Hyderabad leads our research efforts in a number of areas of importance to our product range. Research and Product Development centres at all our manufacturing divisions play a complementary role. We have recently introduced several state-of-the-art products, such as IGBT-based traction propulsion system, 765 kV and 1,200 kV transmission equipment and water and solar technologies. We are involved in the development of IGCC technology. In Financial Years 2009, 2010 and 2011, our R&D expenses (excluding capital expenditures on research equipment) were ₹ 6,722 million, ₹ 8,019 million and ₹ 9,440 million, respectively, which accounted for 2.4%, 2.3% and 2.2%, respectively, of our turnover during such periods. Our efforts in this area were most recently recognised by "Forbes" magazine, which ranked us as the world's 9th most innovative company (and the highest-ranked company in our industry) in July 2011.

As a result of our research and development efforts, as of June 30, 2011, we had 1,555 patents and copyrights registered and filed in India and abroad. In Financial Year 2011, we filed 303 intellectual property rights applications.

Joint Ventures and Subsidiaries

Joint Ventures and Technical Collaborations

In our operations, in order to grow our operations through vertical integration and gain access to new technologies, we, from time to time, acquire equity stakes in existing companies or set up new companies in partnership with various Indian and foreign companies. We benefit from such strategic partnerships as we generally are the sole supplier for projects undertaken by such companies. As of the date of this Draft Red Herring Prospectus, we have the following joint venture companies:

- NTPC – BHEL Power Projects Pvt. Ltd. ("**NBPPPL")** – We hold a 50% interest in NBPPPL, which was incorporated in April 2008, with the remaining shares held by NTPC Limited, India's largest public sector power generation company. NBPPPL offers BOP equipment and carries out EPC activities in the infrastructure sector, including the power sector;

- Udangudi Power Corporation Ltd. ("**UPCL**") – We hold a 50% interest in UPCL, which was incorporated in December 2008, with 50% held by Tamil Nadu Electricity Board. UPCL is in the process of setting up a super-critical thermal power plant with capacity of 2x800 MW at Udangudi, Tamil Nadu on a build-own-operate basis;

- Raichur Power Corporation Ltd. ("**RPCL**") – We hold a 50% interest in RPCL, which was incorporated in April 2009, with 50% held by Karnataka Power Corporation Ltd.. RPCL is in the process of setting up super-critical thermal power plants with capacity of 2x800 MW at Yermarus,

Raichur, Karnataka and 800 MW at Edlapur, Raichur, Karnataka on a build-own-operate basis. As of the date of this Draft Red Herring Prospectus, RPCL is our only joint venture in the power generation sector where project execution has already commenced. The Board of Directors of the Company on March 30, 2011 approved the change in equity structure of the RPCL with Karnataka Power Corporation Ltd. holding 50%, the Company's holding 26% and balance 24% to be offered to financial institutions. Lender for the project has sought an extended lock in period for sale of Company shares in RPCL extending to 2 years after the date of the commercial operation date of the project which the Company has agreed.

- Dada Dhuniwale Khandwa Power Limited ("**DDKPL**") – We hold a 50% interest in DDKPL, which was incorporated in February 2010, with 50% held by M.P. Power Generation Company Ltd. DDKPL is in the process of setting up a super-critical thermal power plant with capacity of 2x800 MW at Khandwa, Madhya Pradesh on a build-own-operate basis;

- Latur Power Company Ltd. ("**LPCL**") – We hold a 50% interest in LPCL, which was incorporated in April 2011, with 50% held by Maharashtra State Power Generation Company Limited. LPCL is in the process of setting up a gas-based combined cycle or super-critical thermal power plant with capacity of 1,500 MW or 2x660 MW, respectively, at Latur, Maharashtra on a build-own-operate basis; and

- BHEL – GE Gas Turbine Services Pvt. Ltd. ("**BGGTS**") – We hold 50% less one share in BGGTS, which was incorporated in May 1997, with the remaining shares held by GE (Pacific) Mauritius Ltd., a wholly owned subsidiary of General Electric Company. BGGTS provides after sales services on GE-designed heavy duty gas turbines.

We also have two other joint venture companies – Powerplant Performance Improvement Limited and Barak Power Private Limited, which we have taken a decision to put in liquidation in Financial Years 2008 and 2011, respectively.

- The Board of Directors of the Company in its meeting on July 9, 2007 has decided to wind up Powerplant Performance Improvement Limited. The Board of Directors of Barak Power Private Limited in its meeting on August 18, 2011 gave their consent for striking off the name of the company and Barak Power Private Limited has filed an application for striking off its name under Section 560 of the Companies Act on September 16, 2011. Further, the Ministry of Corporate Affairs, vide its letter dated September 26, 2011, has given a notice under section 560(3) of the Companies Act, 1956 that at the expiration of thirty days from September 26, 2011 the name of Barak Power Private Limited unless cause is shown to the contrary, will be struck off from the Register and the said company will be dissolved.

- We have provided for the diminution of the value of our investment in these entities in our financial statements. For further information, please see the notes to our financial statements set in the section titled "Financial Information" on page 196.

In addition, over the years, we have entered into numerous technical collaboration arrangements with leading global manufacturing and engineering companies, such as General Electric Company of the United States, Siemens AG of Germany, Alstom SA of France, Mitsubishi Heavy Industries Ltd. of Japan and ABB Group of Switzerland. Under these arrangements, we obtain a license to use certain technologies to manufacture products related to our power generation business and our other businesses from our collaborators under these arrangements. As of September 26, 2011, we had collaboration agreements in place with the following partners:

Partner	Products
Mitsubishi Heavy Industries Ltd., Japan	Boiler feed, boosters, cooling water, condensate extraction pumps for super-critical power plants
Alstom SA, France	Once-through boilers
General Electric, USA	Gas turbines
Siemens AG, Germany	Steam turbines, TG, Axial/lateral condensers
Oto Melara, Italy	76/62 mm Super Rapid Gun Mounts
Sheffield Forgemasters, UK	Forgings
Metso, Finland	Control and instrumentation automation platforms
Nuovo Pignone, Italy	Centrifugal compressors

Partner	Products
Vogt Power International, USA	Heat recovery steam generators ("**HRSG**")
GE India Industrial	Water treatment equipment
TLT-Turbo GmbH, Germany	Variable pitch axial flow fans

Subsidiaries

We also have two subsidiaries:

- Bharat Heavy Plate and Vessels Ltd. – This wholly-owned subsidiary, located in Visakhapatnam, was established in 1966 and taken over by us in 2008, while it was in the BIFR process. A BIFR scheme is being implemented for its revival. It provides process plant equipment, EPC projects and combustion and oil and gas systems to the refining, petrochemicals, oil and gas, steel and metallurgy, power generation, nuclear, defence and paper and pulp industries. We have taken an in-principle decision to merge the Company with this entity. For further details, please refer "Risk Factors – The proposed merger of our wholly-owned subsidiary Bharat Heavy Plate and Vessels Limited with us may have an adverse impact on our operations and financial condition".

- BHEL-Electrical Machines Ltd. – We own 51% in this company with the remaining 49% held by the Government of Kerala. This company, which was incorporated in January 2010, was set up to acquire the Kasaragod unit of Kerala Electricals and Allied Engineering Co. Ltd. and manufacture alternators for train engines and other rotating electrical machinery.

Intellectual Property

Our intellectual property rights are important to our business. We own certain trademarks and trade names, including various 'BHEL' monolingual and bilingual monograms, for which we have 26 registered trademarks under various classes. We had 1,555 patents and copyrights registered and filed in India as of June 30, 2011. We continuously seek new patents for products and technologies developed through our research and development activities. We also have proprietary trade secrets, technology, know-how, processes and other intellectual property rights, which are not registered. See the section titled "Risk Factors — Internal Risk Factors — Failure to protect our intellectual property rights and to keep our technical knowledge confidential could erode our competitive advantage" on page 30 of this Draft Red Herring Prospectus.

Health, Safety and Environment

We are committed to following best practices and complying with all applicable health, safety and environmental legislation and other requirements in our operations in different jurisdictions. We have ISO-14001 certification for environmental management and OHSAS-18001 certification for occupational health and safety management systems.

To ensure effective implementation of our practices, we attempt to identify all hazards at the beginning of our work on a project. Associated risks are evaluated and controls and methods are instituted, implemented and monitored.

We have in the past had occurrences of accidents on our project sites, including accidents resulting in injury and loss of life to our employees and contract workers. We believe that most accidents and occupational health hazards can be prevented through systematic analysis and control of risks and by providing appropriate training to stake holders, employees, subcontractors and communities. Our employees work towards eliminating or minimising the impact of hazards to people and the environment. We strongly encourage the adoption of occupational health and safety procedures as an integral part of our operations.

We are committed to protecting the environment by minimising pollution, waste and optimising fuel consumption towards continual improvement of our environmental performance.

Employees

As of June 30, 2011, we (excluding our joint ventures) had 48,545 employees.

Many of our employees have undergraduate degrees, and some have advanced degrees, including:

Education Level	No. of Employees
Doctorate (technical)	44
Doctorate (non-technical)	32
Postgraduate (technical)	1,156
Postgraduate (non-technical)	2,333
Engineering graduate	9,476
Other professional degree (finance, medical, legal)	1,262
Engineering degree	6,743
Others	27,499
Total	**48,545**

Our employees perform a variety of functions, including:

Function	No. of Employees
Management	310
Design and engineering	3,389
Project management	487
Marketing	1,750
Finance and accounts	1,388
Production / manufacturing	19,186
Legal and corporate officers	32
Human resources	2,978
Information technology	382
Others	18,643
Total	**48,545**

We have 82 registered trade unions under the Trade Unions Act, 1926 that represent 52.8% of our employees as of June 30, 2011. We believe that we have good relations with our employees and trade unions. We have not experienced any strikes, labour disputes or industrial action that had a material effect on our business.

We invest in continuing education and training programmes for our management staff and factory workers with a view to constantly upgrading their skills and knowledge. We enter into individual employment contracts with our employees when they join the Company that cover, among other things, confidentiality obligations for commercial secrets.

We have several employee productivity enhancement initiatives in place, such as multi-skilling of employees, effective utilisation of critical machines through three-shift, 24-hour operations and redeployment of employees.

Insurance

Our operations are subject to risks inherent in the engineering, procurement, construction and manufacturing industry, such as equipment failure, work accidents, fire, earthquake, flood and other force majeure events, acts of terrorism and explosions including hazards that may cause injury and loss of life, severe damage to and the destruction of property and equipment and environmental damage.

We may be subject to losses resulting from defects or damages arising from the engineering, procurement or construction services we provide and the products we manufacture. We are typically required by our customers to obtain specialised insurance in the nature of contractors' all risk (erection all risk) and contractors' plant and machinery policies, including third party liability insurance policies to cover risks during execution of our projects.

We generally maintain insurance covering our assets and operations at levels that we believe to be appropriate and consistent with that typical for other similar businesses in India.

Information Technology

Our information technology is deployed in all functional areas of our operations. All our engineering centres are equipped with workstations utilising advanced engineering software for design, modeling, analysis and drafting. Our manufacturing units, service divisions, project sites and offices are linked by a company-wide multiprotocol label switching-based telecommunications network. All our major divisions are ISO 27001 certified for securing the information assets. Our senior management is able to review and monitor our project sites located throughout India using our sophisticated video conferencing systems.

We have implemented an Enterprise Resource Planning ("**ERP**") system at our unit level operations at some of our major manufacturing units, and are currently planning for ERP across all our operations, which will allow us to further improve our operational efficiencies.

Competition

The engineering and manufacturing industry in India is highly competitive. As one of India's largest engineering and manufacturing companies in terms of turnover focused on the power and industry sectors, we believe that our experience in manufacturing products and providing customised services to our clients, industry expertise and relationships and large client base enable us to be a preferred equipment and services provider for the power and industry sectors in India.

In the Indian market, we face significant competition from certain domestic companies which have established joint ventures with foreign partners, such as L&T-Mitsubishi Heavy Industries, Bharat Forge- Alstom and JSW-Toshiba. We also face competition from a significant number of foreign companies, such as Shanghai Electric Group Company Limited, Doosan Heavy Industries, SEPCO Electric Power, Harbin Power Plant Equipment Group Corporation and Dongfang Electric Corporation, which compete primarily on price and delivery time. In our industry segment operations, we compete with various companies, depending on the particular business line.

In our captive power plants business, our steam turbine generator sets compete primarily with those made by Siemens Ltd. and Shin Nippon Machinery as well Chinese and European companies, our boilers compete primarily with those made by Thermax Ltd., Ansaldo India, Cethar Vessels Ltd., ISGEC John Thompson, ThyssenKrupp Industries India and several Chinese manufacturers and our GTG sets compete primarily with those made by Siemens Ltd., Hitachi and GE. Our EPC power projects compete primarily with Thermax Ltd., Larsen & Toubro Limited, Cethar Vessels Pvt. Ltd., ThyssenKrupp Industries India, Tecpro Systems Limited, Enmas GB Power Systems Projects Limited and Bharat Forge Limited.

In our rail transportation business, our traction electrics products compete primarily with those made by Bombardier Inc., Medha Servo Drives Private Ltd., Siemens Ltd., Alstom and Crompton Greaves Ltd. In our power transmission business, we compete primarily with ABB Ltd., AREVA, Siemens Ltd., Crompton Greaves Ltd., EMCO and Larsen & Toubro Limited. In our renewable energy business, we compete primarily with Tata BP Solar, Moser Baer Solar Limited and Lanco Solar. The main competitors for our electrical industrial products are ABB Ltd., Crompton Greaves Ltd., WEG Electrics (I) Pvt. Ltd., Marathon Electric Motors India and other HT motor manufacturers from Europe, South Korea and Taiwan, and our mechanical industrial products compete primarily with those made by General Electric Oil & Gas – Nuovo Pignone (GENP), Hitachi, Ebara, Mitsubishi Heavy Industries ltd., Siemens AG and Dresser-Rand (compressors), Rolls Royce and GENP (compressor stations), National Oilwell Varco, CPTDC, Drillmac S.P.A., Lanzhou LS – National Oilwell Petroleum Engineering Co. Ltd. (oil rigs) and UPET Romania, WOM Pvt. Ltd. and Praveen Industries (Well heads and Christmas trees). Some of our competitors for defence products include Larsen & Toubro Limited, L-3 Communications, Kirloskar Electric Company Limited and Kirloskar Oil Engines Limited.

Property

Our registered office is located at BHEL House, Siri Fort, New Delhi-110049. Set forth below is a brief summary of significant immoveable properties where our registered corporate offices and our regional offices are situated.

Property/Location	Own or Lease	Nature of Property Rights	Term of Lease
Registered & Head Office: BHEL House, Siri Fort, New Delhi 110049	Lease	Allotment and Leasehold	In perpetuity
Power Sector – Nothern Region, HRDI & PSNR Complex, Plot No. 25, Sector 16A, Noida-201301 (U.P.)	Lease	Leasehold	99 years
Power Sector Eastern Region, BHEL Bhawan, Plot No. 9/1, DJ-Block, Sector II, Salt Lake City, Kolkata-700091	Lease	Leasehold	3 years lease, expiring December 2012
Power Sector Southern Region, No.690, Anna Salai, Nandanam, Chennai-600035	Lease	Leasehold	Rental lease
Power Sector Western Region, Shree Mohini Complex, 345 Kingsway, Nagpur-440001	Own	-	-

Awards and Accolades

We have received multiple awards and over the years.

For more information, please see the section titled "History and Certain Corporate Matters – Awards and Recognitions" on page 152.

Corporate Social Responsibility

We believe that corporate social responsibility is an integral part of our operations. We have established and participated in various socio-economic and community development programmes to promote education, improvement of living conditions and hygiene in villages and communities situated in the vicinity of our manufacturing plants and project sites throughout India. We concentrate our efforts in the following areas: self-employment generation, environmental protection, community development, education, health management and medical aids, orphanages and homes for the elderly, infrastructural development and disaster/calamity management.

Following a Government directive implemented in Financial Year 2011, from Financial Year 2011 onwards, we have resolved to commit 0.5% of our profit after tax for the preceding Financial Year to corporate social responsibility activities and initiatives.

From time to time, we provide financial contributions to people affected by floods and to various non-governmental organisations, trusts and social welfare societies engaged in social development work in India.

Legal Proceedings

From time to time, we are involved in legal proceedings concerning matters arising in connection with conducting our business. For details, see the section titled "Outstanding Litigation and Material Developments" on page 324.

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the GoI and other regulatory bodies that are applicable to the business of the Company. The information detailed below has been obtained from various legislations, including rules and regulations promulgated by regulatory bodies, and the bye laws of the respective local authorities that are available in the public domain. The regulations set out below may not be exhaustive and are merely intended to provide general information to the Bidders and neither designed nor intended to substitute for professional legal advice. For details of government approvals obtained by us, see the section titled "Government and Other Approvals" on page 377 of this Draft Red Herring Prospectus.

Boilers Act, 1923, as amended ("Boilers Act")

Boilers Act and the rules made thereunder i.e. the Indian Boiler Regulations, 1950, as amended, cover various aspects of material and equipment utilized in the manufacture of boilers for use in India and the registration, operation and repair of boilers in India. The object of the Boiler Act is to secure uniformity throughout India in all technical matters connected with boiler regulations such as the standards of construction, maximum pressure, etc. and to insist on the registration and regular inspection of all boilers throughout India. The owner of any boiler which is not registered under the Boilers Act shall make an application alongwith the prescribed fees for registration of the Boiler with the Inspector under the Boilers Act. Post receipt of application, the Inspector examine the Boiler and report the result of examination to the Chief Inspector, who then registers the Boiler and assigns a registration number and certificate to the owner of the Boiler. Penalties for violation of the Boilers Act include fine or imprisonment of up to two years, or both.

Industrial (Development and Regulation) Act, 1955, as amended (the "I(D&R) Act")

The I(D&R) Act has been liberalized under the New Industrial Policy dated July 24, 1991, and all industrial undertakings are exempt from licensing except for certain industries such as distillation and brewing of alcoholic drinks, cigars and cigarettes of tobacco and manufactured tobacco substitutes, all types of electronic aerospace and defence equipment, industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches and hazardous chemicals and those reserved for the small scale sector.

An industrial undertaking which is exempt from licensing is required to file an Industrial Entrepreneurs Memorandum ("**IEM**") with the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, and no further approvals are required.

Public Liability Insurance Act, 1991, as amended (the "PLI Act")

The PLI Act imposes liability on the owner or controller of hazardous substances for any damage arising out of an accident involving such hazardous substances. A list of hazardous substances covered by the legislation has been enumerated by the Government by way of a notification. The owner or handler is also required to take out an insurance policy insuring against liability under the legislation. The rules made under the PLI Act mandate that the employer has to contribute towards the environment relief fund, a sum equal to the premium paid on the insurance policies. The amount is payable to the insurer.

Approvals from Local Authorities

Setting up of a factory or manufacturing / housing unit entails the requisite planning approvals to be obtained from the relevant Local Panchayat(s) outside the city limits and appropriate Metropolitan Development Authority within the city limits. Consents are also required from the state pollution control board(s), the relevant state electricity board(s), the state excise authorities, sales tax, among others, are required to be obtained before commencing the building of a factory or the start of manufacturing operations.

Foreign Investment Regulations

The new industrial policy was formulated in 1991 to implement the Government's liberalisation programme and consequent industrial policy reforms relaxed the industrial licensing requirements and restrictions on foreign investment.

Foreign investment in India is governed primarily by the provisions of the FEMA and the rules, regulations and notifications thereunder, read with the presently applicable Consolidated FDI Policy (effective from April 1, 2011 to September 30, 2011) as issued by the Department of Industrial Policy and Promotion, ("**DIPP**").

The RBI, in exercise of its powers under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended ("**FEMA Regulations**") to prohibit, restrict, regulate, transfer by, or issue of security, to a person resident outside India.

At present, investments in manufacturing companies fall under the RBI automatic approval route for foreign direct investment up to 100%.

Environmental Laws

The business of the Company is subject to various environment laws and regulations. The applicability of these laws and regulations varies from operation to operation and is also dependent on the jurisdiction in which the Company operates. Compliance with relevant environmental laws is the responsibility of the occupier or operator of the facilities.

The operations of the Company require various environmental and other permits covering, among other things, water use and discharges, stream diversions, solid waste disposal and air and other emissions. Major environmental laws applicable to the business operations include:

The Environment (Protection) Act, 1986, as amended *(the "**EPA**")*

The EPA is an umbrella legislation in respect of the various environmental protection laws in India. The EPA vests the GoI with the power to take any measure it deems necessary or expedient for protecting and improving the quality of the environment and preventing and controlling environmental pollution. This includes rules for, inter alia, laying down the quality of environment, standards for emission of discharge of environment pollutants from various sources as given under the Environment (Protection) Rules, 1986, inspection of any premises, plant, equipment, machinery, examination of manufacturing processes and materials likely to cause pollution. Penalties for violation of the EPA include fines up to ₹ 100,000 or imprisonment of up to five years, or both. The imprisonment can extend up to seven years if the violation of the EPA continues.

There are provisions with respect to certain compliances by persons handling hazardous substances, furnishing of information to the authorities in certain cases, establishment of environment laboratories and appointment of Government analysts.

The Hazardous Wastes (Management and Handling) Rules, 1989 *(the "**Hazardous Wastes Rules**")*

The Hazardous Wastes Rules aim to regulate the proper collection, reception, treatment, storage and disposal of hazardous waste by imposing an obligation on every occupier and operator of a facility generating hazardous waste to dispose such waste without adverse effect on the environment, including through the proper collection, treatment, storage and disposal of such waste. Every occupier and operator of a facility generating hazardous waste must obtain an approval from the Pollution Control Board. The occupier, the transporter and the operator are liable for damages caused to the environment resulting from the improper handling and disposal of hazardous waste. The operator and the occupier of a facility are liable for any fine that may be levied by the respective State Pollution Control Board. Penalty for the contravention of the provisions of the Hazardous Waste Rules includes imprisonment up to five years and imposition of fines as may be specified in the EPA or both.

The Water (Prevention and Control of Pollution) Act, 1974, as amended *(the "**Water Act**")*

The Water Act aims to prevent and control water pollution as well as restore water quality by establishing and empowering the Central Pollution Control Board and the State Pollution Control Boards. Under the Water Act, any person establishing any industry, operation or process, any treatment or disposal system, use of any new or altered outlet for the discharge of sewage or new discharge of sewage, must obtain the consent of the relevant State Pollution Control Board, which is empowered to establish standards and conditions that are required to be complied with. In certain cases the State Pollution Control Board may cause the local Magistrates to restrain the activities of such person who is likely to cause pollution. Penalty for the contravention of the provisions of the Water Act include imposition of fines or imprisonment or both.

The Central Pollution Control Board has powers, inter alia, to specify and modify standards for streams and wells, while the State Pollution Control Boards have powers, inter alia, to inspect any sewage or trade effluents, and to review plans, specifications or other data relating to plants set up for treatment of water, to evolve efficient methods of disposal of sewage and trade effluents on land, to advise the State Government with respect to the suitability of any premises or location for carrying on any industry likely to pollute a stream or a well, to specify standards for treatment of sewage and trade effluents, to specify effluent standards to be complied with by persons while causing discharge of sewage, to obtain information from any industry and to take emergency measures in case of pollution of any stream or well. A central water laboratory and a state water laboratory have been established under the Water Act.

The Water (Prevention and Control of Pollution) Cess Act, 1977, as amended *(the "**Water Cess Act**")*

The Water Cess Act provides for levy and collection of a cess on water consumed by industries with a view to augment the resources of the Central and State Pollution Control Boards constituted under the Water Act. Under this statute, every person carrying on any industry is required to pay a cess calculated on the basis of the amount of water consumed for any of the purposes specified under the Water Cess Act at such rate not exceeding the rate specified under the Water Cess Act. A rebate of up to 25% on the cess payable is available to those persons who install any plant for the treatment of sewage or trade effluent, provided that they consume water within the quantity prescribed for that category of industries and also comply with the provision relating to restrictions on new outlets and discharges under the Water Act or any standards laid down under the EPA. For the purpose of recording the water consumption, every industry is required to affix meters as prescribed. Penalties for non-compliance with the obligation to furnish a return and evasion of cess include imprisonment of any person for a period up to six months or a fine of ₹ 1,000 or both and penalty for non-payment of cess within a specified time includes an amount not exceeding the amount of cess which is in arrears.

The Air (Prevention and Control of Pollution) Act, 1981,as amended *(the "**Air Act**")*

Pursuant to the provisions of the Air Act, any person, establishing or operating any industrial plant within an air pollution control area, must obtain the consent of the relevant State Pollution Control Board prior to establishing or operating such industrial plant. The State Pollution Control Board is required to grant consent within a period of four months of receipt of an application, but may impose conditions relating to pollution control equipment to be installed at the facilities. No person operating any industrial plant in any air pollution control area is permitted to discharge the emission of any air pollutant in excess of the standards laid down by the State Pollution Control Board.

The penalties for the failure to comply with the provisions of the Air Act include imprisonment of up to six years and the payment of a fine as may be deemed appropriate. If an area is declared by the State Government to be an air pollution control area, then, no industrial plant may be operated in that area without the prior consent of the State Pollution Control Board.

The Noise Pollution (Regulation & Control) Rules 2000 *("**Noise Regulation Rules**")*

The Noise Regulation Rules regulate noise levels in industrial (75 decibels), commercial (65 decibels) and residential zones (55 decibels). The Noise Regulation Rules also establish zones of silence of not less than 100 meters near schools, courts, hospitals, etc. The rules also assign regulatory authority for these standards to the local district courts. Penalty for non-compliance with the Noise Regulation Rules shall be under the provisions of the Environment (Protection) Act, 1986.

Laws relating to Employment

As part of business of the Company it is required to comply from time to time with certain laws in relation to the employment of labour. A brief description of certain labour legislations which are applicable to the Company is set forth below:

Factories Act, 1948, as amended *(the "**Factories Act**")*

The Factories Act defines a 'factory' to be any premises including the precincts thereof, on which on any day in the previous 12 months, 10 or more workers are or were working and in which a manufacturing process is being carried on or is ordinarily carried on with the aid of power; or where at least 20 workers are or were working on

any day in the preceding 12 months and on which a manufacturing process is being carried on or is ordinarily carried on without the aid of power. State governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the 'occupier' of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions. If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment or with a fine or with both.

Employees (Provident Fund and Miscellaneous Provisions) Act, 1952, as amended *(the "**EPF Act**")*

The EPF Act applies to factories employing over 20 employees and such other establishments and industrial undertakings as notified by the GoI from time to time. It requires all such establishments to be registered with the State provident fund commissioner and requires such employers and their employees to contribute in equal proportion to the employees' provident fund the prescribed percentage of basic wages and dearness and other allowances payable to employees. The EPF Act also requires the employer to maintain registers and submit a monthly return to the State provident fund commissioner.

Employees State Insurance Act, 1948, as amended *(the "**ESIC Act**")*

The ESI Act, provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the employer is also required to register itself under the ESI Act and maintain prescribed records and registers.

Payment of Gratuity Act, 1972, as amended *(the "**Gratuity Act**")*

The Gratuity Act establishes a scheme for the payment of gratuity to employees engaged in every factory, mine, oil field, plantation, port and railway company, every shop or establishment in which ten or more persons are employed or were employed on any day of the preceding twelve months and in such other establishments in which ten or more employees are employed or were employed on any day of the preceding twelve months, as notified by the Central Government from time to time. Penalties are prescribed for non-compliance with statutory provisions.

Under the Gratuity Act, an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement, resignation, superannuation, death or disablement due to accident or disease. However, the entitlement to gratuity in the event of death or disablement will not be contingent upon an employee having completed five years of continuous service. The maximum amount of gratuity payable may not exceed ₹ 1 million.

Minimum Wages Act, 1948, as amended *(the "**MWA**")*

The MWA provides a framework for State governments to stipulate the minimum wage applicable to a particular industry. The minimum wage may consist of a basic rate of wages and a special allowance; or a basic rate of wages and the cash value of the concessions in respect of supplies of essential commodities; or an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any. Workmen are to be paid for overtime at overtime rates stipulated by the appropriate government. Contravention of the provisions of this legislation may result in imprisonment for a term up to six months or a fine up to ₹ 500 or both.

Industrial Disputes Act, 1947, as amended *(the "**ID Act**")*

The ID Act provides the procedure for investigation and settlement of industrial disputes. When a dispute exists or is apprehended, the appropriate Government may refer the dispute to a labour court, tribunal or arbitrator, to prevent the occurrence or continuance of the dispute, or a strike or lock-out while a proceeding is pending. The

labour courts and tribunals may grant appropriate relief including ordering modification of contracts of employment or reinstatement of workmen.

Payment of Bonus Act, 1965, as amended *(the "**PoB Act**")*

The PoB Act provides for payment of minimum bonus to factory employees and every other establishment in which 20 or more persons are employed and requires maintenance of certain books and registers and filing of monthly returns showing computation of allocable surplus, set on and set off of allocable surplus and bonus due.

Contract Labour (Regulation and Abolition) Act, 1970, as amended *(the "**CLRA Act**")*

In respect of each of its facilities, the Company uses the services of certain licensed contractors who in turn employ contract labour whose number exceeds 20 in respect of each facility. Accordingly, the Company is regulated by the provisions of the CLRA Act which requires the Company to be registered as a principal employer and prescribes certain obligations with respect to welfare and health of contract labour. The CLRA Act requires the principal employer of an establishment to which the CLRA Act applies to make an application to the concerned officer for registration of the establishment. In the absence of registration, contract labour cannot be employed in the establishment. Likewise, every contractor to whom the CLRA Act applies is required to obtain a license and not to undertake or execute any work through contract labour except under and in accordance with the license issued. The CLRA Act imposes certain obligations on the contractor in relation to establishment of canteens, rest rooms, drinking water, washing facilities, first aid, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. Penalties, including both fines and imprisonment, may be levied for contravention of the provisions of the CLRA Act.

Apprentices Act, 1961, as amended *(the "**Apprentices Act**")*

The Apprentices Act was enacted in 1961 for imparting training to apprentices i.e. a person who is undergoing apprenticeship training in pursuance of a contract of apprenticeship. Every employer shall make suitable arrangements in his workshop for imparting a course of practical training to every apprentice engaged by him in accordance with the programme approved by the apprenticeship adviser. The central apprenticeship adviser or any other person not below the rank of an assistant apprenticeship adviser shall be given all reasonable facilities for access to each apprentice with a view to test his work and to ensure that the practical training is being imparted in accordance with the approved programme.

The Building and Other Construction Workers Act, 1996, as amended *(the "**BOCW Act**")*

The BOCW Act provides for regulating the employment and conditions of service of building and other construction workers and also provides for their safety, health and welfare measures and other matters connected therewith or incidental thereto.

The Building and Other Construction Workers' Welfare Cess Act, 1996, as amended *(the "**BOCWWC Act**")*

The object of this Act is to provide for the levy and collection of a cess on the cost of construction incurred by employers with a view to augmenting the resources of the Building and Other Construction Workers' Welfare Boards constituted under the BOCWWC Act.

Fiscal Regulations

Foreign Trade (Development and Regulation) Act, 1992 *("**FTA**")*

FTA seeks to increase foreign trade by regulating the imports and exports to and from India. FTA read with the Indian Foreign Trade Policy provides that no export or import can be made by a person or company without an importer exporter code number unless such person or company is specifically exempt. An application for an importer exporter code number has to be made to the office of the Joint Director General of Foreign Trade, Ministry of Commerce. An importer-exporter code number allotted to an applicant is valid for all its branches, divisions, units and factories.

Foreign Trade Policy

Under the FTA, the Central Government is empowered to periodically formulate the Export Import Policy ("**EXIM Policy**") and amend it thereafter whenever it deems fit. All exports and imports have to be in compliance with such EXIM Policy. The current EXIM Policy covers the period from 2009-2014. The iron and steel industry has been extended various schemes for promotion of export of finished goods and import of inputs. Duty Entitlement Pass Book (DEPB) Scheme has been extended up to September 2011.

The Duty exemption Scheme enables duty free imports of inputs required for production of export products by obtaining Advance license (AL)

The Duty Remission Scheme enables post export replenishment/ remission of duty on inputs used in the export product. This scheme consists of Duty Free Remission Certificate (DFRC) and Duty Entitlement Pass Book (DEPB)

While DFRC enables duty free replenishment of inputs used for manufacturing of export products, under DEPB Scheme, exporters on the basis of notified entitled rates are granted duty credit, which would entitle them to import goods except Capital Goods, without duty. The current DEPB rates for saleable products to be manufactured by us are ranging from 2% to 6%.

The imports of inputs under AL and DFRC for the products exported by the company are subject to Input and Output norms as prescribed in EXIM Policy.

EPCG Scheme allows imports of capital goods at 0% duty subject to export obligation which is linked to the amount of duty saved at the time of import of such capital Goods as per the provisions of EXIM Policy.

Excise Regulations

The Central Excise Act, 1944 seeks to impose an excise duty on excisable goods which are produced or manufactured in India. The rate at which the said duty is sought to be imposed is contained in the Central Excise Tariff Act, 1985. However, the Government has the power to exempt certain specified goods from excise duty, by notification. Steel products are classified under Chapter 72 and 73 of the Central Excise Tariff Act and presently attract an ad-valorem excise duty at the rate of 8% and also an Education Cess of 2% over the duty element.

Customs Regulations

All imports in the country are subject to duties under the Customs Act, 1962 at the rates specified under the Customs Tariff Act, 1975. However, the Government has the power to exempt certain specified goods from excise duty, by notification. The current custom duty on non-alloy steel is 5% and the custom duty on iron and steel is 10%.

Laws relating to Intellectual Property

In India, trademarks enjoy protection both statutory and under common law. The Trademarks Act, 1999, as amended ("**Trademarks Act**"), the Copyright Act, 1957, as amended ("**Copyrights Act**"), The Patents Act, 1970, as amended ("**Patents Act**"), and the Designs Act, 2000, as amended ("**Designs Act**"), amongst others govern the law in relation to intellectual property, including brand names, trade names and service marks, layout and research works.

Trademarks Act

The Trade Marks Act provides for the application and registration of trademarks in India. The purpose of the Trade Marks Act is to grant exclusive rights to marks such as a brand, label and heading and to obtain relief in case of infringement for commercial purposes as a trade description. The registration of a trademark is valid for a period of 10 years, and can be renewed in accordance with the specified procedure.

Application for trademark registry has to be made to Controller-General of Patents, Designs and Trade Marks who is the Registrar of Trademarks for the purposes of the Trade Marks Act. The Trade Marks Act prohibits any

registration of deceptively similar trademarks or chemical compound among others. It also provides for penalties for infringement, falsifying and falsely applying trademarks.

Copyrights Act

The Copyrights Act governs copyright protection in India. Under the Copyright Act, copyright may subsist in original literary, dramatic, musical or artistic works, cinematograph films, and sound recordings. Following the issuance of the International Copyright Order, 1999, subject to certain exceptions, the provisions of the Copyright Act apply to nationals of all member states of the World Trade Organization.

While copyright registration is not a prerequisite for acquiring or enforcing a copyright, registration creates a presumption favoring ownership of the copyright by the registered owner. Copyright registration may expedite infringement proceedings and reduce delay caused due to evidentiary considerations. Once registered, the copyright protection of a work lasts for 60 years.

The remedies available in the event of infringement of a copyright under the Copyright Act include civil proceedings for damages, account of profits, injunction and the delivery of the infringing copies to the copyright owner. The Copyright Act also provides for criminal remedies, including imprisonment of the accused, imposition of fines and seizure of infringing copies.

Patents Act

The purpose of a patent act in India is to protect inventions. Patents provide the exclusive rights for the owner of a patent to make, use, exercise, distribute and sell a patented invention. The patent registration confers on the patentee the exclusive right to use, manufacture and sell his invention for the term of the patent. An application for a patent can be made by (a) person claiming to be the true and first inventor of the invention; (b) person being the assignee of the person claiming to be the true and first inventor in respect of the right to make such an application; and (c) legal representative of any deceased person who immediately before his death was entitled to make such an application. Penalty for the contravention of the provisions of the Patents Act include imposition of fines or imprisonment or both.

Designs Act

The objective of design law it to promote and protect the design element of industrial production. It is also intended to promote innovative activity in the field of industries. The Controller General of Patents, Designs and Trade Marks appointed under the Trademarks Act shall be the Controller of Designs for the purposes of the Designs Act. When a design is registered, the proprietor of the design has copyright in the design during ten years from the date of registration.

The Shops and Establishments Legislations

Under the provisions of local shops and establishments legislations applicable in the states in which establishments are set up, establishments are required to be registered. Such legislations regulate the working and employment conditions of the workers employed in shops and establishments including commercial establishments and provide for fixation of working hours, rest intervals, overtime, holidays, leave, termination of service, maintenance of shops and establishments and other rights and obligations of the employers and employees. Our Company's offices have to be registered under the shops and establishments laws of the state where they are located.

Competition Act, 2002, as amended (the "Competition Act")

The Competition Act prohibits anti competitive agreements, abuse of dominant positions by enterprises and regulates "combinations" in India. The Competition Act also established the Competition Commission of India (the "**CCI**") as the authority mandated to implement the Competition Act. The provisions of the Competition Act relating to combinations were notified recently on March 4, 2011 and has come into effect on June 1, 2011. Combinations which are likely to cause an appreciable adverse effect on competition in a relevant market in India are void under the Competition Act. A combination is defined under Section 5 of the Competition Act as an acquisition, merger or amalgamation of enterprise(s) that meets certain asset or turnover thresholds. There are also different thresholds for those categorized as 'Individuals' and 'Group'. The CCI may enquire into all combinations, even if taking place outside India, or between parties outside India, if such combination is likely

to have an appreciable adverse effect on competition in India. Effective June 1, 2011, all combinations have to be notified to the CCI within 30 days of the execution of any agreement or other document for any acquisition of assets, shares, voting rights or control of an enterprise under Section 5(a) and (b) of the Competition Act (including any binding document conveying an agreement or decison to acquire control, shares, voting rights or assets of an enterprise); or the board of directors of a company (or an equivalent authority in case of other entities) approving a proposal for a merger or amalgamation under Section 5(c) of the Competition Act. The obligation to notify a combination to the CCI falls upon the acquirer in case of an acquisition, and on all parties to the combination jointly in case of a merger or amalgamation.

Other regulations

In addition to the above, the Company is required to comply with the provisions of the Companies Act, and FEMA and other applicable statutes imposed by the Centre or the State for its day-to-day operations.

HISTORY AND CERTAIN CORPORATE MATTERS

The Company was incorporated on November 13, 1964 as a private limited company under the Companies Act. Pursuant to a Board resolution dated December 24, 1991 and shareholders' resolution passed at the EGM on December 24, 1991, the Company was converted into a public limited company.

In June 1966, the Company acquired the assets from HEIL against allotment of 241,112 equity shares of the Company with face value of ₹ 1,000 each aggregating to ₹ 241.11 million to the promoter of HEIL. Further, in April 1974, HEIL was amalgamated with the Company pursuant to the order of the Company Law Board dated March 27, 1974 under Section 396 of the Companies Act, having the appointed date as January 1, 1974. The Company allotted 500,000 equity shares of the Company with face value of ₹ 1,000 each aggregating to total sum of ₹ 500 million as consideration to the promoter of HEIL. Pursuant to a Company Law Board order dated March 17, 1975, Indian Consortium for Power Projects Private Limited was amalgamated with the Company under Section 396 of the Companies Act wef. January 1, 1975. In 1976, the Company acquired the entire shareholding of the two Karnataka state government sick PSU's namely REMCO & MPL to make them the wholly-owned subsidiaries of the Company. The purchase consideration for acquiring the shareholding of REMCO and MPL was ₹ 17.5 million. Pursuant to the order of the Company Law Board dated May 21, 1980 under Section 396 of the Companies Act, REMCO and MPL were amalgamated with the Company.

In 1997, the Company was notified as a Navratna company by the GoI. As a Navratna company, the Company is eligible for some enhanced delegation of powers to the Board.

For further information on the business of the Company including description of the activities, services, products, market of each segment, the growth, exports and profit, technology, market, managerial competence and the standing with reference to the prominent competitors, see the sections titled "The Business" and "Industry Overview" on pages 122 and 103, respectively.

The Company is not operating under any injunction or restraining order.

Changes in Registered Office

The registered office of the Company was originally located at 5, Parliament Street, New Delhi 110001, India. Following are the changes in the Registered Office of the Company since incorporation:

Effective date of change of registered office	Address
July 24, 1973	Change of registered office from 5, Parliament Street, New Delhi 110001, India to Hindustan Times House, 18-20 Kasturba Gandhi Marg, New Delhi 110001.
July 1, 1987	Change of registered office from Hindustan Times House, 18-20 Kasturba Gandhi Marg, New Delhi 110001 to BHEL House, Siri Fort, New Delhi 110 049.

The change in the Registered Office was to ensure greater operational efficiency.

Major events

The following table illustrates the major events in the history of our Company.

Year	Event
1964	The Company was incorporated as 'Bharat Heavy Electricals Limited'
1966	Company acquired the assets from HEIL
1971	Company bagged its first export order for export of boilers (2x60 MW) for Tuanku Jafar Thermal Power Station in Malaysia
1974	HEIL was amalgamated with the Company pursuant to the order of the Company Law Board dated March 27, 1974
1976	Company acquired the entire shareholding of REMCO and MPL
1980	Company commissioned its first complete 120 MW BTG and sub-station unit on turnkey basis outside India located at Tripoli West Power Station of Electricity Corporation, Libya.

Year	Event
1980	REMCO and MPL were amalgamated with the Company pursuant to the order of the Company Law Board dated May 21, 1980
1991	Company awarded the contract for the complete design, manufacture, erection, testing and commissioning of two ± 500kV between Rihand and Delhi (Dadri) convertor terminals for Rihand-Delhi (Dadri) link.
1997	Company entered into a joint venture agreement with Siemens Aktiengesellschaft, Germany for setting up of a joint venture company, pursuant to which PPIL was incorporated
1997	The Company entered into a joint venture agreement with GE Pacific (Mauritius) Limited, Mauritius for incorporation of a private limited company, pursuant to which BGGTS was incorporated
2006	Company commissioned 624 MW western mountain gas turbine power project on EPC basis in Libya (Company's largest gas-based power plant outside India).
2007	Company engineered, supplied and commissioned 6 X 170 MW (1020 MW) Tala Hydroelectric Project Authority located at Bhutan (it's largest hydro-based power plant by the Company outside India).
2007	Company's market capitalization crossed Rs. 1,000,000 million
2008	The Company entered into a joint venture agreement with PTC India Limited for setting up of a joint venture company, pursuant to which BPPL was incorporated
2008	The Company entered into a joint venture agreement with Tamil Nadu State Electricity Board for setting up of a joint venture company, pursuant to which UPCL was incorporated
2008	BHPVL was taken over by the Company as its wholly owned subsidiary
2009	The Company entered into a joint venture agreement with Karnataka Power Corporation Limited for setting up of a joint venture company, pursuant to which RPCL was incorporated
2010	Company was awarded contract for supply of 420kN anti-fog disc insulators for Biswanath-Chariyali-Agra HVDC project.
2010	The Company entered into a joint venture agreement with Madhya Pradesh Power Generating Company Limited for setting up of a joint venture company, pursuant to which DDKPL was incorporated
2010	The Company entered into a joint venture agreement with Maharashtra State Power Generation Company Limited for setting up of a joint venture company, pursuant to which LPCL was incorporated
2011	Company received order for on shore supply and service contract for ± 800 KV 6,000MW HVDC Multi-Terminal System Package associated with north-east/eastern region – northern/western region interconnector - I project
2011	Incorporation of BHEL Electrical Machines Limited, subsidiary of the Company

Awards and Recognitions

(i) The Company received the SCOPE Meritorious Award for R&D, Technology Development and Innovation in 2011.
(ii) The Company received the Essar Steel Infrastructure Excellence Award in 2011.
(iii) The Company received the Dalal Street Investment Journal 'Gentle Giant' award in 2011.
(iv) The Company received the 'Intellectual Property Award' in 2011.
(v) The Company received the Dainik Bhaskar India Pride Awards in the Business Bhaskar Growth Leader category in 2011.
(vi) The Company received the 'India Shining Star CSR Award' for outstanding CSR in 'Capital Goods Sector at CSR Thought Leadership Conclave' organized by Wockhardt Foundation, Mumbai in 2011.
(vii) The Company received the 'Golden Peacock Award for Occupational Health & Safety' in 2011.
(viii) The Company received the award at the 'Dun & Bradstreet - Rolta Corporate Awards' in the 'Engineering/Capital Goods' category in 2010.
(ix) The Company mentioned as the only PSU in the list of 'Asia's Fab 50 Companies' by the Forbes magazine with a market value of over US$ 25 million in 2010.
(x) The Company received the 'ICWAI National Awards for Excellence in Cost Management' in 2010.
(xi) The Company received the 'Talent Innovation Award' under Global HR Excellence Award in 2010.
(xii) The Company received the award at the NDTV Profit Business Leadership Awards in the 'Engineering' category in 2010.
(xiii) The Company received the IEI Industry Excellence Award from the Institution of Engineers (India) in 2010.
(xiv) The Company received the Institution of Engineers 'Safety Innovation Award' in 2010.
(xv) The Company received the award at the CII-Thomson Reuters Innovation Awards in the 'Hi-Tech Corporate' category in 2010.
(xvi) The Company received the 'Golden Peacock Award for Excellence in Corporate Governance' in 2010.

(xvii) The Company received the award at the 4th ENERTIA AWARD for manufacturing excellence & scale-up in power generation equipment & auxiliaries in the manufacturing in power sector category in 2010.

(xviii) The Company employees received the Prime Minister's Shram Awards in the following category – three in the Shram Shree category and one in the Shram Vir category in 2009.

(xix) The Company received the DSIJ (Dalal Street Investment Journal) Most Investor Friendly PSU Award in 2009.

(xx) The Company received the 'ICWAI National Awards for Excellence in Cost Management' in 2009.

(xxi) The Company received the 'Business Standard Star PSU of the Year Award' in 2009.

(xxii) The Company received the SCOPE Award for Excellence and Outstanding Contribution to the Public Sector Management in the large scale PSE category in 2009.

(xxiii) The Company received the 'EEPC India National Awards for Export Excellence 2007-08' as the 'Star Performer Award for Outstanding Contribution to Engineering Exports in the Product Group – Electric Motors, Generators and Transformers and Parts – Large Enterprise.

Accreditations and Certifications

The Company has received certifications and accreditations for its Registered Office and its manufacturing units and regional offices. The certifications received by the Company include ISO 9001:2008 certification from Bureau Veitas; ISO 14001:2004 and OHSAS 18001:2007 from Det Norske Veritas; ISO/IEC 17025:2005 from National Accreditation Board for Testing and Calibration Laboratories, Department of Science and Technology; and ISO / IEC 27001:2005 from STQC IT Certification Services, Ministry of Communications and Information Technology, GoI. The details of units receiving theses certifications are as follows:

Accreditation / Certification	Units / Regional Office Receiving
ISO 9001:2008	Registered Office, Bhopal Unit, Hardwar Unit, Industry Sector, Ranipet Unit, Regional Operations Division, and Rudrapur Unit, Tiruchirapalli Unit, Transmission Business Group and Varanasi Unit
ISO 14001:2004	Bangalore Unit, Bhopal Unit, Goindwal Unit, Haridwar Unit, Hyderabad Unit, Jagdishpur Unit, Jhansi Unit, Noida Township, Power Sector Eastern Region, Power Sector Northern Region, Power Sector Southern Region, Power Sector Western Region, Ranipet Unit, Regional Operations Division (Delhi), Rudrapur Unit, Tiruchirapalli Unit and Varanasi Unit
OHSAS 18001:2007	Bangalore Unit, Bhopal Unit, Goindwal Unit, Haridwar Unit, Hyderabad Unit, Jagdishpur Unit, Jhansi Unit, Noida Township, Power Sector Eastern Region, Power Sector Northern Region, Power Sector Southern Region, Power Sector Western Region, Ranipet Unit, Regional Operations Division (Delhi), Rudrapur Unit, Tiruchirapalli Unit and Varanasi Unit
ISO/IEC 17025:2005	Haridwar Unit
ISO / IEC 27001:2005	Registered Office, Electronics Division Unit (Bangalore), Bhopal Unit, Haridwar Unit, Hyderabad Unit, Jhansi Unit, Power Sector Eastern Region, Power Sector Northern Region, Power Sector Southern Region, Power Sector Western Region, Project Engineering Management (Noida), Ranipet Unit and Tiruchirapalli Unit

The Main Objects of the Company:

1. (a) To carry on in India or in any part of the world, all kinds of business relating to electrical goods and in particular to carry on business of manufacturing, storing, packing, distributing, transporting, converting, repairing, installing and maintaining all kinds of electrical and lighting/plants, and machinery, lamps fittings and apparatus and also appliances for the application of power to every kind of purpose or use or capable of being used in connection with the production, distribution, utilization, supply, accumulation, and storage, employment

of power, and rendering assistance and services of all and every kind of any description, buying, selling, exchanging, altering, importing and dealing in Hydraulic turbines and generators, Generators for Diesel sets, Current and Potential transformers, Static Capacitors, A.C, & D.C. Circuit breakers, Switch board and control desks, Direct Current machines generators and Exciters, Welding generators, Motors; Traction Motors, (with associated rectifiers transformers etc.) apparatus, and equipment, A.C. industrial motors, switch board instruments, meters and relays, insulating material, Steam turbines and ancillary equipment and such other goods as may be determined by the Company and their products of every description, whether required for civil, commercial or military defence purposes and requirements or otherwise to take over from Heavy Electrical (India) Limited its factories at Hardwar, Hyderabad and Tiruchi with all their assets, liabilities and together with the benefit of any collaboration agreements in connection therewith on such terms and conditions as may be mutually agreed and to carry out the said projects.

(b) To manufacture, store, maintain, sell, buy, repair, alter, exchange, let on hire, export, import, and deal in all kinds of articles and things (including all kinds of conveyance and all components, parts, fittings, tools implements accessories/materials, and all articles and things used or capable of being used in connection therewith in any way whatsoever) which may be required for the purposes of any business of the Company or are commonly supplied or dealt in by persons engaged in any such business and which may be capable of being profitably dealt with in connection with any of the business of the Company.

(c) To act as agents for Government or other authorities or for any manufacturers, merchants and others and to carry on agency business of every kind of any description connected with the business of the Company.

(d) To generate, produce, store, accumulate, distribute, supply, hire and lease power and light.

(e) To supply any motive power or force for the production of light or for lighting, heating, signaling, transmission or traction and for trading purposes of all kinds including the application there of to tram cars, motors, carriages, ships, conveyances and other vehicles for the purposes of cold storage or refrigeration.

(f) To establish, and carry on any system of lighting, and to enter into contracts of every kind for lighting towns, streets, villages and works and buildings of all kinds, or to supply light and power for the purpose of working mines or for any other purpose, and to undertake and carry out the installation of any lighting or power works or system, and any works of construction in connection there with.

(g) To undertake and execute contracts for works involving the supply or use of any machinery or electrical or mechanical appliance, and to carry out any ancillary or other works comprised in such contracts.

(h) To construct, manufacture, assemble, install, maintain, repair, acquire, dispose of and deal in engines, machines, apparatus, appliances, equipment and plant of every kind capable of being used for or in connection with the generation, production, supply, transmission, transformation, accumulation, utilization, employment or application for any purpose of electricity and the term "electricity" herein shall be deemed to include every form of power directly or indirectly derived therefrom or which may hereafter be discovered in dealing with electricity.

(i) To construct, manufacture, assemble, install, maintain, repair, acquire, dispose of and deal in engines, machines, apparatus appliances, equipment and plant of every kind capable of being used for in connection with the manufacture, generation, production, supply, transmission, accumulation, utilisation, employment or application for any purpose of gas, chemical air or water power.

(j) To acquire, establish, construct, provide and maintain and administer factories, township, estates, railways siding, building yards, wells, water reservoirs, channels, pumping

installations, purification plants, pipeline, landing grounds, hangars, garages, storage sheds and accommodation of all description connected with the business of the Company.

(k) To establish, maintain and operate training institutions for electrical engineers, power engineers, civil engineers, mechanical engineers, electricians and mechanics in India or in any part of the world.

(l) To carry on the business of electrical, mechanical and civil engineering in all their branches in India or in any part of the world.

(m) To carry on any other business or activity and do anything of any nature which may seem to the Company capable of being conveniently carried on or done in connection with the above or calculated directly or indirectly to enhance the value of or render more profitably any of the Company's business or property.

2. To manufacture, buy, sell, exchange, install, work, alter, improve, manipulate, prepare for market, import or export and otherwise deal in all kinds of plant and machinery, wagons, rolling stock, apparatus, tools, utensils, substances, materials, and things necessary or convenient for carrying on any of the business which the Company is authorised to carry on or which is usually dealt in by persons engaged in such business.

3. To carry on the business of Electric Supply Company and to do all things incidental to such business.

4. To search for and to purchase or otherwise acquire from any Government, State or Authority, any licences, concessions, grants, decrees, rights, powers and privileges whatsoever which may seem to the Company capable, of being turned to account and to work, develop, carry out, exercise and turn to account the same.

5. To purchase, sell, take or give on lease or in exchange or under amalgamation, licence or concession or otherwise, absolutely or conditionally, solely or jointly with others and make, construct, maintain, work, hire, hold, improve, alter, manage, let, sell, dispose of, exchange, roads, canals, water courses, ferries, piers, aerodromes, lands, buildings, warehouses, works, factories, mills, workshops, railway sidings tramways engines, machinery and apparatus, water rights, way leaves, trademarks, patents and designs, privileges or rights of any description or kind.

6. To construct, execute, carry out, improve, work, develop, administer, manage, or control in India and elsewhere, works and conveniences of all kinds, which expression in the Memorandum includes railways, tramways, ropeways, docks, harbours, piers, wharves, canals, reservoirs, embankments, irrigation, reclamation, improvement sewage, drainage, sanitary, water, gas, electric, light, power, telephonic, telegraphic and power supply works and hotels, warehouses, markets and buildings, private or public and all other works or conveniences whatsoever.

7. To apply for, tender, purchase, or otherwise acquire any contract and concessions for or in relation to the construction, execution, carrying out, equipment, improvement, management, administration or control of works and conveniences and to undertake, execute/carry out, dispose of or otherwise turn-to account the same.

8. To enter into any contract or arrangement for the more efficient conduct of the business of the Company or any part thereof and to sublet any contracts from time to time.

9. To establish, provide, maintain, and conduct or otherwise subsidise research and experimental workshops for technical research and experiments, to undertake and carry on technical research, experiments, and tests of all kinds, to promote studies and technical researches, investigations and inventions by providing, subsidising, endowing, or assisting, workshops, libraries, lectures, meetings and conferences and by providing or contributing to the remunerations of technical professors or teachers and by providing or contributing to the awards of scholarships, prizes, grants to students or otherwise and generally to encourage, promote and reward studies, researches, investigations, experiments, tests inventions of any kind that may be considered likely to assist any business which the Company is authorised to carry on.

10. To take or otherwise acquire and hold shares in any other company having objects, altogether or in part, similar to those of this Company and to underwrite solely or jointly with another, or others shares in any such company. To take or otherwise acquire shares in any other company if the acquisition of such shares seems likely to promote further or benefit the business or interest of this Company.

11. To acquire or take over with or without consideration and carry on the business of managers, secretaries, treasurers and agents or managing agents by themselves or in partnership with others of companies or partnership of concerns whose objects may be similar, in part or in whole to those of the Company.

12. To carry on any other trade or business which may seem to the Company capable of being conveniently carried on in connection with any of the Company's objects or calculated directly or indirectly to enhance the value of or render profitable any of the Company's property or rights.

13. To acquire and undertake the whole or any part of the business, property and liabilities of any person, firm or company carrying on any business, which the company is authorised to carry on, or possessed of property suitable for the purposes of this company.

14. To let out on hire all or any of the property of the company whether immovable or movable including all and every description of apparatus or appliances.

15. To enter into partnership or into any arrangement for sharing or pooling profits, amalgamation, union of interests, co-operation, joint-venture, reciprocal concession or otherwise or amalgamate with any person or company carrying on or engaged in or about to carry on or engage in any business or transaction which the company is authorised to carry on or engaged in any business undertaking or transaction which may seem capable of being carried on or conducted so as directly or indirectly to benefit this Company.

16. To guarantee the payment of money unsecured or secured, to guarantee or become sureties for the performance of any contracts or obligations.

17. To sell, let, exchange or otherwise deal with the undertaking of the Company or any part thereof for such consideration as the company may think fit and in particular for shares, debenture, or securities of any other company having objects altogether or in part similar-to those of this company and if thought fit to distribute the same among the shareholders of this Company.

18. To pay for any properties, rights or privileges acquired by the Company, either in shares of the Company or partly in shares and partly in cash, or otherwise.

19. To promote and undertake the formation of any institution or company for the purpose of acquiring all or any of the property and liabilities of this company or for any other purpose which may seem directly or indirectly calculated to benefit this Company or form any subsidiary company or companies.

20. To carry on any business which may seem capable of being carried on conveniently with the business or objects of the Company and to acquire any interests in any industry or undertaking.

21. To lend money on mortgage of immovable property or an hypothecation or pledge of movable property or without security to such persons and on such terms as may seem expedient and in particular to customers of and persons having dealings with the Company.

22. To acquire or hold shares in any undertaking or Company.

23. To acquire the right to use or manufacture and to put up telegraphs, telephones, phonographs, radio transmitting or receiving stations or sets, dynamos, accumulators and all apparatus in connection with the generation, accumulation, distribution, supply and employment of electricity or any power that can be used as substitute, therefore, including all cables, wires or appliances for connecting apparatus at a distance with other apparatus and including the formation of exchanges or centres.

24. To construct, maintain, lay down, carryout, work, sell, let on hire and deal in telephonic and all kinds of works, machinery, apparatus, conveniences, and things capable of being used in connection with any of the objects of the Company and in particular any cables wires lines, stations, exchanges, reservoirs, accumulator, lamps, meters and engines.

25. To purchase or by any other means acquire and protect, prolong and renew, whether in India or elsewhere, any patents, patent rights, brevets, invention, licences protections and concessions which may appear likely to be advantageous or useful to the company and to use and turn to account and manufacture under or grant licences or privileges in respect of the same and to spend money in experimenting upon and testing and improving or seeking to improve any patents, inventions or rights which the Company may acquire or-propose to acquire.

26. To obtain, order, or Act of Legislature in India, England, or other places, or order, Act or authority from the authorities of any Country, State or dominion for enabling the Company to obtain all powers and authorities necessary or expedient to carry out or extend any of the objects of the Company or for any other purpose which may seem expedient and to oppose any proceedings on applications which may seem calculated directly or indirectly to prejudice the company's interests.

27. To enter into any arrangements with the Government of India or any Local or State Government in India or with the Government of any other state, Country or Dominion or with any authorities, local or otherwise, or with Rulers, Chiefs, landlords or other persons that may seem conducive to the Company's objects or any of them and to obtain from them any rights, power and privileges, licences, grants and concessions which the Company may think it desirable to obtain and to carry out, exercise and comply with any such arrangements rights, privileges and concessions.

28. To provide for the welfare of employees or ex-employees of the Company and the wives and families or the dependents or connections of such persons by building or contributing to the building of houses, dwellings, or chawls or by grants of money, pensions, allowances, bonus or other payments or by creating and from time to time subscribing or contributing to Provident Fund and other associations, institutions, funds, or trusts providing or subscribing or contributing towards places of instructions and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Company may think fit and to subscribe or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national, public or other institutions or objects or purposes.

29. Subject to the provisions of Section 205(3) of the Companies Act, 1956, to distribute any of the property of the company among the members in specie or kind so that no distribution amounting to a reduction of capital be made except with the sanction (if any) for the time being required by law.

30. To make, draw, accept, endorse, execute and issue Cheques, Promissory Notes, Bills of Exchange, Bills of Ladings, Debentures and other negotiable or transferable Instruments.

31. To invest and deal with the moneys of the Company in any securities, shares, investments, properties movable or immovable and in such manner as may from time, be determined and to sell, transfer or deal in with the same.

32. To borrow or raise money or to receive money on deposit at interest or otherwise in such manner as the Company may think fit and in particular by the issue of debentures or debentures stock, perpetual or otherwise, including debenture or debenture stock, convertible into shares of this Company or perpetual annuities and in security of any such money so borrowed, raised or received, to mortgage, pledge or charge the whole or any part of the property, assets or revenues of the Company, present or future, including its uncalled capital, by assignment or otherwise or to transfer or convey the same absolutely or in trust and purchase, redeem or pay off any such securities.

33. To remunerate any persons, firm, or company for services rendered or to be rendered in placing or assisting to place or guaranteeing the placing of any of the shares in the Company’s capital or any debentures or debenture stock or other securities of the company or in or about, the formation or promotion, of the company or the conduct of its business.

34. To do all or any of the above things and all such other things as are incidental or may be thought conducive to the attainment of the above objects or any of them as principals, agents, contractors, trustees or otherwise and either alone or in conjunction with others.

Changes in the Memorandum of Association

Since the incorporation of the Company, the following changes have been made to the Memorandum of Association:

Date of Amendment	Details
February 21, 1966	The share capital of the Company was increased to ₹ 500,000,000 divided into 500,000 Equity Shares of ₹ 1,000 each
October 31, 1966	The share capital of the Company was increased to ₹ 650,000,000 divided into 650,000 Equity Shares of ₹ 1,000 each
March 26, 1971	The share capital of the Company was increased to ₹ 800,000,000 divided into 800,000 Equity Shares of ₹ 1,000 each
August 25, 1973	The share capital of the Company was increased to ₹ 850,000,000 divided into 850,000 Equity Shares of ₹ 1,000 each
January 1, 1974	The share capital of the Company was increased to ₹ 2,000,000,000 divided into 2,000,000 Equity Shares of ₹ 1,000 each
March 24, 1983	The share capital of the Company was increased to ₹ 3,250,000,000 divided into 3,250,000 Equity Shares of ₹ 1,000 each
December 23, 1991	The share capital of the Company were sub-divided into 325,000,000 Equity Shares of ₹ 10 each
April 30, 2007	The share capital of the Company was increased to ₹ 20,000,000,000 divided into 2,000,000,000 Equity Shares of ₹ 10 each
September 20, 2011	The Authorised Share Capital of the Company was sub-divided into 10,000,000,000 Equity Shares of ₹ 2 each

Listing

The Government of India, vide its letter dated December 30, 1991, approved disinvestment of 20% of its shareholding in the Company and also requested to take necessary action to apply for listing of equity shares of the Company. Subsequently, disinvestment of 20% shareholding (out of then total 244,760,000 equity shares) was made by GOI.

In 1992, the Company listed its equity shares on stock exchanges at Delhi, Madras, Calcutta, Bombay and Ahmedabad. The equity shares of the Company were de-listed from stock exchanges at Delhi, Madras and Ahmedabad on December 11, 2004, January 19, 2005 and January 28, 2005, respectively.

The Company filed necessary application with Calcutta Stock Exchange Association Limited (CSE) on 3rd November 2004. Communication regarding delisting from CSE is still awaited. However, "BHEL" Scrip has not been appearing in the list of securities listed on the CSE. At present, the Equity Shares are listed on BSE and NSE.

Time and Cost Overrun

The Company is not a projects developer but undertakes the setting of the projects in the capacity of a contractor, hence the Company is not in a position to provide details of time and cost overruns that may have occurred since its incorporation in November 1964.

Defaults or Rescheduling of Borrowings with Financial Institutions/ Banks

There are no defaults or rescheduling of borrowings with financial institutions/ banks, conversion of loans into equity in relation to the Company.

Details regarding acquisition of business/undertakings, mergers, amalgamation, revaluation of assets

The Company has neither acquired any entity, business or undertakings nor undertaken any mergers, amalgamation or revaluation of assets in the last fiscal.

Holding Company

We do not have a holding company.

Subsidiaries of the Company

The Company has two Subsidiaries, details of which are provided below. Except Bharat Heavy Plate and Vessels Limited ("**BHPVL**"), none of the Subsidiaries have been declared a 'sick industrial company' under the provisions of the SICA. Also, no winding up proceedings are pending or have been initiated against any of the Subsidiaries in accordance with the provisions of the Companies Act. Further, no application has been made in respect of any of our Subsidiaries to the Registrar of Companies for striking off their respective names.

1. ***Bharat Heavy Plate and Vessels Limited ("BHPVL")***

BHPVL was incorporated on June 25, 1966 under the Companies Act. BHPVL is engaged in the business of manufacturing of equipment for construction, execution, carrying out improvement, work, developing, administration, manage and control the fertilizer, petroleum, petro-chemical and other heavy chemical plant units. The authorised share capital of BHPVL is ₹ 350 million divided into 350,000 equity shares of ₹ 1,000 each and the paid up capital of BHPVL is ₹ 337.978 million (divided into 337,978 equity shares of ₹ 1,000 each). The Company, including through its nominees, holds 337,978 equity shares in BHPVL, i.e. 100% of the issued and paid up capital of BHPVL.

Shareholding Pattern

The shareholding pattern of BHPVL as on June 30, 2011 is as follows:

Name of the Shareholder	No. of equity shares of ₹ 1000 each	% shareholding
BHEL	337,976	100%
Nominee:		
Mr. S.S Gupta	2	Negligible

BHPVL is an unlisted company and it has not made any public issue or a rights issue. It has been referred to BIFR on August 23, 2004 based on the financial results for the year 2002-03 and declared as a sick company by BIFR vide Ref 503/2004. BHPVL submitted "Fully Tied Up Draft Rehabilitation Scheme (DRS)" to BIFR through Operating Agency (OA) being State Bank of India as per the directions of BIFR. BIFR has approved DRS in its hearing dated October 21, 2010 and intimated sanction of the scheme vide its order dated November 10, 2010. Further, Board and BHPVL have given their in-principle approval on November 25, 2010 and December 29, 2010, respectively, for initiating the process of merger of BHPVL with the Company with effect from October 21, 2010, subject to obtaining the necessary approvals from Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises and other concerned authorities.

2. BHEL Electrical Machines Limited ("BHEL EML")

BHEL EML was incorporated on January 19, 2011 under the Companies Act and received a certificate for commencement of business on March 7, 2011. BHEL EML is engaged in the business of manufacturing, designing, storing, packing, distributing, selling, transporting, repairing, installing and all types of alternators for train engines and other rotating electrical machines for all types of commercial, non commercial, civil, defence, industrial or non industrial use. The authorised share capital of BHEL EML is ₹ 150 million divided into 15,000,000 equity shares of ₹ 10 each and the paid up capital of BHEL EML is ₹ 105 million (divided into 10,500,000 equity shares of ₹ 10 each). The Company, including through its nominees, holds 5,355,000 equity shares in BHEL EML, i.e. 51% of the issued and paid up capital of BHEL EML.

Shareholding Pattern

The shareholding pattern of BHEL EML as on June 30, 2011 is as follows:

Name of the Shareholder	No. of equity shares of ₹ 10 each	% shareholding
BHEL and its following Nominees:	5,354,700	51%
1. Varinder Pandhi	100	
2. Gopalakrishnan Lakshmanan	100	
3. Inderpal Singh	100	
Government of Kerala and its following Nominees:	48800	49%
1. K.C. Vijayakumar	100	
2. Babu Abraham Stewart	100	
3. Kerala Electrical & Allied Engg. Co. Ltd.	5,096,000	

BHEL EML is an unlisted company and it has not made any public issue or a rights issue.

*The key terms of the joint venture agreement entered into between the Company and Government of Kerala ("**GoK**") on September 8, 2010 are set forth below:*

- *Share capital and subscription*: The initial authorized share capital of BHEL EML shall be subscribed in the ratio of 51:49 by the Company and GoK respectively. In the event of issue of any further shares, it shall be offered to both the parties exclusively who may subscribe to it in the proportion of their shareholding and if one party fails to subscribe to its entitlement, the same shall be offered to the other party.

- *Board of directors*: The board of directors of BHEL EML shall have a minimum of three and a maximum of twelve directors. The Company shall have a right to nominate two directors and GoK shall have the right to nominate one director on the board of BHEL EML.

- *Transfer and encumbrance of shares*: Neither party shall transfer, sell, assign, mortgage or otherwise encumber its shareholding or voting rights for an initial period of four years from the date of registration of BHEL EML without the prior written consent of the other party. Thereafter, in case of sale of its shares by either party, the other party shall have a right of first refusal and in the event that the other party does not exercise its right of first refusal, the shares can be sold to a third party.

- *Termination*: Either party can terminate this agreement in certain events including breach of terms, compulsory/voluntary liquidation or insolvency of the other party.

Joint Ventures

1. Powerplant Performance Improvement Limited ("PPIL")

The Company entered into a joint venture agreement with Siemens Aktiengesellschaft, Germany ("**Siemens**") on July 10, 1997 for incorporation of a joint venture company. Plant Performance Improvement Private Limited ("**PPIPL**") was incorporated as a private limited company under the Companies Act on May 6, 1997. The registered office of PPIL is situated at 4A Ring Road, I.P. Extension, New Delhi - 110002, India.

The authorised share capital of PPIL is Rs. 60 million divided into 6,000,000 equity shares of Rs. 10 each. The issued, subscribed and paid-up share capital of PPIL is Rs. 40 million consisting of 4,000,000 equity shares of Rs. 10 each. As on March 31, 2011, the Company held 199,999 equity shares of Rs. 10 each constituting 50% less one share of the equity shares of PPIL**.**

2. NTPC BHEL Power Projects Private Limited ("NBPPPL")

The Company entered into a joint venture agreement with NTPC for setting up of a joint venture company on December 17, 2007. Subsequently, the Company entered into supplementary agreements dated January 11, 2008 and July 20, 2011 with NTPC. NBPPPL was incorporated as a private limited company under the Companies Act on April 28, 2008. The registered office of NBPPPL is situated at NTPC Bhawan, Core-7, Scope Complex 7, Institutional Area, Lodi Road, New Delhi - 110003, India.

The authorised share capital of NBPPPL is Rs. 3,000 million divided into 300,000,000 equity shares of Rs. 10 each. The issued, subscribed and paid-up share capital of NBPPPL is Rs. 500 million consisting of 50,000,000 equity shares of Rs. 10 each. As on March 31, 2011, the Company held 25,000,000 equity shares of Rs. 10 each constituting 50% of the equity shares of NBPPPL.

The key terms of the agreement are set forth below:

- *Share capital and subscription*: Unless otherwise mutually agreed and so long as BHEL and NTPC are the only shareholders, the Company and NTPC shall subscribe to 50% each in the paid up capital of NBPPPL and shall arrange for the subscription to the equity capital and confirm and maintain the same. In the event NBPPPL issues further shares, such issue shall be made in such a way that the equity shareholding of NTPC and the Company, put together is reduced to 50% of the post issue paid-up capital of the NBPPPL.

- *Board of directors*: The board of directors of NBPPPL shall comprise of not less than two directors and not more than sixteen directors.

  Affirmative vote: The affirmative vote of at least two directors appointed or represented by the Company and NTPC will be required in certain matters of NBPPPL.

- *Transfer and encumbrance of shares*: Neither Company nor NTPC shall sell its shareholding to any third party, unless such shares have been offered to the other party. If the other party does not accept such shares nor designates any person for the purchase of shares, the selling party shall be free to transfer such shares to a third party provided the price at which they are offered shall not be more favourable than the price at which they were offered to the other party.

- *Non-Compete*: NTPC and the Company shall ensure that NBPPPL does not quote or submit an offer for any project, tender, enquiry where either NTPC or the Company may be bidding/negotiating. In view thereof, NBPPPL shall obtain consent of the concerned party (ies) before submission of the offer and if reply is not received within 10 working days after receipt of the request from NBPPL, it would be presumed that the Company or NTPC is not bidding/negotiating for the said tender/project.

- *Termination*: Either party can terminate this agreement in certain events, including breach of terms, compulsory/voluntary liquidation or insolvency of the other party.

3. Barak Power Private Limited ("BPPL")

The Company entered into a joint venture agreement with PTC India Limited on August 30, 2008 for setting up of a joint venture company. Subsequently, BPPL was incorporated as a private limited company under the Companies Act on September 1, 2008. The registered office of BPPL is situated at 2nd Floor, NBCC Tower, 15 Bhikaji Cama Place, New Delhi - 110066.

The authorized, issued, subscribed and paid-up share capital of BPPL is Rs. 1 million divided into 100,000 equity shares of Rs. 10 each. As on March 31, 2011, the Company held 50,000 equity shares of Rs. 10 each constituting 50 % of the equity shares of BPPL. Further, Ministry of Corporate Affairs vide its letter dated September 26, 2011 has given a notice under section 560(3) of the Companies Act, 1956 that at the expiration of thirty days from September 26, 2011 the name of Barak Power Private Limited unless cause is shown to the contrary, will be stuck off from the Register and the said company will be dissolved.

The key terms of the agreement are set forth below:

- *Share capital and subscription*: The Company and PTC shall subscribe to 50% each in the paid up capital of BPPL. If BPPL proposes to increase its share capital, the Company and PTC can subscribe to shares of the enhanced equity of BPPL through itself and/or other companies/state corporations/utilities/affiliates/associates.

- *Board of directors*: Unless otherwise determined by BPPL, the board of directors of BPPL shall have a minimum of two and a maximum of twelve directors. Any shareholder holding more than 10% shareholding of BPPL shall be entitled to nominate a director on the board of BPPL. Further changes in the number of directors of BPPL shall be in proportion to the equity shareholding on the parties with their consent.

- *Affirmative vote*: The affirmative vote of at least one of the directors appointed or represented by the Company and PTC will be required in certain matters of BPPL.

- *Transfer of shares*: In case of sale of its shares by either party, the other party shall have a right of first refusal and in the event that the other party does not exercise its right of first refusal, the shares can be sold to a third party provided the price at which they are offered shall not be more favourable than the price at which they were offered to the other party nor the designated person(s) which are authorised and willing to acquire shares.

- *Non Compete*: BPPL shall not compete with either the Company or PTC in their respective business areas, without their prior written consent.

- *Termination*: Either party can terminate this agreement in certain events including breach of terms, compulsory/voluntary liquidation or insolvency of the other party. In addition, if the shareholding of PTC or BHEL in BPPL voluntarily falls below 5% of the paid up capital of the company, all rights of such party under this agreement shall cease.

4. Udangudi Power Corporation Limited ("UPCL")

The Company entered into a joint venture agreement with Tamil Nadu State Electricity Board ("**TNEB**") on November 26, 2008 for setting up of a joint venture company. Subsequently, UPCL was incorporated as a public limited company on December 26, 2008, under the Companies Act and received the certificate for commencement of business on August 31, 2009. The registered office of UPCL is situated at No 144, Anna Salai TNEB Complex, Chennai 600 002.

The authorised share capital of UPCL as on March 31, 2011 was Rs. 2,000 million divided into 200,000,000 equity shares of Rs. 10 each. The issued, subscribed and paid-up share capital of UPCL is Rs. 650 million consisting of 65,000,000 equity shares of Rs. 10 each. As on March 31, 2011, the Company held 32,500,000 equity shares of Rs. 10 each constituting 50% of the equity shares of UPCL.

The key terms of the agreement are set forth below:

- *Share capital and subscription*: The initial authorized share capital of UPCL will be subscribed to equally by TNEB and the Company. The enhancement of equity capital of the UPCL shall be done through allotment to financial institutions, who would subscribe to 48% of the share capital of UPCL. Post allotment to financial institutions, the shareholding of TNEB and the Company shall be 26% each. If UPCL issues any further shares beyond the enhancement contemplated above, UPCL shall first offer such shares to the existing shareholders in proportion of the equity share held by them. If one shareholder fails to subscribe to its entitlement, the same shall be offered to the other shareholder(s).

- *Board of directors*: The board of directors of UPCL shall have a minimum of 4 and a maximum of 12 directors with equal nominations from both TNEB and the Company. The chairman of TNEB shall always be the chairman of UPCL, and the executive director/ CEO shall be nominated by TNEB.

- *Affirmative vote*: The affirmative votes of all the directors appointed or represented by TNEB and the Company will be required in certain matters.

- *Roles and responsibilities of the Parties:* UPCL shall reserve at least 75% of the power generated for the Tamil Nadu Electricity Board for which the payment shall be made at the rates fixed by Tamil Nadu Electricity Regulatory Commission/Central Electricity Regulatory Commission, from time to time. Order for main plant equipment for the project shall be placed on the Company by UPCL on nomination basis subject to benchmarking of the equipment price to international levels after making adjustment for site conditions and specifications.

- *Transfer and encumbrance of shares*: Neither party shall transfer, sell, assign, mortgage or otherwise encumber its shareholding or voting rights for an initial period of five years from the date of incorporation of UPCL nor until the commencement of commercial operations of the first unit whichever is later. In case of sale of its shares by either party, the other party shall have a right of first refusal and in the event that the other party does not exercise its right of first refusal, the shares can be sold to a third party.

- *Termination*: Either party can terminate this agreement in certain events including breach of terms, compulsory/voluntary liquidation or insolvency of the other party.

5. Raichur Power Corporation Limited ("RPCL")

The Company entered into a joint venture agreement with Karnataka Power Corporation Limited ("**KPCL**") on January 12, 2009 for setting up of a joint venture company. Subsequently, RPCL was incorporated as a public limited company under the Companies Act on April 15, 2009 and received its certificate of commencement on June 5, 2009. The registered office of RPCL is situated at No. 22/23, Sudarshan Complex, Sheshadri Road, Bangalore, Karnataka - 560 009.

The authorised share capital of RPCL as on March 31, 2011 was Rs. 20,000 million divided into 2,000,000,000 equity shares of Rs. 10 each. The issued, subscribed and paid-up share capital of RPCL was Rs. 6630.46 million consisting of 663,046,624 equity shares of Rs. 10 each. As on March 31, 2011, the Company held 331,523,312 equity shares of Rs. 10 each constituting 50% of the equity shares of RPCL. The Board of Directors of the Company on March 30, 2011 approved the change in equity structure of the RPCL with KPCL holding 50%, the Company holding 26%, and balance 24% to be offered to financial institutions.

The key terms of the agreement are set forth below:

- *Share capital and subscription*: The initial authorized share capital of RPCL will be subscribed to equally by KPCL and the Company. The enhancement of equity capital of the RPCL shall be done through allotment to financial institutions, who would subscribe to 48% of the share capital of RPCL. Post allotment to financial institutions, the shareholding of KPCL and the Company shall be 26% each, respectively. If RPCL issues any further shares beyond the enhancement contemplated above, RPCL shall first offer such shares to the existing shareholders in proportion of the equity share held by them. If one shareholder fails to subscribe to its entitlement, the same shall be offered to the other shareholder(s).

- *Board of directors*: The board of directors of RPCL shall have a minimum of four and a maximum of twelve directors, with equal nomination from KPCL and the Company. The management and the day-to-day affairs of the company shall vest with managing director, who shall be nominated by KPCL and the chairman of RPCL shall be nominated by the Company, provided they continue to be the shareholders of RPCL.

- *Roles and responsibilities of the Parties:* The power generated in the project shall be reserved for Karnataka Power Corporation Limited/ESCOMs of Karnataka, for *which* they shall make payment at rates fixed by Karnataka Electricity Regulatory Commission/Central Electricity Regulatory Commission as the case may be. Order for main plant equipment for the project shall be placed by RPCL on the Company on nomination basis subject to benchmarking of the equipment price to international levels after making adjustments for site conditions & specifications.

- *Affirmative vote*: The affirmative votes of all the directors appointed or represented by KPCL and BHEL will be required in certain matters of RPCL.

- *Transfer and encumbrance of shares*: Neither party shall transfer, sell, assign, mortgage or otherwise encumber its shareholding or voting rights for an initial period of five years from the date of incorporation of RPCL or until the commencement of commercial operations of the projects. Thereafter, neither BHEL nor KPCL shall not sell or otherwise transfer either all or any part of their shares owned by them in RPCL to any third party unless the said shares have been offered to the other party.

- *Termination*: Either party can terminate this agreement in certain events including breach of terms, compulsory/voluntary liquidation or insolvency of the other party.

6. Dada Dhuniwale Khandwa Power Limited ("DDKPL")

The Company entered into a joint venture agreement with Madhya Pradesh Power Generating Company Limited ("**MPPGCL**") January 28, 2010 for setting up of a joint venture company. Subsequently, DDKPL was incorporated as a public limited company under the Companies Act on February 25, 2010 and received the certificate for commencement of business on June 8, 2010. The registered office of DDKPL is situated at Shed No.7, MPSEB Complex, Rampur, Jabalpur, Madhya Pradesh - 482008.

The authorised share capital of DDKPL is Rs. 700 million divided into 70,000,000 equity shares of Rs. 10 each. The issued, subscribed and paid-up share capital of DDKPL is Rs.450 million consisting of 45,000,000 equity shares of Rs. 10 each. As on date, the Company holds 22,500,000 equity shares of Rs. 10 each constituting 50% of the equity shares of DDKPL.

The key terms of the agreement are set forth below:

- *Share capital and subscription*: The initial authorized share capital of DDKPL will be subscribed to equally by MPPGCL and the Company. Further, enhancement of equity capital of the DDKPL shall be done through allotment to financial institutions, who would subscribe to 48% of the share capital of DDKPL. Post allotment to financial institutions, the shareholding of MPPGCL and the Company shall be 26% each, respectively. If DDKPL issues any further shares beyond the enhancement contemplated above, DDKPL shall first offer such shares to the existing shareholders in proportion of the equity shares held by them. If one shareholder fails to subscribe to its entitlement, the same shall be offered to the other shareholder(s).

- *Board of directors*: The board of directors of DDKPL shall have a minimum of four and a maximum of twelve directors, with equal nomination from MPPGCL and the Company. The management and the day-to-day affairs of the company shall vest with managing director, who shall be nominated by MPPGCL, provided MPPGCL holds minimum 26% shares of the DDKPL. The chairman of DDKPL shall be nominated by the Company provided it continues to hold 26% shares of DDKPL.

- *Roles and responsibilities of the Parties:* DDKPL shall reserve at least 85% of power generated for Madhya Pradesh Power Generating Company Limited/DISCOMs of Madhya Pradesh, the payment for which shall be made at the rates fixed by Madhya Pradesh Electricity Regulatory Commission/Central Electricity Regulatory Commission, from time to time through an escrow account. DDKPL should place the orders for BTG and their associated equipment with the Company on nomination basis subject to benchmarking of the equipment price to international levels after making adjustment for site conditions and specifications.

- *Affirmative vote*: The affirmative vote of all the directors appointed or represented by the Company and MPPGCL will be required in certain matters of DDKPL.

- *Transfer and encumbrance of shares*: Neither party shall transfer, sell, assign, mortgage or otherwise encumber its shareholding or voting rights for an initial period of five years from the date of incorporation of DDKPL or until the commencement of commercial operations of the first unit of the project, whichever is earlier. The Company and MPPGCL agree that after the initial lock-in there will be a restriction on transfer of shares in whole or in part, whereby neither the Company nor MPPGCL

shall not sell or otherwise transfer either all or any part of their shares owned by them in DDKPL to any third party unless the said shares have been first offered to the other party or their designated persons to purchase the shares.

- *Termination*: Either party can terminate this agreement in certain events including breach of terms, compulsory/voluntary liquidation or insolvency of the other party

7. Latur Power Company Limited ("LPCL")

The Company entered into a joint venture agreement with Maharashtra State Power Generation Company Limited ("**MAHAGENCO**") on November 11, 2010 for setting up of a joint venture company. Subsequently, LPCL was incorporated as a public limited company under the Companies Act on April 6, 2011 and received the certificate for commencement of business on July 12, 2011. The registered office of LPCL is situated at Prakashgad, 2nd Floor, Plot No. G-9, Anant Kanekar Marg, Bandra (East), Mumbai 400 051.

The authorised share capital of LPCL is Rs. 50 million divided into 5,000,000 equity shares of Rs. 10 each. The issued, subscribed and paid-up share capital of LPCL is Rs. 50 million divided into 5,000,000 equity shares of Rs. 10 each. The Company holds 25 million equity shares of Rs. 10 each constituting 50% of the equity shares of LPCL.

The key terms of the Agreement are set forth below:

- *Share capital and subscription*: The initial authorized share capital of will be subscribed to equally by MAHAGENCO and the Company. The enhancement of equity capital of the LPCL shall be done through allotment to financial institutions, who would subscribe to 48% of the share capital of LPCL. Post allotment to financial institutions, the shareholding of MAHAGENCO and the Company shall be 26% each, respectively. If LPCL issues any further shares beyond the enhancement contemplated above, LPCL shall first offer such shares to the existing shareholders in proportion of the equity share held by them. If one shareholder fails to subscribe to its entitlement, the same shall be offered to the other shareholder(s).

- *Board of directors*: The board of directors of LPCL shall have a minimum of 4 and a maximum of 12 directors, with equal nominations from both MAHAGENCO and the Company. The management and the day-to-day affairs of the company shall vest with managing director, who shall be nominated by MAHAGENCO. The chairman of LPCL shall be nominated by the Company out of the directors nominated by the Company.

- *Affirmative vote*: The affirmative vote of a majority of directors, including all the directors appointed or represented by MAHAGENCO and the Company, will be required in certain matters of LPCL.

- *Transfer and encumbrance of shares*: Neither party shall transfer, sell, assign, mortgage or otherwise encumber its shareholding or voting rights for an initial period of five years from the date of incorporation of LPCL or until the commencement of commercial operations of the project, once completed, whichever is later. Thereafter, neither the Company nor MAHAGENCO shall sell or otherwise transfer either all or any part of their shares owned by them in LPCL to any third party unless the said shares have been offered to the other party.

- *Roles and responsibilities of the Parties:* LPCL shall reserve at least 85% of power generated for Maharashtra Power Trading Corporation Limited/DISCOMs of Maharashtra, the payment for which shall be made at the rates fixed by Maharashtra Electricity Regulatory Commission/Central Electricity Regulatory Commission, from time to time through an escrow account. Company will set up the project as the nominated EPC contractor/main plant equipment supplier for installing the main plant and other associated equipment on mutually agreed terms and conditions, subject to equipment price being benchmarked against international competitive price levels after making adjustments for site conditions and specifications.

- *Termination*: Either party can terminate this agreement in certain events including breach of terms, compulsory/voluntary liquidation or insolvency of the other party.

8. BHEL – GE Gas Turbine Services Private Limited ("BGGTS")

The Company entered into a joint venture agreement dated July 8, 1997 with GE Pacific (Mauritius) Limited, Mauritius ("**GEPM**"), a 100% owned subsidiary of General Electric Company ("**GEC**")for incorporation of a private limited company ("**JVA**"). Additionally, the Company has entered into a members' voting agreement dated July 8, 1997 ("**MVoA**"); BHEL trademark agreement dated November 6, 1997 with GEPM; BHEL parts distributorship agreement dated November 6, 1997 with BGGTS; agreement to utilise the joint venture company dated November 6, 1997 and personnel management agreement with GEC and BGGTS dated November 6, 1997. BGGTS was incorporated as a private limited company under the Companies Act on May 5, 1997. The registered office of BGGTS is situated at Gumidelli Towers, 6th Floor, 1-10-39 to 44, Begaumpet Airport Road, Hyderabad 500 016.

The authorised share capital of BGGTS is Rs. 70 million divided into 7,000,000 equity shares of Rs. 10 each. The issued, subscribed and paid-up share capital of BGGTS is Rs. 47.6 million consisting of 4,760,000 equity shares of Rs. 10 each. As on March 31, 2011, the Company held 2,379,999 equity shares of Rs. 10 each constituting 50% less one share of the equity shares of BGGTS.

The key terms of the JVA are set forth below:

- *Share capital and subscription*: The initial authorized share capital of BGGTS shall be subscribed such that GEPM holds 50% of the share capital plus one share and the Company holds 50 % of the share capital less one share.

- *Termination*: The JVA may be terminated by either party, *inter alia*, in following events: (a) in case of material change in the ownership or control of either party which is detrimental to the interests of the other; or (b) if BGGTS does not source after sales market spares parts, repair services etc in accordance with the agreement; (c) if BGGTS elects to terminate the Technology and Trademark Agreement; or (d) if the License Agreement is not extended beyond its initial duration or (e) failure by a party to perform material obligations and such failure remaining uncured for a period of 60 days. If the JVA is terminated, either party shall request dissolution of BGGTS.

The key terms of the MVoA *are set forth below:*

- *Board of directors*: The board of directors of BGGTS shall comprise of six directors with equal nomination from both parties. The Chairman of the board shall be nominated by the Company from amongst the Company nominated board members. The full time GEPM nominated board director shall be nominated as Managing Director and the full-time Company nominated director shall be the Joint Managing Director.

- *Affirmative vote*: The affirmative vote of at least one member appointed or represented by the Company and GEPM will be required in certain matters of BGGTS.

- *Transfer and encumbrance of shares*: In the event that a party wishes to sell its shares in BGGTS ("**Transferor**"), it shall offer its entire shareholding to the other party or its designated person ("**Transferee**") at a price determined in accordance with the agreement and if the Transferee refuses to purchase the shares, it can offer it to a third party, provided that if the price of the offer is modified, the Transferor shall first offer the shares at the revised price to the Transferee. Only if the Transferee neither accepts nor refuses to purchase the shares within the offer period, the Transferor shall be free to sell all, and not less than all, of its shares to only one other person for cash at a price not lower than the price offered to the Transferee. Moreover, in the event that the shares are acquired in violation of the aforementioned procedure, the Remaining Member (Transferee)shall have the right to purchase at 10% of book value or the contract price of the shares acquired, whichever is lower, any or all of the shares purported to have been thus acquired.

  In addition, neither party is allowed to pledge, mortgage, hypothecate nor otherwise encumber any of its shares without the prior written consent of the other party.

- *Management Deadlock:* In the event of a management deadlock, the managing director, appointed by GEPM, shall be appointed as the chairman and exercise a second vote to resolve a deadlock in all matters except the matters which require an affirmative vote of at least one of the directors appointed by each party.

- *Termination:* Unless terminated earlier by agreement of the parties, the MVoA shall terminate upon dissolution of BGGTS.

9. ***BHEL Electrical Machines Limited ("BHEL EML")***

For more information, please see section titled "History and Certain Corporate Matters – Subsidiaries of the Company" on page 159.

Material Agreements

Memorandum of understanding with DHI, Ministry of Heavy Industries and Public Enterprises, GoI

The Company enters into an annual memorandum of understanding with DHI, Ministry of Heavy Industries and Public Enterprises, GoI. This memorandum of understanding between DHI, Ministry of Heavy Industries and Public Enterprises, GoI and the Company for 2011-12 sets out certain performance targets based on static financials and dynamic parameters such as quality and customer satisfaction, engineering and research development etc ("**Target**"). At the end of the year the performance of the Company is compared with the Target set.

For the year 2011-12, the Company has undertaken the following: (i) to reach a turnover of ₹ 450,000 million by enhancing the competitive edge of the Company in existing businesses, new related areas and international operations; (ii) to maintain a market share in power sector of around 52% by 2011-12; (iii) to attempt an order inflow of ₹ 600,000 million; and (iv) to achieve export turnover of ₹ 23,000 million.

In order to achieve the objective growth, DHI, Ministry of Heavy Industries and Public Enterprises, GoI Industries will assist the Company in the following areas: (i) indigenization of supercritical technology through placement of orders; (ii) encouraging indigenously developed technologies; and (ii) provision of line of credit to secure business abroad.

Strategic or Financial Partners

The Company currently does not have any strategic or financial partners.

Details of past performance

For further details in relation to the financial performance of the Company in the previous five Financial Years, including details of non-recurring items of income, see the section titled "Financial Statements" on page 196.

THE MANAGEMENT

Board of Directors

Under the Articles of Association, the Company is required to have not less than 3 Directors and not more than 18 Directors. We currently have 13 Directors, of which 5 are independent Directors. The remaining independent directors are in process of being appointed.

The following table sets forth details regarding the Board as of the date of this Draft Red Herring Prospectus.

Sr. No.	Name, Designation, DIN and Occupation	Age	Address	Other Directorships
1.	**Mr. B. Prasada Rao** *Chairman and Managing Director* DIN: 01705080 Occupation: Service	57	B-278, Asian Games Village Complex, New Delhi 110049, India	*Indian* • Bharat Heavy Plate and Vessels Limited *Foreign* • Electrical Construction Co. (ECCO), Tripoli, Libya
2.	**Mr. Anil Sachdev** *Director - HR* DIN: 01676957 Occupation: Service	59	B-276, Asian Games Village Complex, New Delhi 110049, India	• Raichur Power Corporation Limited
3.	**Mr. Atul Saraya** *Director - Power* DIN: 02145899 Occupation: Service	57	B-273, Asian Games Village Complex, New Delhi 110049, India	• NTPC BHEL Power Project (P) Limited • Udangudi Power Corporation Limited • Raichur Power Corporation Limited • Dada Dhuniwale Khandwa Power Limited
4.	**Mr. O. P. Bhutani** *Director – E, R&D* DIN: 02898748 Occupation: Service	58	B 86, Suraj Mal Vihar, New Delhi 110092, India	• Udangudi Power Corporation Limited • Latur Power Company Limited
5.	**Mr. M. K. Dube** *Director – IS & P* DIN: 02732853 Occupation: Service	58	E-4/304 Arera Colony, Bhopal, Madhya Pradesh 462016, India	• Madhya Pradesh Madhya Kshetra Vidyut Vitaran Co. Limited
6.	**Mr. P. K. Bajpai** *Director – Finance* DIN: 02205660 Occupation: Service	56	11/16, West Patel Nagar, New Delhi 110008, India	• Latur Power Co. Limited

Sr. No.	Name, Designation, DIN and Occupation	Age	Address	Other Directorships
7.	**Mr. Saurabh Chandra** *Part Time Official (Government Nominee) Director* DIN: 02726077 Occupation: Government Officer	56	D-I/9, Bharti Nagar, New Delhi 110003, India	• HMT limited • Heavy Engineering Corporation Limited, Ranchi
8.	**Mr. Ambuj Sharma** *Part Time Official (Government Nominee) Director* DIN: 00613944 Occupation: Government Officer	52	D-I/11, Rabindra Nagar, New Delhi 110003, India	
9.	**Mr. Ashok Kumar Basu** *Part Time Non-Official (independent) Director* DIN: 01411191 Occupation: Retired Bureaucrat	69	GD-282,Sector – III, Salt Lake City, Kolkata, West Bengal 700106, India	• Tata Metaliks Limited • Tata Power Co. Limited • Tinplate Co. of India Limited • Carter Engineering Private Limited • JSW Bengal Steel Limited • Visa Comtrade Limited • Visa Power Limited
10.	**Mr. M. A. Pathan** *Part Time Non-Official (independent) Director* DIN: 00040352 Occupation: Professional	69	K-80, Ist Floor, Hauz Khas Enclave, New Delhi 110 016, India	• Tata Petrodyne Limited • IOT Engineering & Projects Limited • Nagarjuna Oil Corporation Limited, Chennai <u>*Foreign*</u> • Jabal EILIOT Company Limited, Saudi Arabia
11.	**Ms. Reva Nayyar** *Part Time Non-Official (independent) Director* DIN: 00890248 Occupation: Retired Bureaucrat	65	5-A, Old Friends Colony (West), Mathura Road, New Delhi 110 065, India	• Essel Social Welfare Foundation
12.	**Mr. V. K. Jairath** *Part Time Non-Official (independent) Director* DIN: 00391684 Occupation: Retired Bureaucrat	52	194-B, Kalpataru Horizon, S.K. Ahire Marg, Worli, Mumbai Maharashtra 400018, India	• Tata Motors Limited • SEBI

Sr. No.	Name, Designation, DIN and Occupation	Age	Address	Other Directorships
13.	**Mr. S. Ravi** *Part Time Non-Official (independent) Director* DIN: 00009790 Occupation: Professional	52	D-218, Saket, New Delhi 110017, India	• Mahindra Ugine Steel Company Limited • IDBI Capital Markets Services Limited • UTI Trustee Company Pvt. Limited • LIC Housing Finance Corporation Limited • S Ravi Financial Management Services Pvt. Limited • Union Bank of India • Religare Housing Development Finance Corporation Limited • GMR Chennai Outer Ring Road Pvt. Limited • SME Rating Agency of India Limited • Canbank Venture Capital Fund Limited • Ravi Rajan & Co., Chartered Accountants • RRCA & Associates

All the Directors of the Company are Indian nationals and none of the Directors are related to each other.

Understanding with major shareholders pursuant to which Director(s) were appointed

All the Directors are appointed by the President of India acting through the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, who is the major shareholder holding 67.72% of the pre-Offer paid-up Equity Share capital of the Company. Besides this, there are no arrangements or understanding with major shareholders, customers, suppliers or others, pursuant to which any of the Directors were selected as a Director or member of the senior management.

Brief Biographies of the Directors

Mr. B. Prasada Rao, aged 57 years, was appointed as the Chairman & Managing Director on October 1, 2009. Mr. Rao is a B.Tech (Mech) from Jawaharlal Nehru Technological University, Kakinada, Andhra Pradesh and did his post graduate diploma in 'Industrial Engineering' from National Institute for Training in Industrial Engineering, Mumbai. He has approximately 33 years of diversified and varied experience working in all major segments of the Company like corporate, planning and development; gas turbine division, diversification and strategic planning; and erection and commissioning etc. He started his career in BHEL as an industrial engineer at industrial systems group in 1978 and initiated the planning function and was responsible for conceptualizing approach for organization of industry sector and drawing up a blueprint for electronics in the Company. Diversification initiative at 'Electronics Division' for the Company's entry into defence simulators was spearheaded by him. He has represented India in the Study Group of World Energy Council on their initiative for developing 'Deciding the Future: Energy Policy Scenarios to 2050'. He is a member of 'CII – National Committee on Capital Goods & Engineering'. Presently, he is the part-time chairman of Bharat Heavy Plate and Vessels Limited and has also been appointed as member, First Society and Board of Governors, IIM-Kashipur.

Mr. Anil Sachdev, aged 59 years, was inducted as Director (HR) on September 01, 2007. He is a B.E (Mechanical Engineering) from Jabalpur University, Jabalpur and holds a degree of Masters in Business Administration in production management from CRIBM, Bhopal. He has approximately 32 years of experience in production at key units of the Company viz. Bhopal and Haridwar. During his tenure at Haridwar, he was responsible as head, Central Foundry Forge Plant, Haridwar ("**CFFP**"), for the turnaround of the CFFP in a short span of two and half years. His leadership as 'Executive Director' helped Heavy Electrical Equipment Plant, Haridwar to record an all time high turnover in 2006-07 and it also became the first unit of the Company

to be awarded the 'CII EXIM Bank Award for Business Excellence'. As Director (HR) of the Company, he has played a role in gearing up the Company to meet the heavy demands from the power sector and increasing competition from new players within the country and abroad. He has been instrumental in inducting around 4000 employees every year comprising of engineers, diploma holders and apprentices and has initiated the re-employment scheme, which helped the Company to attract a large number of executives to join us back. He is also involved in vendor development initiatives for large castings and forgings, balance of plant items and turbine blades. Presently, he is also the chairman of the board of Raichur Power Corporation Limited.

Mr. Atul Saraya, aged 57 years, was inducted as Director (Power) on October 1, 2009. He holds a degree in B.Sc (Electrical Engineering) from Kanpur University and a post graduate diploma in Business Administration from Faculty of Arts, Annamalai University. Mr. Saraya joined the Haridwar unit of the Company, as an engineer trainee in 1976 and has approximately 35 years of experience of manufacturing at Company's Heavy Electricals Equipment Plant, Haridwar, business development at Power Sector-Marketing division at New Delhi and Project Implementation and Construction at Power Sector Eastern Region construction division, Kolkata. As Executive Director, he held the charge of both Power Sector Marketing and Power Sector Eastern Region concurrently. Apart from being the full time Director (Power) in BHEL, he is also on the boards of DDKPL, NBPPL, RPCL and UPCL. As Director (Power), he is responsible for spearheading the Power Sector of the Company, which handles about 80% of the organisation's business and is responsible for formulating strategies for securing not only business for the growth of the organisation but also ensuring timely completion of the projects in hand leading to enhanced customer satisfaction.

Mr. O.P. Bhutani, aged 58 years, was inducted as Director (Engineering, Research & Development) on December 24, 2009. A B.Sc. (Mechanical Engineering) from Delhi College of Engineering, New Delhi and Master of Business Administration from Faculty of Management Studies, New Delhi. Mr. Bhutani has an experience of approximately 35 years, spanning a wide range of functions, including marketing & business development, project execution, construction management, product design and engineering, operations, planning and strategic management. As Director (Engineering, Research & Development), he has placed a strong emphasis on the development and deployment of clean technologies, improvement of energy efficiency in all products as well as on capability and capacity augmentation of the Company to overcome the competition being faced by it. Further, Mr. Bhutani is also in-charge of corporate monitoring, capital investment planning and materials management functions of the Company. Mr. Bhutani is presently a director on the board of Udangudi Power Corporation Limited and serves as the chairman on the board of Latur Power Company Limited.

Mr. M.K. Dube, aged 58 years, was inducted as Director (Industrial Systems & Products) on June 25, 2011. He holds a degree of Bachelor of Engineering (Mech) from Bhopal University. He joined BHEL as an engineer trainee in 1976. Shri Dube has more than 35 years of diversified and versatile professional experience. As Executive Director (Power Sector Technical Services), he was responsible for monitoring the performance of BHEL supplied equipment, enabling the processes of performance testing and troubleshooting as well as exploring solutions to generic issues in power generating equipment. In January 2009, he took charge of the Bhopal manufacturing plant as Executive Director. Under his stewardship, the Bhopal plant achieved many milestones including the successful manufacture and testing of India's first 1200 kV, 333 MVA auto transformer and the development of IGBT based traction convertor for 3 phase drive technology in the EMU segment. Under his leadership, capability building initiatives were taken to enhance total capacity to 30000 MVA for Transformers and to 2250 nos. for Motors. For his contribution to the field of hydro power, he was awarded the ENERTIA Award 2010.

Mr. P.K. Bajpai, aged 56 years, was inducted as Director (Finance) on July 01, 2011. He holds a degree of B.Tech (Mech) from IIT, Kanpur and a degree of Master of Business Administration from the University of Leeds, United Kingdom and is also a member of the Institute of Cost and Works Accountants of India, Calcutta. He joined the Company in the year 1977 and has approximately 34 years of experience. He played a role as head of finance of profit centres comprising entire value chain of the organization viz., Engineering (Project Engineering and Management), Manufacturing (Bhopal Unit) and Erection Commissioning and Services (Erection and Commissioning Unit, Power Sector - Northern Region). He also worked in corporate financial services division looking after treasury management, forex exposure management, receivables management, operation surplus/deficit management, banking facility - cash/non cash limits. He also worked as head of finance of power sector head quarters and dealt with human resources, management services, IT & HRDD functions. As General Manager (Finance) Internal Audit / Management Improvement Cell, he has developed a system on effectiveness of internal audit and improvements for higher maturity level and effective coordination with CAG for 'Nil' comments in balance sheet. Presently, he is the director on the board of Latur Power Company Limited.

Mr. M.A. Pathan, aged 69 years, is an independent Director on the Board of the Company from June 22, 2009. He holds a degree of Bachelor of Arts from University of Bombay. He undertook the 'Petroleum Management Program' conducted at Cambridge, Massachusetts by Arthur A. Little Management Education Institute, Inc in the year 1984. He has about four decades of diverse experience in the oil industry. He has been the recipient of several prestigious awards like 'Pride of Nation Award – 2000' conferred upon him by the United Indians, 'Top CEO of the Year Award – 2000' given by the Institute of Marketing and Management etc. He was the chairman, Indian Oil Corporation Limited from February, 1997 till March, 2002 and was on its board since 1994. In the past, he held high positions like chairman of Indian Oil Tanking Limited, chairman and member of the governing council of Petroleum Federation of India and director on the board of World LP Gas Association, resident director with TATAs, regional director for South and South-East Asia, Global Union Ventures Limited etc. Presently, he is associated with Tata Teleservices Limited as Chief Mentor (Enterprise Business) and Strategic Advisor for IOT Infrastructure & Energy Services Limited. He is also the Chairman of the board of Tata Petrodyne Limited and IOT Engineering Projects Limited and director on the board of Nagarjuna Oil Corporation Limited. Additionally, he is also the chairman of the Apex Group for guidance and monitoring of research and development activities at Indian Oil Corporation Limited, New Delhi.

Mr. Ashok Kumar Basu, aged 69 years, was inducted as an independent Director on the board of BHEL on June 22, 2009. He is a retired IAS officer of 1965 batch and holds a degree of Bachelor of Arts in Economics and Political Science, University of Calcutta. He has worked in various capacities and held important positions both in Government of West Bengal and GoI including Commissioner, Calcutta Municipal Corporation, Education Secretary, Labour Secretary and Principal Secretary, Food and Civil Supply, Chief Electoral Officer of the State, Special Assistant to the Union Minister of Education, Social Welfare and Culture and Special Secretary, Ministry of Home Affairs. He was associated with industry and infrastructure sectors from the year 1988 to 2003. He was the Development Commissioner, Iron and Steel and then Joint Secretary, Ministry of Steel, Additional Secretary and Advisor (Industry & Minerals), Union Planning Commission and thereafter Secretary, Ministry of Steel and Mines, Government of India. As Secretary, Ministry of Power (June, 2000 - March, 2002), he took several important initiatives for reform and restructuring of the Indian electricity sector. He was also the chairman, Central Electricity Regulatory Commission during April 2002 to March 2007 and chairman, South Asia Forum of Infrastructure Regulation (SAFIR), during 2005-2006. Presently, he is a director on the board of VISA Comtrade Limited, Tata Metaliks Limited, JSW Bengal Steel Limited, Tinplate Company of India Limited, VISA Power Limited, Tata Power Company Limited and Carter Engineering Private Limited.

Mr. V.K. Jairath, aged 52 years, was appointed as an independent Director on the Board on November 12, 2009. He is a former IAS officer of 1982 batch and holds a degree of Bachelor of Arts and Bachelors in Law from Punjab University. He has approximately 26 years of experience in public administration, rural development, poverty alleviation, infrastructure, finance, industry, urban development, environmental management and has worked at various important positions in Government of India and the State Government of Maharashtra. As Principal Secretary (Industries), Government of Maharashtra from February, 2005 to March, 2008, he participated in formulating important policies and also actively associated with industrial investment and infrastructure development. He has also worked as ex-officio director on the board of State Industrial and Investment Corporation of Maharashtra (SICOM), Mahanagar Gas Limited, Manganese Ore India Limited, United Western Bank, Sangli Bank Limited, Maharashtra Industrial Development Corporation (MIDC), Maharashtra Airport Development Company and Maharashtra Maritime Board. Presently, he is an independent director on the board of Tata Motors Limited and a part-time member of SEBI.

Mr. Saurabh Chandra, aged 56 years, is a Government Nominee Director on the Board since July 2009. He is an IAS officer of 1978 batch and holds a degree of Bachelor Technology (Electrical), from the Institute of Technology, Kanpur which he cleared in First Class with distinction. He also has a Diploma in Management from All India Management Association, New Delhi. In a career of over three decades, he has served at senior Government positions, both in the State Government of Uttar Pradesh and Government of India. The positions held by him in recent years, include, Principal Secretary in the Rural Engineering Services Department and Science and Technology Department under the Government of Uttar Pradesh and Joint Secretary in the Departments of Disinvestment and Revenue in the Ministry of Finance, Government of India. Since February 2009, he is posted as Additional Secretary and Financial Adviser to the Government of India in the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, with additional charge of the Ministry of Micro, Small and Medium Enterprises and Departments of Heavy Industries and Public Enterprises respectively. For rendering outstanding services during his career, inter-alia, the 1991 Census Silver Medal and the State Award in 1991 was conferred on him by the President of India and Government of Uttar Pradesh respectively.

Mr. Ambuj Sharma, aged 52 years, is the Government Nominee Director on the Board of the Company since March 15, 2011. He is an IAS officer of 1983 batch and holds a degree in M.Sc. (Geology) from the University of Lucknow, a degree in Master of Business Administration from the Indira Gandhi National Open University, New Delhi and M.A. in Rural Social Development from the University of Reading, United Kingdom. In his career of approximately 28 years, he has served at senior Government positions, both in the State Government of Tamil Nadu and GoI. He has held important senior level positions in recent years including Principal Secretary in the Revenue Department, Special Secretary in Home Department and Industry Department and Commissioner of Municipal Administration & Water Supply Department in Tamil Nadu. Presently, he is posted as Joint Secretary to the Government of India in Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises looking after the auto sector, heavy electrical equipment sector, vigilance and several public sector enterprises, including BHEL.

Mrs. Reva Nayyar, aged 65 years, was inducted as an independent Director on the Board of BHEL wef. June 22, 2009. She is a retired IAS officer of 1968 batch from Haryana cadre. She holds post graduate degree of M.A. (Political Science). She possess approximately 31 years wide experience in public administration and human resource management with varied exposure to governance at centre and state level as well as in state PSUs and the Union Parliament. She has worked as Secretary, Government of India, Ministry of Woman & Child Development during 2004-06 and participated in formulation of major policy and legislation pertaining to women and children. As Secretary, Department of Development of North Eastern Region during January 2004 — June 2004, she supervised overall development of all the seven states in the north-east of India and Sikkim. She also worked as Adviser, Planning Commission of India; Member-Secretary National Commission for Women; Joint Secretary, Department of Revenue; Joint Secretary, Lok Sabha; Secretary, Cultural Affairs, Government of Haryana. Presently, She is serving as chairperson of Community Friendly Movement and Bal Sahyog Society, Delhi and is a director on the board of Essel Social Welfare Foundation. She is also trustee of Micronutrient Initiatives India and the Cathedral Vidya Trust.

Mr. S. Ravi, aged 52 years, was inducted for the second term as independent Director on the Board of BHEL wef. March 10, 2011. He is a fellow member of the Institute of Chartered Accountants of India and also holds post graduate degree of M.Com from Rani Durgawati University, Jabalpur, Madhya Pradesh. His experience includes holding a number of positions on the board of banks and financial institutions like UCO Bank, Dena Bank, Corporation Bank etc and currently on the board of Union Bank of India; asset management companies like Principal Trustee Company Private Limited, Canbank Venture Capital Fund Limited and is on the board of merchant banking companies like IDBI Capital Markets Services Limited etc. As the managing partner of Ravi Rajan & Co. and RRCA & Associates, Chartered Accountants, he is involved in providing financial and management consultancy in specialized areas comprising of business valuations, brand valuation, mergers and acquisitions, rehabilitation, restructuring and turnaround strategies. He was also a member of Technical Expert's Committee of Punjab and Sind Bank and Working Group formed by Reserve Bank of India for preparation of the draft government securities regulations within the framework of the Government Securities Bill, 2004. At present, he is the director on the board of Mahindra Ugine Steel Company Limited, LIC Housing Finance Limited, Religare Housing Development Finance Corporation Limited, GMR Chennai Outer Ring Road Private Limited etc.

The details of the Directors as described below including their educational qualifications as well as the professional experience are based on certificates provided by the Directors.

Confirmation from Directors

None of the Directors, has held or currently holds directorships in any listed companies whose shares have been or were suspended from being traded on the Stock Exchange(s) in the past five years or whose shares have been or were delisted from the stock exchange(s).

Borrowing powers of the Board

Subject to the Memorandum and Articles of Association of the Company and pursuant to the shareholders resolution dated March 27, 1992 under Section 293(1)(d) of the Companies Act, the Board is authorised to borrow up to a total amount of ₹ 30,000 million, for the purpose of the business of the Company, notwithstanding that the amount to be borrowed and amount already borrowed by the Company may exceed the aggregate of the paid-up capital and free reserves of the Company.

Details of Appointment and Term of the Directors

S. No.	Name of Director	DHI Order No. and Date	Date of Appoinment of Director	Term
1.	Mr. B. Prasada Rao	1(4)/2008-PE.XI dated September 30, 2009	October 1, 2009	Five years from the date of assumption of the charge of the post or till the date of his superannuation or until further orders, whichever is the earliest.
2.	Mr. Anil Sachdev	1(15)/2006-PE.XI dated June 28, 2007	September 1, 2007	Five years from the date of taking charge of the post of on or after September 1, 2007 or till the date of his superannuation or until further orders, whichever is the earliest.
3.	Mr. Atul Saraya	1(7)/2008-PE.XI dated October 1, 2009	October 1, 2009	Five years with effect from October 1, 2009 or till the date of his superannuation or until further orders, whichever occurs the earliest.
4.	Mr. O.P. Bhutani	1(8)/2008-PE.XI dated December 24, 2009	December 24, 2009	Five years from the date of assumption of charge of the post or till the date of his superannuation or until further orders, whichever is the earliest.
5.	Mr. M. K. Dube	1(28)/2009-PE.XI dated July 4, 2011	June 25, 2011	Five years with effect from June 25, 2011 or till the date of his superannuation or until further orders, whichever is the earliest.
6.	Mr. P. K. Bajpai	1(23)/2008-PE.XI dated July 7, 2011	July 1, 2011	Five years with effect from July1, 2011 or till the date of his superannuation or until further orders, whichever is the earliest.
7.	Mr. Saurabh Chandra	1(2)/95-PE.XI dated July 16, 2009	July 20, 2009	Appointment vice Mr. Sutanu Behuria
8.	Mr. Ambuj Sharma	1(2)/2009-PE.XI dated March 15, 2011	March 15, 2011	Appointment in place of Mr. Rajiv Bansal
9.	Mr. Ashok Kumar Basu	1(9)/08-PE.XI (Vol.II) dated June 11, 2009	June 22, 2009	Three years with effect from the date of appointment or until further orders, whichever is earlier.
10.	Mr. M.A. Pathan	1(9)/08-PE.XI (Vol.II) dated June 11, 2009	June 22, 2009	Three years with effect from the date of appointment or until further orders, whichever is earlier.
11.	Ms. Reva Nayyar	1(9)/08-PE.XI (Vol.II) dated June 11, 2009	June 22, 2009	Three years with effect from the date of appointment or until further orders, whichever is earlier.

S. No.	Name of Director	DHI Order No. and Date	Date of Appointment of Director	Term
12.	Mr. V.K. Jairath	1(17)/09-PE.XI dated November 10, 2009	November 12, 2009	Three years from the date of appointment or until further orders, whichever is earlier.
13.	Mr. S. Ravi	1(5)/2010-PE.XI dated March 8, 2011	March 10, 2011	Reappointment for a further period of Three years or until further orders, whichever is earlier.

Except for the whole time Directors who are entitled to statutory benefits and post retirement medical benefits on completion of tenure of their employment with us, no Director is entitled to any benefit on termination of his directorship with us.

Remuneration of the Directors

A. Managing Director and Whole Time Directors:

The following table sets forth the details of remuneration paid by the Company to the Chairman and Managing Director and the whole time Directors for the Financial Year ended March 31, 2011:

(In ₹)

Name of the Director	Salary including benefits and incentives	Company contribution to Provident Fund	Total
Mr. B. Prasada Rao	5,552,847	170,575	5,723,422
Mr. Anil Sachdev	4,802,045	149,229	4,951,274
Mr. Atul Saraya	3,610,060	150,765	3,760,825
Mr. O.P. Bhutani	3,356,267	149,229	3,505,496
Mr. M. K. Dube*	Nil	Nil	Nil
Mr. P.K. Bajpai*	Nil	Nil	Nil

**Mr. M.K. Dube and Mr. P.K. Bajpai were appointed on June 25, 2011 and July 1, 2011 respectively. Hence, they have not received remuneration from the Company as Directors during the Financial Year 2010-11.*

B. Independent Directors

The independent Directors do not have any material pecuniary relationship or any transaction with the Company. However, pursuant to Board meeting dated January 21, 2010, independent Directors are entitled to sitting fees of ₹ 20,000 for attending each meeting of the Board and ₹ 15,000 for attending each meeting of the Committees of the Board, which are within the maximum ceiling prescribed by the Ministry of Corporate Affairs.

The Directors were paid sitting fees for attending the meetings of the Board of Directors and committees of the Board, as set forth under the following table, for the year ended March 31, 2011:

(In ₹)

Name of the independent Director	Sitting Fee		Total
	Board Meetings	Committee Meetings	
Mr. S. Ravi	140,000	150,000	290,000
Mr. Ashok Kumar Basu	180,000	45,000	225,000
Mr. M.A. Pathan	140,000	195,000	335,000
Ms. Reva Nayyar	160,000	255,000	415,000
Mr. V.K. Jairath	140,000	60,000	200,000

Mr. Saurabh Chandra and Mr. Ambuj Sharma, being nominees of the GoI, are not entitled to remuneration or sitting fee or any other remuneration from the Company.

Details of terms and conditions of appointment of the Chairman and Managing Director and the Whole Time Directors

The DHI prescribes the terms and conditions of appointment of the Whole Time Directors. The Company prescribes the terms and conditions of employment for each of the Whole Time Directors in consonance with the terms and conditions prescribed by the DHI. The terms and conditions governing the appointment of Mr. B. Prasada Rao, Mr. Anil Sachdev, Mr. Atul Saraya and Mr. O.P. Bhutani are set forth below.

Mr. B. Prasada Rao

Mr. B. Prasada Rao was appointed as the Chairman and Managing Director pursuant to DHI Order No. 1(4)/2008-PE.XI dated September 30 2009. The terms and conditions of his employment are prescribed by DHI Order No. 1(04)/2008-PE.XI, dated September 16, 2010. Some of the key terms and conditions amongst others, as revised from time to time are as under:

Term	Appointment for a period of five years wef. October 1, 2009 or till the date of superannuation or until further orders, whichever event occurs earlier. After expiry of first year, performance will be reviewed to enable the GoI to take a view regarding the continuance or otherwise for the balance period of tenure. The appointment may however be terminated during this period by either side on three months' notice or on payment of three months' salary in lieu thereof.
Pay	₹ 81,960 per month in the existing scale of ₹ 80,000-125,000
Headquarters	New Delhi but can be asked to serve in any part to the country at the discretion of the CPSE.
Dearness Allowance	In accordance with the New Industrial Dearness Allowance Scheme in the Department of Public Enterprise's Office Memorandum ("**DPE's OM**") dated November 26, 2008 and April 2, 2009.
Housing	Entitled to suitable residential accommodation from the Company including company leased accommodation. Accommodation can also be taken on self lease basis provided that a lease deed in favour of the Company is executed or on the basis of existing lease deeds. However, in the event the Company is not in a position to arrange residential accommodation from out of its residential quarters or on a lease basis or if the Director prefers to stay in a house taken by him on a rent basis, the Company shall pay house rent allowance at rates specified in DPE's OM dated November 26, 2008.
Annual Increment	Eligible to draw annual increment @ 3% of basic pay on the anniversary date in the scale and further increments on the same date in subsequent years until the maximum of pay scale is reached. After reaching the maximum of the scale, one stagnation increment equal to the rate of last increment drawn will be granted after completion of every two-year period from the date maximum of his pay scale reached. Maximum of three such stagnation increments will be granted.
Conveyance	Entitled to the facility of a staff car for private use
Performance related payment	Entitled to benefits of the incentive payments under the existing productivity linked incentive scheme as per DPE's OM dated November 26, 2008, February 9, 2009 and April 2, 2009.
Other benefits and Perquisites/ Superannuation	Eligible for superannuation benefit based on approved schemes by DPE's OM dated November 26, 2008 and April 2, 2009. The Board will decide on the allowances and perks subject to a maximum ceiling of 50% of the basic pay as indicated in DPE's OM dated November 26, 2008 and April 2, 2009.
Leave	Entitled to leave as per the leave rules of the Company.
Restriction on joining Private Commercial Undertakings after Retirement	Shall not accept any appointment or post, whether advisory or administrative, in any firm or company, Indian or Foreign, with which the Company has or had business relations within one year from the date of his retirement without prior approval of the Government.

Conduct, Discipline and Appeal Rules	Subject to the Conduct, Discipline and Appeal Rules of the Company, with the Disciplinary Authority being the President, as they apply to their non-workmen category of staff. No resignation will be accepted if disciplinary proceedings are pending or a charge sheet is being issued by the competent authority.

Mr. Anil Sachdev

Mr. Anil Sachdev was appointed as the Director - HR pursuant to DHI Order No. 1(15)/2006-PE.XI dated June 28, 2007. The terms and conditions of his employment are prescribed by DHI Order No.1(15)/2006-PEXI dated August 1, 2011. Some of the key terms and conditions amongst others as revised from time to time are as under:

Term	Appointment for a period of five years w.e.f. September 1, 2007 or till the date of superannuation or until further orders, whichever event occurs earlier. After expiry of first year, performance will be reviewed to enable the GoI to take a view regarding the continuance or otherwise for the balance period of tenure. The appointment may however be terminated during this period by either side on three months' notice or on payment of three months' salary in lieu thereof.
Pay	₹ 75,000 per month in the existing scale of ₹ 75,000-100,000
Headquarters	New Delhi but can be asked to serve in any part to the country at the discretion of the CPSE.
Dearness Allowance	In accordance with the New Industrial Dearness Allowance Scheme in the Department of Public Enterprise's Office Memorandum ("**DPE's OM**") dated November 26, 2008 and April 2, 2009.
Housing	Entitled to suitable residential accommodation from the Company including company leased accommodation. Accommodation can also be taken on self lease basis provided that a lease deed in favour of the Company is executed or on the basis of existing lease deeds. However, in the event the Company is not in a position to arrange residential accommodation from out of its residential quarters or on a lease basis or if the Director prefers to stay in a house taken by him on a rent basis, the Company shall pay house rent allowance at rates specified in DPE's OM dated November 26, 2008.
Annual Increment	Eligible to draw annual increment @ 3% of basic pay on the anniversary date in the scale and further increments on the same date in subsequent years until the maximum of pay scale is reached. After reaching the maximum of the scale, one stagnation increment equal to the rate of last increment drawn will be granted after completion of every two-year period from the date maximum of his pay scale reached. Maximum of three such stagnation increments will be granted.
Conveyance	Entitled to the facility of a staff car for private use
Performance related payment	Entitled to benefits of the incentive payments under the existing productivity linked incentive scheme as per DPE's OM dated November 26, 2008, February 9, 2009 and April 2, 2009.
Other benefits and Perquisites/ Superannuation	Eligible for superannuation benefit based on approved schemes by DPE's OM dated November 26, 2008 and April 2, 2009. The Board will decide on the allowances and perks subject to a maximum ceiling of 50% of the basic pay as indicated in DPE's OM dated November 26, 2008 and April 2, 2009.
Leave	Entitled to leave as per the leave rules of the Company.
Restriction on joining Private Commercial Undertakings after Retirement	Shall not accept any appointment or post, whether advisory or administrative, in any firm or company, Indian or Foreign, with which the Company has or had business relations within one years from the date of his retirement without prior approval of the Government.

Conduct, Discipline and Appeal Rules	Subject to the Conduct, Discipline and Appeal Rules of the Company, with the Disciplinary Authority being the President, as they apply to their non-workmen category of staff. No resignation will be accepted if disciplinary proceedings are pending or a charge sheet is being issued by the competent authority.

Mr. Atul Saraya

Mr. Atul Saraya was appointed as the Director – Power pursuant to DHI Order No. 1(7)/2008-PE.XI dated October 1, 2009. The terms and conditions of his employment are prescribed by DHI Order No. No. 1(07)/2008-PE.XI dated November 4, 2010. Some of the key terms and conditions amongst others as revised from time to time are as under:

Term	Appointment for a period of five years w.e.f. October 1, 2009 or till the date of superannuation or until further orders, whichever event occurs earlier. After expiry of first year, performance will be reviewed to enable the GoI to take a view regarding the continuance or otherwise for the balance period of tenure. The appointment may however be terminated during this period by either side on three months' notice or on payment of three months' salary in lieu thereof.
Pay	₹ 75,000 per month in the existing scale of ₹ 75,000-100,000
Headquarters	New Delhi but can be asked to serve in any part to the country at the discretion of the CPSE.
Dearness Allowance	In accordance with the New Industrial Dearness Allowance Scheme in the Department of Public Enterprise's Office Memorandum ("**DPE's OM**") dated November 26, 2008 and April 2, 2009.
Housing	Entitled to suitable residential accommodation from the Company including company leased accommodation. Accommodation can also be taken on self lease basis provided that a lease deed in favour of the Company is executed or on the basis of existing lease deeds. However, in the event the Company is not in a position to arrange residential accommodation from out of its residential quarters or on a lease basis or if the Director prefers to stay in a house taken by him on a rent basis, the Company shall pay house rent allowance at rates specified in DPE's OM dated November 26, 2008.
Annual Increment	Eligible to draw annual increment @ 3% of basic pay on the anniversary date in the scale and further increments on the same date in subsequent years until the maximum of pay scale is reached. After reaching the maximum of the scale, one stagnation increment equal to the rate of last increment drawn will be granted after completion of every two-year period from the date maximum of his pay scale reached. Maximum of three such stagnation increments will be granted.
Conveyance	Entitled to the facility of a staff car for private use
Performance related payment	Entitled to benefits of the incentive payments under the existing productivity linked incentive scheme as per DPE's OM dated November 26, 2008, February 9, 2009 and April 2, 2009.
Other benefits and Perquisites/ Superannuation	Eligible for superannuation benefit based on approved schemes by DPE's OM dated November 26, 2008 and April 2, 2009. The Board will decide on the allowances and perks subject to a maximum ceiling of 50% of the basic pay as indicated in DPE's OM dated November 26, 2008 and April 2, 2009.
Leave	Entitled to leave as per the leave rules of the Company.
Restriction on joining Private Commercial Undertakings after Retirement	Shall not accept any appointment or post, whether advisory or administrative, in any firm or company, Indian or Foreign, with which the Company has or had business relations within one years from the date of his retirement without prior approval of the Government.

Conduct, Discipline and Appeal Rules	Subject to the Conduct, Discipline and Appeal Rules of the Company, with the Disciplinary Authority being the President, as they apply to their non-workmen category of staff. No resignation will be accepted if disciplinary proceedings are pending or a charge sheet is being issued by the competent authority.

Mr. O. P. Bhutani

Mr. O. P. Bhutani was appointed as the Director – E, R&D pursuant to DHI Order No. 1(8)/2008-PE.XI dated December 24, 2009. The terms and conditions of his employment are prescribed by DHI Order No. 1(08)/2008-PE.XI dated March 23, 2011. Some of the key terms and conditions amongst others as revised from time to time are as under:

Term	Appointment for a period of five years wef. December 24, 2009 or till the date of superannuation or until further orders, whichever event occurs earlier. After expiry of first year, performance will be reviewed to enable the GoI to take a view regarding the continuance or otherwise for the balance period of tenure. The appointment may however be terminated during this period by either side on three months' notice or on payment of three months' salary in lieu thereof.
Pay	₹ 75,000 per month in the existing scale of ₹ 75,000-100,000
Headquarters	New Delhi but liable to serve in any part to the country at the discretion of the CPSE.
Dearness Allowance	In accordance with the New Industrial Dearness Allowance Scheme in the Department of Public Enterprise's Office Memorandum ("**DPE's OM**") dated November 26, 2008 and April 2, 2009.
Housing	Entitled to suitable residential accommodation from the Company including company leased accommodation. Accommodation can also be taken on self lease basis provided that a lease deed in favour of the Company is executed or on the basis of existing lease deeds. However, in the event the Company is not in a position to arrange residential accommodation from out of its residential quarters or on a lease basis or if the Director prefers to stay in a house taken by him on a rent basis, the Company shall pay house rent allowance at rates specified in DPE's OM dated November 26, 2008.
Annual Increment	Eligible to draw annual increment @ 3% of basic pay on the anniversary date in the scale and further increments on the same date in subsequent years until the maximum of pay scale is reached. After reaching the maximum of the scale, one stagnation increment equal to the rate of last increment drawn will be granted after completion of every two-year period from the date maximum of his pay scale reached. Maximum of three such stagnation increments will be granted.
Conveyance	Entitled to the facility of a staff car for private use
Performance related payment	Entitled to benefits of the incentive payments under the existing productivity linked incentive scheme as per DPE's OM dated November 26, 2008, February 9, 2009 and April 2, 2009.
Other benefits and Perquisites/ Superannuation	Eligible for superannuation benefit based on approved schemes by DPE's OM dated November 26, 2008 and April 2, 2009. The Board will decide on the allowances and perks subject to a maximum ceiling of 50% of the basic pay as indicated in DPE's OM dated November 26, 2008 and April 2, 2009.
Leave	Entitled to leave as per the leave rules of the Company.
Restriction on joining Private Commercial Undertakings after Retirement	Shall not accept any appointment or post, whether advisory or administrative, in any firm or company, Indian or Foreign, with which the Company has or had business relations within one years from the date of his retirement without prior approval of the Government.

Conduct, Discipline and Appeal Rules	Subject to the Conduct, Discipline and Appeal Rules of the Company, with the Disciplinary Authority being the President, as they apply to their non-workmen category of staff. No resignation will be accepted if disciplinary proceedings are pending or a charge sheet is being issued by the competent authority.

The terms and conditions of appointment for *Mr. M. K. Dube* and *Mr. P. K. Bajpai* have still not been received from the DHI.

Details of service contracts

Except in the case of whole-time directors (as aforementioned) there exists no service contracts entered into by the Company with any Directors for provision of benefits or payments of any amount upon completion of tenure of employment.

Shareholding of the Directors

The Articles of Association do not require the Directors to hold any qualification Equity Shares in the Company. The shareholding of the Directors as on September 23, 2011 in the Company is mentioned below:

Sr. No.	Name	No. of Equity Shares	Shareholding (%)
1.	B. Prasada Rao	400	Negligible
2.	Atul Saraya	200	Negligible
3.	M.K. Dube	20	Negligible

Bonus or profit sharing plan of the Directors

Whole-time Directors are entitled to performance linked incentives in line with the 'Performance Related Pay' Policy of the Company. The independent Directors are not paid any remuneration except sitting fees for attending meetings of the Board or Committee thereof. The Government Nominees on the Board of the Company are not entitled to any remuneration/bonus etc from the Company.

Interests of Directors

The wholetime Directors are interested to the extent of remuneration payable to them for services rendered as wholetime Directors of the Company and to the extent of other reimbursements of expenses payable to them under the Articles of Association.

The independent Directors are paid sitting fees for attending the meetings of the Board and committees of the Board and to the extent of other reimbursements of expenses payable to them under the Articles of Association.

The nominee Directors of the GoI are not entitled to remuneration or sitting fee or any other remuneration from the Company.

Some of the Directors also hold Equity Shares in the Company in their individual capacity and are interested to the extent of any dividend payable to them in respect of the same. The Directors may also be regarded as interested in the Equity Shares that may be subscribed to or Allotted to them or the companies, firms, trusts, in which they are interested as directors, members, partners, trustees, promoters, pursuant to this Offer.

Except as stated in the section titled *"Financial Statements- Schedule 29 - Statement of Related Party Information"* on page 255, the Directors do not have any other interest in the business. Further, the Directors have no interest in any property acquired by us within two years of the date of filing of this Draft Red Herring Prospectus.

Changes in the Board of Directors in the last three years

The changes in the Board in the last three years are as follows:

S. No.	Name	Date of Appointment	Date of Cessation	Reason
1.	Mr. Sutanu Behuria	October 7, 2008	July 20, 2009	Withdrawal pursuant to the order of DHI
2.	Mr. Sanjay Madanlal Dadlika	November 16, 2005	November 15, 2008	Cessation on expiry of tenure
3.	Mr. Ashok Kumar Aggarwal	November 16, 2005	November 15, 2008	Cessation on expiry of tenure
4.	Mr. Manish Gupta	November 16, 2005	November 15, 2008	Cessation on expiry of tenure
5.	Mr. Shekhar Datta	November 16, 2005	November 15, 2008	Cessation on expiry of tenure
6.	Mr. Chandra Pratap Singh	September 1, 2006	February 10, 2009	Resignation
7.	Mr. B. S. Meena	January 25, 2008	September 9, 2008	Withdrawal pursuant to the order of DHI
8.	Mr. Ashok Kumar Basu	June 22, 2009	Continuing	Appointment pursuant to the order of DHI
9.	Mr. M.A. Pathan	June 22, 2009	Continuing	Appointment pursuant to the order of DHI
10.	Ms. Reva Nayyar	June 22, 2009	Continuing	Appointment pursuant to the order of DHI
11.	Mr. Madhukar	July 5, 2006	July 4, 2009	Cessation on expiry of tenure
12.	Mr. Rajiv Bansal	July 14, 2009	March 15, 2011	Withdrawal pursuant to the order of DHI
13.	Dr. Surajit Mitra	July 28, 2005	July 14, 2009	Withdrawal pursuant to the order of DHI
14.	Mr. Saurabh Chandra	July 20, 2009	Continuing	Appointment pursuant to the order of DHI
15.	Mr. Atul Saraya	October 1, 2009	Continuing	Appointment pursuant to the order of DHI
16.	Mr. V.K. Jairath	November 12, 2009	Continuing	Appointment pursuant to the order of DHI
17.	Mr. Shekhar Datta	November 27, 2009	April 23, 2010	Resignation
18.	Mr. Krishnaswamy Ravi Kumar	May 16, 2005	September 30, 2009	Retirement
19.	Mr. O.P. Bhutani	December 24, 2009	Continuing	Appointment pursuant to the order of DHI
20.	Mr. Chandra Shekhar Verma	September 1, 2005	June 10, 2010	Resignation
21.	Mr. Trimbakdas S. Zanwar	November 12, 2010	September 20, 2011	Resignation
22.	Mr. S. Ravi	November 29, 2007	November 28, 2010	Cessation on expiry of tenure
23.	Mr. S Ravi	March 10, 2011	Continuing	Appointment pursuant to the order of DHI
24.	Mr. Ambuj Sharma	March 15, 2011	Continuing	Appointment pursuant to the order of DHI
25.	Mr. M. K. Dube	June 25, 2011	Continuing	Appointment pursuant to the order of DHI

S. No.	Name	Date of Appointment	Date of Cessation	Reason
26.	Mr. P.K. Bajpai	July 1, 2011	Continuing	Appointment pursuant to the order of DHI

Corporate Governance

The Equity Shares of the Company are listed on the Stock Exchanges and the Company has adopted corporate governance practices in accordance with Clause 49 of the Equity Listing Agreements, entered into with the Stock Exchanges.

As on the date of filing the DRHP, the Company is in non-compliance with the requirements of Clause 49 of the Equity Listing Agreements in relation to the composition of its board of directors and risk management framework.

The Company has constituted an Audit Committee and a Shareholders' / Investors' Grievance Committee as per the requirements of Clause 49 of the Equity Listing Agreements. Further, the Company has also constituted a Remuneration Committee.

The Board functions either as a full Board or through various committees constituted to oversee specific operational areas as per the terms of reference approved by the Board of Directors.

Committees of the Board of Directors

The Company has constituted the Audit Committee and the Shareholders'/Investors' Grievance Committee for compliance with corporate governance requirements in addition to other non-mandatory committees:

a. Audit Committee

The Audit Committee was originally constituted pursuant to the Board resolution dated July 1, 1988. It presently comprises of the following members:

Name of the Directors	Designation
Mr. S. Ravi	Chairman
Mr. Ambuj Sharma	Member
Mr. M.A. Pathan	Member
Ms. Reva Nayyar	Member

The Company Secretary is the secretary of the Audit Committee.

Scope and terms of reference: The scope and function of the Audit Committee is in accordance with Section 292A of the Companies Act and Clause 49 of the Equity Listing Agreements with the Stock Exchanges.

Brief description of terms of reference:

The terms of reference of the Audit Committee specified by the Board are in conformity with the requirements of revised Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956. They are as follows:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees.

3. Approval of payment to Statutory Auditors for any other services rendered by the statutory auditors.

4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

   (i) Matters required to be included in the Directors Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;

   (ii) Changes, if any, in accounting policies and practices and reasons for the same;

   (iii) Major accounting entries involving estimates based on the exercise of judgment by management;

   (iv) Significant adjustments made in the financial statements arising out of audit findings;

   (v) Compliance with listing and other legal requirements relating to financial statements;

   (vi) Disclosure of any related party transactions; and

   (vii) Qualifications in the draft audit report;

5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.

6. (i) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems; and

   (ii) to ensure compliance of internal control systems.

7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

8. Discussion with internal auditors any significant findings and follow up there on.

9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

10. (i) Discussion with Statutory Auditors / Internal Auditors periodically about internal control systems;

    (ii) Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern including observations of the Auditors.

11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

12. To review the functioning of the Whistle Blower Mechanism, in case the same is existing.

13. To review the Audit paragraphs referred to BLAC by the Internal Audit / Board and / or Govt. of India and to provide its suggestions / guidance / comments on the issues referred to it.

14. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

b. Shareholders'/ Investors' Grievance Committee

The Shareholders'/ Investors' Grievance Committee was constituted pursuant to the Board resolution dated July 26, 2001. The Shareholders'/ Investors' Grievance Committee presently comprises of the following members:

Name of the Directors	Designation
Ms. Reva Nayyar	Chairperson
Mr. Anil Sachdev	Member
Mr. P.K. Bajpai	Member

The Company Secretary is the secretary of the Shareholders'/ Investors' Grievance Committee.

Scope and terms of reference:

To look into matters related to redressal of shareholders and investors complaints like transfer of shares, non-receipt of Balance Sheet, dividend and any other relevant grievance that the shareholder may have. The Board of Directors in its meeting held on September 20, 2011 authorised Shareholders'/ Investors' Grievance Committee to look into FPO related investor complaints.

c. Remuneration Committee

The Remuneration Committee was constituted pursuant to the Board resolution dated December 7, 2005. It presently comprises of the following members:

Name of the Directors	Designation
Mr. Ashok Kumar Basu	Chairman
Ms. Reva Nayyar	Member
Mr. S. Ravi	Member
Mr. Anil Sachdev	Member
Mr. P.K. Bajpai	Member

The Company Secretary shall be the secretary of the Remuneration Committee.

Scope and terms of reference:

a. Oversight of the company's policy on specific remuneration packages, perquisites for Whole-time Directors including pension rights and any compensation payment, which are not fixed by the President of India.

b. Approve certain perquisites for whole-time directors which are within the powers of Board. Review of the elements of remuneration package of individual directors summarized under major groups, such as incentives / benefits, bonus, stock options, pension etc.

c. Finalization of policies on perks and benefits and other related matters which are not fixed by the President of India but within the powers of Board.

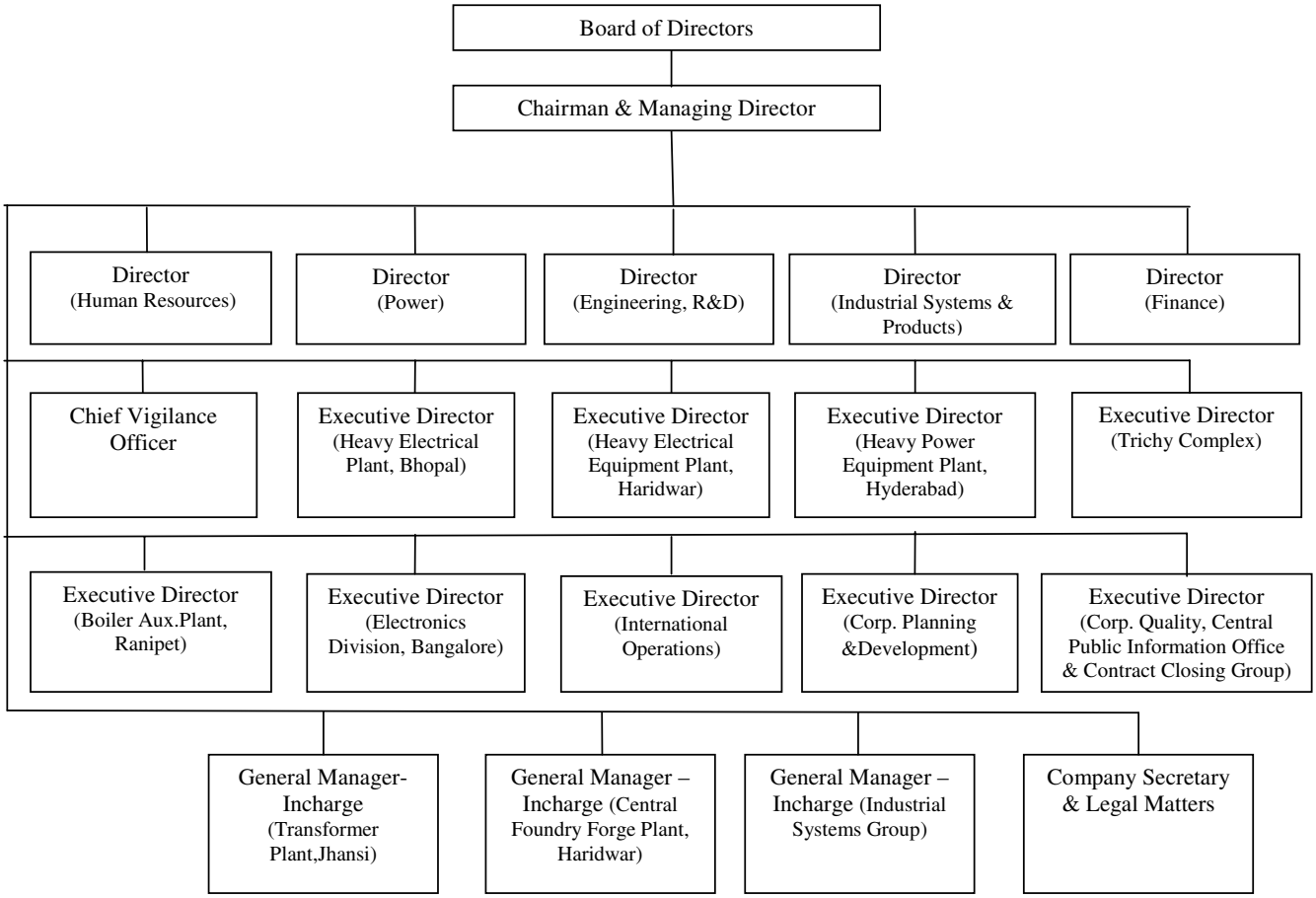
d. Approval of fixed component and performance linked incentives based on the performance criteria.

e. Finalization of the criteria of making payments to Non Executive Directors.

f. Recommendation of fees / compensation / stock options, if any, to be paid / granted, to non-Executive Directors, including independent Directors, to the Board.

g. Carrying out any other function related to the terms of reference of the Remuneration Committee.

Management Organisation Structure



Key management personnel

All the key management personnel are permanent employees of the Company. In addition to the wholetime Directors, whose details have been provided above under the section titled "The Management – Brief Profile of the Directors" on page 170, the details of the other key management personnel, as of the date of this Draft Red Herring Prospectus, are set forth below.

Mr. Anil Aurangabadkar, 59 years, is the Executive Director (Power Sector, Western Region). He holds a Bachelor's degree in Mechanical Engineering and Master's degree in Material Science from the Maulana Azad College of Technology (now Maulana Azad National Institute of Technology). He started his career as an engineer trainee with the Company on November 19, 1975 and has held various positions within the Company during his service period of 36 years. He has been leading the Power Sector, Western Department of the Company since November 6, 2008. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.56 million.

Mr. A. V. Krishnan, 56 years, is the Executive Director (Tiruchirappalli). He holds a Bachelor's degree in Mechanical Engineering from the Visweswraya College of Engineering. He started his career as an engineer trainee with the Company on January 17, 1976 and has held various positions within the Company during his service period of 35 years. He has been leading the Tiruchirappalli unit of the Company since November 6, 2008. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.59 million.

Mr. G. Ganapathiraman, 59 years, is the Executive Director (Electronics Division, Bangalore). He holds a Bachelor's degree in Electrical Engineering from the College of Engineering Guindy, Chennai. He started his career as a graduate apprentice with the Company on May 3, 1974 and has held various positions within the Company during his service period of 37 years. He has been leading the Electronics Division, Bangalore since November 6, 2008. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.57 million.

Mr. P. R. Shriram, 59 years, is the Executive Director (Power Sector, Southern Region). He holds a Bachelor's degree with honors in Electrical Engineering from Birla Institute of Technology & Science, Pilani and Post Graduate Diploma in Management from the All India Management Association. He started his career as an engineer with Siemens India in 1973. He joined the Company as an engineer on December 21, 1976 and has held various positions within the Company during his service period of 35 years. He has been leading the Power Sector, Southern Region since November 6, 2008. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.79 million.

Mr. Varinder Pandhi, 58 years, is the Executive Director (Heavy Electrical Equipment Plant, Haridwar). He holds a Bachelor's degree in Science (Electrical) from Punjab Engineering College, Chandigarh. He started his career as an applications engineer with Cutler Hammer India Limited in 1974. He joined the Company as an engineer trainee on January 21, 1975 and has held various positions within the Company during his service period of 36 years. He has been leading the Heavy Electrical Equipment Plant, Haridwar since November 6, 2008. The remuneration paid to him for the year ended March 31, 2011 was ₹ 3.28 million.

Mr. Ranjan Sahi, 59 years, is the Executive Director (Corporate Manufacturing Technology & Investment Planning, Monitoring, Material Management). He holds a Bachelor's degree in Electrical Engineering from the Rookee University and a Post graduate diploma in Project Management from the Punjabi University, Patiala. He started his career as a graduate apprentice with the Company on January 14, 1974 and has held various positions within the Company during his service period of 37 years. He has been leading the Corporate Manufacturing Technology & Investment Planning, Monitoring, Material Management Department of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.94 million.

Mr. D. Ashok, 58 years, is the Executive Director (Ceramic Business Unit, Bangalore). He holds a Bachelor's degree in Electronics and Communications Engineering from the Government College of Engineering, Kakinada. He started his career as a technical supervisor with HAL in 1976. He joined the Company as an engineer trainee on January 25, 1977 and has held various positions within the Company during his service period of 34 years. He has been leading the Ceramic Business Unit, Bangalore of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.45 million.

Mr. S. Gopalakrishnan, 58 years, is the Executive Director (Marketing – Thermal & Gas). He holds a Bachelor's degree in Science (Mechanical Engineering) from the Regional Engineering College, Rourkela. He started his career as an engineer trainee with the Company on January 15, 1976 and has held various positions

within the Company during his service period of 35 years. He has been leading the Marketing – Thermal & Gas Department, New Delhi of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.92 million.

Mr. Utpal Kanti Das, 58 years, is the Executive Director (Spares and Services Business Group). He holds a Bachelor's degree in Electrical Engineering from the Jadavpur Engineering College, Jadavpur University. He started his career as an officer trainee with Steel Authority of India Limited in 1976. He joined the Company as an engineer trainee on January 21, 1977 and has held various positions within the Company during his service period of 34 years. He has been leading the Spares and Services Business Group, Noida of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.66 million.

Mr. R. Krishnan, 56 years, is the Executive Director (Heavy Power Equipment Plant, Hyderabad). He holds a Bachelor's degree in Electrical Engineering from the Regional Engineering College, Trichy and a Post graduate diploma in Heavy Electrical Equipment from Maulana Azad College of Technology (now Maulana Azad National Institute of Technology), Bhopal.. He started his career as an engineer trainee with the Company on January 20, 1977 and has held various positions within the Company during his service period of 34 years. He has been leading the Heavy Power Equipment Plant, Hyderabad of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.47 million.

Mr. T. N. Veeraraghavan, 56 years, is the Executive Director (Boiler Auxiliaries Plant, Ranipet). He holds a Bachelor's degree in Electrical Engineering from the Visveshwaraya College of Engineering and a Master's in Business Administration in Finance from Bangalore University. He started his career as an engineer trainee with the Company on January 20, 1977 and has held various positions within the Company during his service period of 34 years. He has been leading the Boiler Auxiliaries Plant, Ranipet of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 3.25 million.

Mr. B. Shankar, 56 years, is the Executive Director (Human Resource and Corporate Communications). He holds a Bachelor's degree in Technology in Electronics from Indian Institute of Technology, Madras and a Post graduate diploma in Industrial Engineering from National Institute of Industrial Engineering, Mumbai. He started his career as an engineer with the Company on August 28, 1978 and has held various positions within the Company during his service period of 33 years. He has been leading the Human Resource and Corporate Communications Department, New Delhi of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.96 million.

Mr. Jainender Kumar, 57 years, is the Executive Director (Project Management Group). He holds a Bachelors degree in Science (Mechanical Engineering) from Delhi College of Engineering, diploma in Marketing from Punjabi University and a Post graduate diploma in Marketing from All India Management Association. He started his career as an engineer trainee with the Company on January 19, 1976 and has held various positions within the Company during his service period of 35 years. He has been leading the Project Management Group, New Delhi of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.90 million.

Mr. Pramod Kumar Uppal, 57 years, is the Executive Director (International Operations Division). He holds a Bachelors degree in Science (Mechanical Engineering) from Delhi College of Engineering and Master in Business Administration in Marketing from Indira Gandhi National Open University. He started his career as an assistant engineer with Bombay Amonia Private Limited in 1975. He joined the Company as an engineer trainee on January 12, 1976 and has held various positions within the Company during his service period of 35 years. He has been leading the International Operations Division, New Delhi of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 3.02 million.

Mr. W. V. K. Krishna Shankar, 56 years, is the Executive Director (Corporate Planning & Development). He holds a Bachelors degree in Mechanical Engineering from University Visweswariah College of Engineering, Bangalore and diploma in Management from All India Management Association. He started his career as an engineer trainee with the Company on January 22, 1977 and has held various positions within the Company during his service period of 34 years. He has been leading the Corporate Planning & Development Department, New Delhi of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 3.04 million.

Mr. Subodh Gupta, 57 years, is the Executive Director (Captive Power Plant, Defence, Renewables & Project Management). He holds a Bachelors degree in Science (Electrical Engineering) from Delhi College of

Engineering and Post graduate diploma in Management from Young Mens Christian Association Delhi. He started his career as an engineer trainee with Shriram Chemicals. He joined the Company as an engineer trainee on January 12, 1976 and has held various positions within the Company during his service period of 35 years. He has been leading the Captive Power Plant, Defence & Project Management Department of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 3.06 million.

Mr. Jitendra Kumar, 59 years, is the Executive Director (Power Sector, Northern Region). He holds a Bachelors degree in Science (Mechanical Engineering) from Punjabi University and Bachelors degree in Science (Physics, Chemistry & Maths) with honors from Meerut University. He started his career as an engineer trainee with the Company on January 16, 1976 and has held various positions within the Company during his service period of 35 years. He has been leading the Power Sector, Northern Region of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 3.03 million.

Dr. H. S. Jain, 59 years, is the Executive Director (Corporate Research & Development). He holds a Bachelors degree in Electrical Engineering from Jiwaji University and PhD in Electrical Engineering from Indian Institute of Technology, Bombay. He started his career as a technician with Ramchachand Phundilal Co in 1973. He joined the Company as a graduate apprentice on November 20, 1974 and has held various positions within the Company during his service period of 36 years. He has been leading the Corporate Research & Development Department, Hyderabad of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.53 million.

Mr. Shanti Swaroop Gupta, 58 years, is the Executive Director (Heavy Electrical Plant, Bhopal). He holds a Bachelors degree in Mechanical Engineering from M. R. Engineering College, Jaipur. He started his career as an engineer trainee with General Engineering Works in 1974. He joined the Company as an engineer trainee on January 15, 1976 and has held various positions within the Company during his service period of 35 years. He has been leading the Heavy Electrical Plant, Bhopal of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 3.06 million.

Mr. R. K. Wanchoo, 58 years, is the Executive Director (Project Engineering and Systems Division). He holds a Bachelors degree in Mechanical Engineering from Regional Engineering College, Srinagar. He started his career as a graduate apprentice with National Industrial Development Corporation in 1976. He joined the Company as an engineer trainee on January 24, 1977 and has held various positions within the Company during his service period of 34 years. He has been leading the Project Engineering and Systems Division, Hyderabad of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.78 million.

Mr. M. Rajiv Kumar, 57 years, is the Executive Director (Power Sector, Eastern Region). He holds a Bachelors degree in Science (Electrical Engineering) from Bihar Institute of Technology – Sindri / Ranchi University. He started his career as an engineer trainee with the Company on January 24, 1977 and has held various positions within the Company during his service period of 34 years. He has been leading the Power Sector, Eastern Region of the Company since July 22, 2010. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.70 million

Mr. Anjan Dasgupta, 58 years, is the Executive Director (Corporate Systems & Information Technology). He holds a Bachelors degree in Science (Mechanical Engineering) from Regional Engineering College, Rourkela. He started his career as an engineer trainee with Simon Carves India Limited in 1976. He joined the Company as an engineer trainee on January 24, 1977 and has held various positions within the Company during his service period of 34 years. He has been leading the Corporate Information Technology Department, New Delhi of the Company since February 22, 2011. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.89 million.

Mr. Rajeev Hajela, 58 years, is the Executive Director (Technical Licensing & Joint Venture and Mergers & Acquisition). He holds a Bachelors degree in Mechanical Engineering from Allahabad University and Master in Business Administration in Management from Delhi University. He started his career as a graduate apprentice with Escorts Automotive Division in 1976. He joined the Company as an engineer trainee on January 28, 1977 and has held various positions within the Company during his service period of 34 years. He has been leading the Technical Licensing & Joint Venture and Mergers & Acquisition Department, New Delhi of the Company since May 25, 2011. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.86 million.

Mr. Samir Mohan Talukder, 58 years, is the Executive Director (Central Stamping Unit & Fabrication Plant). He holds a Bachelors degree in Mechanical Engineering from B. E. College – Shibpur / Calcutta University. He started his career as an engineer trainee with the Company on January 14, 1976 and has held various positions within the Company during his service period of 35 years. He has been leading the Central Stamping Unit & Fabrication Plant Department, Jagdishpur of the Company since May 25, 2011. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.65 million.

Mr. Vijay Kumar, 58 years, is the Executive Director (Corporate Quality, Central Public Information Officer & Contact Clofing Group). He holds a Bachelors degree in Science (Mechanical Engineering) from Delhi College of Engineering. He started his career as a graduate apprentice with the Company on December 15, 1973 and has held various positions within the Company during his service period of 37 years. He has been leading the Corporate Quality, Central Public Information Officer & Contact Clofing Group Department of the Company since May 25, 2011. The remuneration paid to him for the year ended March 31, 2011 was ₹ 2.65 million.

Service Contracts

The Company has not entered into any service contract with any of the key management personnel for provision of benefits or payments of any amount upon termination of employment.

Changes in the key management personnel in the Past Three Years

Name of Employee	Designation	Date of Appointment as a key management personnel	Date of cessation as a key management personnel	Reason
V. Viswanathan	Executive Director, Electronics Division	December 25, 2005	October 24, 2008	Retirement
C. K. Pani	Executive Director, Corporate Office	November 06, 2008	November 6, 2008	Retirement
A. K. Jain	Executive Director, Corporate Office	November 06, 2008	September 24, 2009	Retirement
G. Ganapathiraman	Executive Director, Electronics Division	November 06, 2008	Continuing	-
Anil Aurangabadkar	Executive Director, Power Sector Western Region (HQ)	November 06, 2008	Continuing	-
R. K. Pandey	Executive Director, Transformer Plant	November 06, 2008	February 24, 2010	Retirement
A. K. Gupta	Executive Director, PS - Project Management Group	November 06, 2008	June 24, 2010	Retirement
L. Pundareek	Executive Director, Transmission Business Group	November 06, 2008	April 24, 2010	Retirement
K. L. Vasudeva Rao	Executive Director, Heavy Power Equipment Plant	November 06, 2008	March 24, 2010	Retirement
V. Ananthakrishnan	Executive Director, High Pressure Boiler Plant	November 06, 2008	June 24, 2009	Retirement
A. V. Krishnan	Executive Director, High Pressure Boiler Plant	November 06, 2008	Continuing	-

Name of Employee	Designation	Date of Appointment as a key management personnel	Date of cessation as a key management personnel	Reason
Varinder Pandhi	Executive Director, Heavy Electrical Equipment Plant	November 06, 2008	Continuing	-
R. K. Sugandhi	Executive Director, Captive Power Plant and Project Management	November 06, 2008	December 24, 2009	Retirement
A. L. Chandraker	Executive Director, Corporate Research & Development	November 06, 2008	April 24, 2009	Retirement
P. R. Shriram	Executive Director, PS - Southern Region	November 06, 2008	Continuing	-
RSV Prasad	Executive Director, Corporate Office	April 20, 2007	December 24, 2008	Retirement
S. N. Daga	Executive Director, Corporate Office	April 20, 2007	December 24, 2008	Retirement
R. K. Singh	Executive Director, Heavy Electrical Plant	December 25, 2005	March 24, 2009	Retirement
A. L. Chandraker	Executive Director, Corporate Research & Development	November 6, 2008	April 24, 2009	Retirement
Mukul Lal Sah	Executive Director, PS - Northern Region	December 25, 2005	July 24, 2009	Retirement
S. M. Mahajan	Executive Director, Central Foundry Forge Plant	April 20, 2007	August 24, 2009	Retirement
Atul Saraya	Executive Directive (Power Sector Marketing and Power Sector Eastern Region)	November 6, 2008	October 01, 2009	Appointed as Director
O. P. Bhutani	Director (E, R& D)	April 24, 2007	December 24, 2009	Appointed as Director
S. T. H. Rizvi	Executive Director, Corporate Office	April 24, 2007	April 24, 2010	Retirement
Subodh Gupta	Executive Director, Captive Power Plant & Project Management	July 22, 2010	Continuing	-
Shanti Swaroop Gupta	Executive Director, Heavy Electricals Plant	July 22, 2010	Continuing	-
Prabhat Kumar	Executive Director, Transformer Plant	July 22, 2010	Continuing	-
R Krishnan	Executive Director, Heavy Power Equipment Plant	July 22, 2010	Continuing	-
S Gopalakrishnan	Executive Director, PS - Marketing Group	July 22, 2010	Continuing	-

Name of Employee	Designation	Date of Appointment as a key management personnel	Date of cessation as a key management personnel	Reason
Ranjan Sahi	Executive Director, Corporate Office	July 22, 2010	Continuing	-
Pramod Kumar Uppal	Executive Director, International Operations Division	July 22, 2010	Continuing	-
Jitendra Kumar	Executive Director, Power Sector Northern Region	July 22, 2010	Continuing	-
Utpal Kanti Das	Executive Director, Spares & Services Business Group	July 22, 2010	Continuing	-
M Rajiv Kumar	Executive Director, PS - Eastern Region	July 22, 2010	Continuing	-
R K Wanchoo	Executive Director, Project Engineering & Systems Division	July 22, 2010	Continuing	-
Jainender Kumar	Executive Director, Project Management Group	July 22, 2010	Continuing	-
W V K Krishna Shankar	Executive Director, Corporate Planning & Development	July 22, 2010	Continuing	-
HS Jain	Executive Director, Corporate R&D	July 22, 2010	Continuing	-
G S Bindra	Executive Director, Head PEM Office	July 22, 2010	September 24, 2011	Retirement
T N Veeraraghavan	Executive Director, Boiler Auxiliaries Plant	July 22, 2010	Continuing	-
D Ashok	Executive Director, Electro Porcelain Division	July 22, 2010	Continuing	-
B Shankar	Executive Director, Corporate Human Resource	July 22, 2010	Continuing	-
Anjan Dasgupta	Executive Director, Corporate Information Technology	February 22, 2011	Continuing	-
R. K. Srivastava	Executive Director, Regional Operations Division	April 20, 2007	March 24, 2011	Retirement
Prabhat Kumar	Executive Director, Transformer Plant	July 22, 2010	May 24, 2011	Retirement
M. Kannappan	Executive Director, High Pressure Boiler Plant	February 22, 2011	May 24, 2011	Retirement
Vijay Kumar	Executive Director, Corporate Office	May 25, 2011	Continuing	-

Name of Employee	Designation	Date of Appointment as a key management personnel	Date of cessation as a key management personnel	Reason
Samir Mohan Talukder	Executive Director, Centralized Stamping Unit	May 25, 2011	Continuing	-
Rajeev Hajela	Executive Director, Corporate Office	May 25, 2011	Continuing	-
M .K. Dube	Executive Director (Heavy Electrical Plant, Bhopal)	November 6, 2008	June 25, 2011	Appointed as Director
P. K. Bajpai	Director (Finance)	July 22, 2010	July 01, 2011	Appointed as Director
D. K. Mody	Executive Director, Corporate Office	September 1, 2007	July 24, 2011	Retirement
A. Chandrababu	Executive Director, Boiler Auxiliaries Plant	July 22, 2010	July 24, 2011	Retirement
P. K. Agarwal	Executive Director, PS - Marketing Group	July 22, 2010	July 24, 2011	Retirement

Shareholding of the key management personnel as on September 23, 2011

Sr. No.	Name	No. of Equity Shares	Shareholding (%)
1.	P. R. Shriram	400	Negligible
2.	Ranjan Sahi	200	Negligible
4.	T N Veeraraghavan	100	Negligible
5.	Jainender Kumar	200	Negligible
6.	W V K Krishna Shankar	20	Negligible
7.	Jitendra Kumar	100	Negligible
8.	H S Jain	400	Negligible
9.	M Rajiv Kumar	400	Negligible
10.	Rajeev Hajela	20	Negligible

Bonus or profit sharing plan for the key management personnel

There is no bonus or profit sharing plan for the key management personnel and the Directors except the performance related pay scheme, as laid down in the DPE Guidelines OM No. 2(70)/08-DPE (WC) – GLXVI/08 dated November 26, 2008. The above mentioned guidelines seek to link the performance related pay to the profits of the Company. This remuneration is expressed as a percentage of the basic pay, based on the performance of the Company and is determined out of the profits of the Company.

Interest of the key management personnel

Except as disclosed in the sections titled “The Management – key management personnel” and “Shareholding of Key management personnel” on pages 186 and 192, respectively, none of the key management personnel has any interest in the Company and / or the Subsidiaries.

Except statutory benefits upon termination of their employment in the Company, resignation or superannuation, as the case may be, and certain post retirement benefits, no officer of the Company is entitled to any benefit upon termination of such officer’s employment in the Company or superannuation.

Payment of benefit to officers of the Company (non-salary related)

No amount or benefit has been paid or given to any officer of the Company in last two years or is intended to be paid, other than in the ordinary course of their employment.

Employee Stock Option Plan

The Company does not have any employee stock option schemes as on the date of filing this Draft Red Herring Prospectus.

Turnover of the key management personnel

The changes in the key management personnel in the last three years have been on account of promotions or superannuation. Accordingly, the turnover of the key management personnel for the last three years has been nil.

Relationships among key management personnel

None of the key management personnel are related to each other.

THE PROMOTER AND GROUP COMPANIES

The Promoter is the President of India acting through the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises. The Promoter currently holds 67.72% of the pre-Offer paid-up Equity Share capital of the Company. As the Promoter is the President of India acting through the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, disclosure of the 'Promoter and Group Companies' cannot be provided.

DIVIDEND POLICY

The declaration and payment of dividend on the Equity Shares will be recommended by our Board and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements, contractual obligations and the overall financial condition of our Company. As per extant memorandum (7(5)/E-Coord/2004) dated September 24, 2004, of the Ministry of Finance, GoI, all profit making central public sector enterprises are supposed to ensure declaration of a minimum dividend on equity of 20% or minimum dividend pay out of 20% of post-tax profits, whichever is higher.

The dividend and dividend tax paid by the Company during the last three Financial Years is presented below.

	Fiscal 2011	**Fiscal 2010**	**Fiscal 2009**
Face value of Equity Shares (in ₹ per Equity Shares)	10	10	10
Dividend (in ₹ Million)	1,5248.5	1,1405.8	8,321.9
Dividend per Equity Shares (₹)	31.15	23.30	17
Dividend Rate (%)	311.5	233	170
Dividend Tax (in ₹ Million)	2,498.8	1,915.1	1,414.3

The amounts paid as dividends in the past are not necessarily indicative of the dividend policy or dividend amount payable, if any, in the future

SECTION V – FINANCIAL INFORMATION

CONSOLIDATED AUDITORS' REPORT

The Board of Directors
Bharat Heavy Electricals Ltd.,
BHEL House,
Siri Fort,
New Delhi. 110049

Dear Sirs,

We have examined the attached financial information of Bharat Heavy Electricals Limited (the Company) and its subsidiaries and joint ventures (the "**Group**"), as approved by the Board of Directors of the Company. The said financial information has been prepared by the Company in accordance with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended ("**SEBI ICDR Regulations**"), issued by the Securities and Exchange Board of India in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 (the SEBI Act) and in terms of our engagement agreed upon with the Company in accordance with our engagement letter dated September 12, 2011 in connection with proposed Equity offering by the Selling Shareholder, the Government of India. This Restated Financial Information is proposed to be included in the Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus (collectively referred to as "offer document") of the Company.

1. **Financial Information as per Audited Financial Statements**

We have examined the attached 'Balance Sheets of the Company, as Restated' of the Group for the years ended March 31, 2011, 2010 and 2009 (Schedule 1) and the attached 'Profit and Loss accounts, as Restated' (Schedule 2) and 'Cash Flows, as Restated' (Schedule 3) for the years ended March 31, 2011 2010 and 2009 and together referred to as "**Restated Consolidated Financial Statements**". These Restated Statements have been extracted by the management from the financial statements of the Company as at and for the years ended March 31, 2011, 2010 and 2009 and have been approved/ adopted by the Board of Directors/ Members for those respective years.

The audit for the Financial Year ended March 31, 2009 was conducted by Messrs. M.L. Puri & Co. ("the Erstwhile Auditor"), further the audit for the Financial Year ended March 31, 2010 was conducted jointly by Messrs. M.L. Puri & Co. and Messrs Gandhi Minocha & Co. and our opinion in so far as it relates to the amounts included in respect of that year is based solely on the report submitted by them. Accordingly reliance has been placed on the financial information examined by them for the said year after conducting such additional procedures as deemed appropriate by us for the purpose of expressing our opinion on the restated financial statements. The financial statements as at and for the years ended March 31, 2011 have been jointly audited by us.

We did not audit the financial statements of the subsidiaries and joint ventures. The financial statements of the following entities in the Group have been audited by other firms of Chartered Accountants, whose reports have been furnished to us and our opinion in so far as it relates to the assets, revenues and cash flows for these entities in these Restated Consolidated Financial Statements is based solely on the report of other auditors.

(₹ In million)

		Shares in Jointly Controlled Entities	
Name	Status	Assets	Revenues
Bharat Heavy Plate & Vessels Ltd.	Subsidiary	2408	1414
NTPC-BHEL Power Projects Ltd.	Joint Venture	710	553
BHEL-GE Gas Turbine Services Pvt. Ltd.	Joint Venture	1039	2121

In respect of the following Joint Ventures we did not carry out the audit. Our opinion, in so far as it relates to the assets and revenues included in respect of these Joint Ventures is based solely on the provisional financial statements as furnished to us by the management. Since the financial statements of these joint ventures were not audited, any subsequent adjustment to the balances could have consequential effects on the attached

consolidated restated financial statements. However, the size of the Joint Ventures in the consolidated financial position is not significant in relative terms.

(₹ In million)

		Shares in Jointly Controlled Entities	
Name	Status	Assets	Revenues
Udangudi Power Corporation Ltd.	Joint Venture	339	1
Dada Dhuniwale Khandwa Power Ltd.	Joint Venture	25	-
Raichur Power Corporation Ltd.	Joint Venture	4312	-

We have not consolidated the (i) financial statements of the Company's subsidiary BHEL Electrical Machines Limited as it has not carried out any major financial activities except equity contribution since its incorporation on January 19, 2011; and (ii) financial statements of the Company's joint ventures Powerplant Performance Improvements Limited and Barak Power Private Limited as these are under liquidation and we have already provided for diminution in the value of our investment in these entities.

Based on our examination of these Restated Consolidated Financial Statements, we state that:

(i) The "**Restated Consolidated Financial Statements**" have to be read in conjunction with the notes given in Schedule 23 C to this report.

(ii) Adjustments have been made for the changes in accounting policies retrospectively in respect of Financial Years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods and given in Schedule 23 A & 23 B.

(iii) The "**Restated Consolidated Financial Statements**" are after making adjustments and regroupings as in our opinion were appropriate in the year/period to which they relate.

(iv) Extra ordinary items have been disclosed separately in the Restated Summary Statements.

(v) There are no qualifications in the auditors' report on the financial statements that require adjustments to the Restated Summary Statements.

2. **Other Financial Information**

We have examined the following information relating to Bharat Heavy Electricals Limited as at and for the years ended March 31, 2011, 2010 and 2009 of the Company, proposed to be included in the offer document, as approved by the Board of Directors of the Company and annexed to this report:

(i) Statement of Fixed Assets & Capital work in progress(Consolidated) as at March 31, 2011, 2010 and 2009.(Schedule 4)

(ii) Statement of Investments (Consolidated) as at March 31, 2011, 2010 and 2009.(Schedule 5)

(iii) Statement of Inventories(Consolidated) as at March 31, 2011, 2010 and 2009.(Schedule 6)

(iv) Statement of Sundry Debtors(Consolidated) as at March 31, 2011, 2010 and 2009. (Schedule 7)

(v) Statement of Cash and Bank Balances (Consolidated) as at March 31, 2011, 2010 and 2009. (Schedule 8)

(vi) Statement of Other Current Assets (Consolidated) as at March 31, 2011, 2010 and 2009. (Schedule 9)

(vii) Statement of Loans & Advances (Consolidated) as at March 31, 2011, 2010 and 2009. (Schedule 10)

(viii) Statement of Secured and Unsecured Loans (Consolidated) as at March 31, 2011, 2010 and 2009. (Schedule 11)

(ix) Statement of Current Liabilities & Provisions (Consolidated) as at March 31, 2011, 2010 and 2009. (Schedule 12)

(x) Statement of Share Capital (Consolidated) as at March 31, 2011, 2010 and 2009. (Schedule 13)

(xi) Statement of Reserves & Surplus (Consolidated) as at March 31, 2011, 2010 and 2009. (Schedule 14)

(xii) Statement of Other Income (Consolidated) for the year ended March 31, 2011, 2010 and 2009. (Schedule 15)

(xiii) Statement of Accretion/(Decretion) to work in progress & Finished Goods (Consolidated) for the year ended March 31, 2011, 2010 and 2009. (Schedule 16)

(xiv) Statement of Consumption of Material, Erection and Engineering Expenses (Consolidated) for the year ended March 31, 2011, 2010 and 2009. (Schedule 17)

(xv) Statement of Employees Remuneration & Benefits (Consolidated) for the year ended March 31, 2011, 2010 and 2009. (Schedule 18)

(xvi) Statement of Other Expenses of Manufacture, Administration, and Selling & Distribution (Consolidated) for the year ended March 31, 2011, 2010 and 2009. (Schedule 19)

(xvii) Statement of Provisions (net) (Consolidated) for the year ended March 31, 2011, 2010 and 2009. (Schedule 20)

(xviii) Statement of Interest and Other Borrowing Costs (Consolidated) for the year ended March 31, 2011, 2010 and 2009. (Schedule 21)

(xix) Statement of Prior Period Adjustments (Consolidated) for the year ended March 31, 2011, 2010 and 2009. (Schedule 22)

(xx) Statement of changes made, Significant Notes to the Restated Summary Statements Accounting Policies (to be incorporated in financials word format with schedule no.) and of Assets and Liabilities, Profit and Loss Account and Cash Flow Statement as appearing in Schedule 23 A, 23 B, 23 C and 23 D.

(xxi) Statement of Segment Information (Consolidated) for the year ended March 31, 2011, 2010 and 2009. (Schedule 24).

(xxii) Statement of Financial indebtedness (Consolidated) as at March 31, 2011(Schedule 25).

(xxiii) Statement of Contingent liabilities and Capital Commitments (Consolidated) as at March 31, 2011, 2010 and 2009. (Schedule 26)

(xxiv) Statement of Capitalisation (Consolidated) as at March 31, 2011 (Schedule 27)

(xxv) Statement of Accounting Ratios (Consolidated) as at March 31, 2011, 2010 and 2009. (Schedule 28)

(xxvi) Statement of Related Party Information (Consolidated) as at March 31, 2011, 2010 and 2009. (Schedule 29)

3. Based on our examination of the financial information of the Company attached to this report, we state that in our opinion, the "**Restated Consolidated Financial Statements**" and 'Other Financial Information' mentioned above, for the years ended March 31, 2011, March 31, 2010 and March 31, 2009, have been prepared in accordance with the SEBI ICDR Regulations and the SEBI Act.

4. This report should not in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other firm of Chartered Accountants nor should this be construed as a new opinion on any of the financial statements referred to herein..

5. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

6. This report is intended solely for your information and for inclusion in the Offer Documents in connection with the proposed offer for sale of equity shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S. N. Dhawan & Co.
Chartered Accountants
Firm Registration No. 000050N

Suresh Seth
Partner (Membership No. 010577)
Place: New Delhi
Date: September 28, 2011

For Gandhi Minocha & Co.
Chartered Accountants
Firm Registration No. 000458N

Manoj Bhardwaj
Partner (Membership No. 098606)
Place: New Delhi
Date: September 28, 2011

SCHEDULE -1: SUMMARY STATEMENT OF ASSETS AND LIABILITIES - RESTATED (CONSOLIDATED)

(₹ in millions)

		As at March 31st		
	Schedule	**2011**	**2010**	**2009**
A. Fixed Assets & Intangible Assets				
Gross Block	4	83,440	68,574	55,011
Less:				
Accumulated Depreciation/Amortisation		47,342	41,855	37,673
Lease Adjustment Account		2	142	412
Net Block		36,096	26,577	16,926
Add: Capital Work-in-Progress	4	22,028	15,524	12,123
TOTAL FIXED ASSETS		**58,124**	**42,101**	**29,049**
B. Investments	5	**113**	**59**	**59**
C. Deferred Tax Assets Net		**21,652**	**19,311**	**22,564**
D. Current Assets, Loans and Advances				
Inventories	6	110,175	92,838	78,920
Sundry Debtors	7	275,105	228,173	172,139
Cash & Bank Balances	8	97,064	98,564	103,295
Other current assets	9	3,102	4,073	3,503
Loans and advances	10	30,763	24,041	19,500
TOTAL CURRENT ASSETS		**516,209**	**447,689**	**377,357**
E. Pre Operative Expenses		1	23	-
F. Preliminary Expenses		37	-	-
TOTAL ASSETS (A+B+C+D+E+F)		**596,136**	**509,183**	**429,029**
G. Liabilities & Provisions				
Secured Loans	11	-	18	16
Unsecured Loans	11	2,702	1,465	1,649
Current Liabilities	12	315,680	281,795	235,341
Provisions	12	76,204	61,403	62,377
TOTAL LIABILITIES		**394,586**	**344,681**	**299,383**
NET WORTH (A+B+C+D-G)		**201,512**	**164,479**	**129,646**
REPRESENTED BY				
H. Share Capital	13	4,895	4,895	4,895
I. Reserves & Surplus	14	196,655	159,607	124,751

		As at March 31st		
J. Less: Pre operative and Preliminary Exp. to the extent not written off (E+F)		38	23	-
NET WORTH (H+I-J)		**201,512**	**164,479**	**129,646**
NOTES TO ACCOUNTS	23			

SCHEDULE -2: SUMMARY STATEMENT OF PROFIT & LOSS ACCOUNT- RESTATED (CONSOLIDATED)

(₹ in millions)

		For the year ended 31st March		
	Schedule	**2011**	**2010**	**2009**
INCOME				
Turnover (Gross)		415,897	351,442	286,506
Less: Excise duty & Service Tax		17,811	12,993	18,275
Turnover (Net)		**398,086**	**338,449**	**268,231**
Interest & other income	15	17,027	16,321	14,983
Accretion (Decretion) to Work-in-Progress & Finished Goods	16	1,262	7,758	11,640
TOTAL INCOME		**416,375**	**362,528**	**294,854**
EXPENDITURE				
Consumption of Material, Erection and Engineering Expenses	17	233,666	208,630	178,400
Employees' remuneration & benefits	18	55,857	49,483	38,257
Other expenses of Manufacture, Administration, Selling and Distribution	19	25,567	20,840	18,505
Provisions (net)	20	12,064	6,883	6,046
Interest & other borrowing costs	21	566	350	266
Depreciation and Amortisation		5,954	4,392	3,343
Less: Cost of jobs done for internal use		685	1,209	612
		332,989	**289,369**	**244,205**
Profit Before Tax, Extra Ordinary Items and Prior Period Items		**83,386**	**73,159**	**50,649**
Add/(Less): Prior period items (Net)	22	(3)	(1)	158
Add/(Less): Extra Ordinary Items		78	-	-
Profit Before Tax (Restated)		**83,461**	**73,158**	**50,807**
Provision for Income Tax		(30,811)	(21,554)	(25,150)
Deferred Tax		2,341	(3,253)	7,015
Profit After Tax (Restated)		**54,991**	**48,351**	**32,672**
Balance of profit brought forward from last year		10,922	6,081	3,329
Foreign Project Reserves written back		-	14	12
Profit available for appropriation		65,913	54,446	36,013
APPROPRIATION				

		For the year ended 31st March		
Transfer to General Reserve		40,029	30,025	20,022
Interim Dividend on Equity Shares		6,600	5,501	4,513
Proposed Dividend on Equity Shares		8,818	6,057	3,958
Corporate Dividend tax		2,527	1,941	1,439
Total Appropriation		**57,974**	**43,524**	**29,932**
BALANCE CARRIED TO BALANCE SHEET		**7,939**	**10,922**	**6,081**
NOTES TO ACCOUNTS	23			

SCHEDULE-3: SUMMARY STATEMENT OF CONSOLIDATED CASH FLOW - RESTATED (CONSOLIDATED)

(₹ in millions)

	For the year ended 31st March		
	2011	**2010**	**2009**
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit Before Tax - Restated	**83,461**	**73,158**	**50,807**
Adjustment for			
Depreciation/Amortisation	5,957	4,394	3,344
Lease Equalisation	(140)	(270)	(179)
Provisions (Net)	6,389	6,249	12,750
Bad Debts & Liquidated Damages written off	405	1,429	57
Profit on sale of Fixed assets	(43)	(3)	(84)
Interest paid	566	351	272
Interest/Dividend Income	(6,395)	(8,017)	(7,848)
Operating Profit before Working Capital changes	**90,200**	**77,291**	**59,117**
Adjustment for			
Decrease/(Increase) in Debtors, Loans and Advances and others	(54,553)	(62,977)	(50,418)
Decrease/(Increase) in Inventories	(17,446)	(13,958)	(21,140)
Increase/(decrease) in Current Liabilities and Provisions	47,221	35,075	70,263
Cash generated from operations	**65,422**	**35,431**	**57,822**
Direct Taxes Paid (Net of refund)	(38,431)	(19,130)	(23,190)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**26,991**	**16,301**	**34,632**
B. CASH FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(21,861)	(17,279)	(13,562)
Sale and Disposal of Fixed Assets	65	86	318
Purchase of Investments	(53)	-	-
Interest & Dividend Receipts	7,457	7,775	8,569
NET CASH USED IN INVESTING ACTIVITIES	**14,392**	**9,418**	**4,675**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Long Term Borrowings (Secured)	(18)	2	16
Borrowings, Credit for Assets taken on lease (Unsecured)	1,310	(209)	(1,348)
Dividend Paid (including tax on dividend)	(14,738)	(11,064)	(8,946)
Interest paid	(653)	(343)	(343)
NET CASH USED IN FINANCING ACTIVITIES	**14,099**	**11,614**	**10,621**
D. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,500)**	**(4,731)**	**19,336**

	For the year ended 31st March		
Opening Balance of Cash and Cash Equivalents	98,564	103,295	83,959
Closing Balance of Cash and Cash Equivalents	**97,064**	**98,564**	**103,295**
Note: Cash and Cash Equivalent comprises of the following:			
Cash & Stamps in hand	16	15	12
Cheques, Demand Drafts in hand	4,340	2,307	3,865
Remittances in transit	86	358	0.2
Balances with Scheduled Banks			
Current Account	9,772	6,131	15,379
Current Account-unclaimed dividend account	37	16	13
Deposit Account	82,569	89,679	83,736
Balance with non-scheduled Banks			
Current Account	244	58	290
TOTAL	**97,064**	**98,564**	**103,295**

SCHEDULE-4: STATEMENT OF FIXED ASSETS AND CAPITAL WORK-IN-PROGRESS - RESTATED (CONSOLIDATED)

(₹ in millions)

		As at March 31st		
		2011	**2010**	**2009**
A(1)	**FACTORY / OFFICE COMPLEX**			
A)	**Freehold land (incl. development exp.)**			
	Gross Block	303	45	45
	Less: Accumulated Depreciation	-	-	-
	Net Block	**303**	**45**	**45**
B)	**Leasehold land (incl. development exp.)**			
	Gross Block	61	62	62
	Less: Accumulated Depreciation	4	4	5
	Net Block	**57**	**58**	**57**
C)	**Roads, bridges and culverts**			
	Gross Block	154	131	84
	Less: Accumulated Depreciation	35	34	30
	Net Block	**119**	**97**	**54**
D)	**Buildings**			
	Gross Block	10,806	8,733	4,910
	Less: Accumulated Depreciation	3,828	3,098	2,557
	Net Block	**6,978**	**5,635**	**2,353**
E)	**Leasehold buildings**			
	Gross Block	33	33	33
	Less: Accumulated Depreciation	13	14	13
	Net Block	**20**	**19**	**20**
F)	**Drainage, sewerage and water supply**			
	Gross Block	192	187	140
	Less: Accumulated Depreciation	110	106	102
	Net Block	**82**	**81**	**38**
G)	**Railway siding**			
	Gross Block	112	89	89
	Less: Accumulated Depreciation	82	79	78
	Net Block	**30**	**10**	**11**
H)	**Locomotives and wagons**			
	Gross Block	279	278	276
	Less: Accumulated Depreciation	182	170	158
	Net Block	**97**	**108**	**118**
I)	**Plant & Machinery**			
	Gross Block	49,179	39,986	31,475

		As at March 31st		
	Less: Accumulated Depreciation	29,037	25,609	23,398
	Net Block	**20,142**	**14,377**	**8,077**
J)	**Electronic data processing equipment's**			
	Gross Block	1,392	1,261	1,210
	Less: Accumulated Depreciation	1,319	1,167	1,081
	Net Block	**73**	**94**	**129**
K)	**Electrical installations**			
	Gross Block	1,992	1,450	1,178
	Less: Accumulated Depreciation	875	793	740
	Net Block	**1,117**	**657**	**438**
L)	**Construction Equipment**			
	Gross Block	1,894	1,460	1,246
	Less: Accumulated Depreciation	1,139	933	742
	Net Block	**755**	**527**	**504**
M)	**Vehicles**			
	Gross Block	199	198	196
	Less: Accumulated Depreciation	166	164	165
	Net Block	**33**	**34**	**31**
N)	**Furniture & fixtures**			
	Gross Block	325	270	219
	Less: Accumulated Depreciation	118	101	88
	Net Block	**207**	**169**	**131**
O)	**Office & other equipment's**			
	Gross Block	1,109	888	812
	Less: Accumulated Depreciation	660	606	568
	Net Block	**449**	**282**	**244**
P)	**Fixed assets costing up to ₹ 10000/-**			
	Gross Block	774	710	637
	Less: Accumulated Depreciation	774	710	637
	Net Block	**-**	**-**	**-**
Q)	**Capital expenditure**			
	Gross Block	4	4	4
	Less: Accumulated Depreciation	4	4	4
	Net Block	**-**	**-**	**-**
R)	**Assets Given on Lease**			
	Gross Block	4,972	4,972	4,972
	Less: Accumulated Depreciation	4,928	4,784	4,463
	Less: Lease Adjustment Account	2	142	412

		As at March 31st		
	Net Block	**42**	**46**	**97**
S)	**EDP Equipment taken on lease**			
	Gross Block	2,886	2,274	2,178
	Less: Accumulated Depreciation	1,498	1,220	863
	Net Block	**1,388**	**1,054**	**1,315**
T)	**Office & other equipment taken on lease**			
	Gross Block	40	19	15
	Less: Accumulated Depreciation	16	11	4
	Net Block	**24**	**8**	**11**
U)	**Goodwill on Consolidation**			
	Gross Block	1,859	1,859	1,859
	Less: Accumulated Depreciation	-	-	-
	Net Block	**1,859**	**1,859**	**1,859**
V)	**Intangible Assets (Internally Developed)**			
	Others			
	Gross Block	187	105	50
	Less: Accumulated Depreciation	74	33	17
	Net Block	**113**	**72**	**33**
W)	**Intangible Assets (Other than Internally Developed)**			
(i)	**Software**			
	Gross Block	1,150	1,066	890
	Less: Accumulated Depreciation	986	831	651
	Net Block	**164**	**235**	**239**
(ii)	**Technical Know-how**			
	Gross Block	1,253	230	229
	Less: Accumulated Depreciation	174	108	87
	Net Block	**1,079**	**122**	**142**
(iii)	**Others**			
	Gross Block	88	88	88
	Less: Accumulated Depreciation	88	88	85
	Net Block	**-**	**-**	**3**
	TOTAL OF FACTORY / OFFICE			
	Gross Block	81,243	66,398	52,897
	Less: Accumulated Depreciation	46,110	40,667	36,536
	Less: Lease Adjustment Account	2	142	412
	Net Block	**35,131**	**25,589**	**15,949**

		As at March 31st		
2)	**TOWNSHIP / RESIDENTIAL**			
A)	**Freehold land (incl. development exp.)**			
	Gross Block	22	22	22
	Less: Accumulated Depreciation	-	-	-
	Net Block	**22**	**22**	**22**
B)	**Leasehold land (incl. development exp.)**			
	Gross Block	20	20	21
	Less: Accumulated Depreciation	6	5	5
	Net Block	**14**	**15**	**16**
C)	**Roads, bridges and culverts**			
	Gross Block	53	53	51
	Less: Accumulated Depreciation	29	30	28
	Net Block	**24**	**23**	**23**
D)	**Buildings**			
	Gross Block	1,349	1,347	1,342
	Less: Accumulated Depreciation	644	627	606
	Net Block	**705**	**720**	**736**
E)	**Leasehold buildings**			
	Gross Block	3	3	5
	Less: Accumulated Depreciation	2	2	2
	Net Block	**1**	**1**	**3**
F)	**Drainage, sewerage and water supply**			
	Gross Block	174	174	170
	Less: Accumulated Depreciation	139	136	131
	Net Block	**35**	**38**	**39**
G)	**Plant and Machinery**			
	Gross Block	166	161	115
	Less: Accumulated Depreciation	102	92	86
	Net Block	**64**	**69**	**29**
H)	**Electrical installations**			
	Gross Block	175	173	172
	Less: Accumulated Depreciation	145	141	137
	Net Block	**30**	**32**	**35**
I)	**Vehicles**			
	Gross Block	11	11	11
	Less: Accumulated Depreciation	10	10	10
	Net Block	**1**	**1**	**1**

		As at March 31st		
J)	**Furniture & fixtures**			
	Gross Block	8	8	7
	Less: Accumulated Depreciation	3	3	2
	Net Block	**5**	**5**	**5**
K)	**Office & other equipment's**			
	Gross Block	192	181	177
	Less: Accumulated Depreciation	128	119	109
	Net Block	**64**	**62**	**68**
L)	**Fixed assets costing up to ₹ 10000/-**			
	Gross Block	24	23	21
	Less: Accumulated Depreciation	24	23	21
	Net Block	**-**	**-**	**-**
	TOTAL OF TOWNSHIP / RESIDENTIAL			
	Gross Block	2,197	2,176	2,114
	Less: Accumulated Depreciation	1,232	1,188	1,137
	Net Block	**965**	**988**	**977**
	TOTAL OF FACTORY AND TOWNSHIP			
	Gross Block	**83,440**	**68,574**	**55,011**
	Less: Accumulated Depreciation	**47,342**	**41,855**	**37,673**
	Less: Lease Adjustment Account	**2**	**142**	**412**
	Net Block	**36,096**	**26,577**	**16,926**
B.	**CAPITAL WORK-IN-PROGRESS**			
	Construction work-in-progress -Civil	3,382	2,395	3,593
	Construction Stores (including in transit)	131	143	119
	Plant & Machinery and other equipment's			
	-Under Erection/ Fabrication/awaiting erection	13,397	8,710	5,075
	-In transit	4,730	4,010	2,767
	Intangible Assets under development	104	62	15
	Advances for capital expenditure	284	204	554
	TOTAL CWIP	**22,028**	**15,524**	**12,123**
Notes:				
1. Gross Block includes assets condemned and retired from active use		500	388	300
2. Net Block includes assets condemned and retired from active use		2	1	2
3. Gross block excludes assets purchased out of grants received from Govt. of India for research as executing agency since the property does not vest with the Company		308	308	308

SCHEDULE-5: STATEMENT OF INVESTMENTS - RESTATED (CONSOLIDATED)

(₹ in millions)

	As at March 31st		
	2011	**2010**	**2009**
Long Term Investments (at cost)			
Unquoted Shares(Fully paid up):			
TRADE:			
Engineering Projects (India) Ltd.	*	*	*
AP Gas Power Corporation Ltd.	9	9	9
Neelachal Ispat Nigam Ltd.	50	50	50
Subsidiary Companies -			
Bharat Electrical Machines Ltd.	0.5	-	-
Joint Ventures Companies			
Power Plant Performance Improvement Ltd.	20	20	20
Less: Provision for dimunition in value	(20)	(20)	(20)
Barak Power Pvt. Ltd.	0.5	-	-
Less: Provision for diminution in value	(0.5)	-	-
TOTAL (A)	**60**	**59**	**59**
Advances deposit towards issue of Shares			
BHEL Electrical Machines Ltd. (Subsidiary Company)	53	-	-
Rita Enterprises, Mumbai	*	*	*
Asish Enterprises, Mumbai	*	*	*
TOTAL (B)	**53**	*	*
OTHER THAN TRADE:			
3 shares of ₹ 100/- each of BHEL House Building Cooperative Society Ltd., Hyderabad	*	*	*
250 shares of ₹ 10/- each of BHPV Employees Consumers Cooperative Stores Ltd.	*	*	*
10 shares of ₹ 50/- each of Cuffe Parade Persopolis Premises Cooperative Society Ltd., Mumbai	*	*	*
20 shares of ₹ 50/- each of Hill View Cooperative Housing Society Ltd., Mumbai	*	*	*
TOTAL (C)	**0.02**	**0.02**	**0.02**
TOTAL (A+B+C)	**113**	**59**	**59**
Aggregate value of Unquoted Investments (Cost)	**113**	**59**	**59**

* Value of less than ₹ 100,000/-

SCHEDULE-6: STATEMENT OF INVENTORIES - RESTATED (CONSOLIDATED)

(₹ in millions)

	As at March 31st		
	2011	**2010**	**2009**
Inventories			
Stores & Spare parts			
-Production	1,842	1,446	1,432
-Fuel stores	206	120	78
-Miscellaneous	292	301	195
TOTAL (A)	**2,340**	**1,867**	**1,705**
Raw Material & Components	38,915	29,220	26,329
Material-in-transit	14,474	9,684	6,345
Materials with Fabricators/Contractors	2,371	1,441	1,688
Loose Tools	317	254	230
Scrap (at estimated realisable value)	734	438	398
TOTAL (B)	**56,811**	**41,037**	**34,990**
Finished Goods (C)	**8,589**	**6,003**	**5,211**
Inter division transfers in transit (D)	**1,779**	**1,213**	**1,247**
Work-in-progress (including items with sub-contractors) (E)	**41,427**	**43,381**	**36,390**
Less : Provision for non-moving stock (F)	**771**	**663**	**623**
TOTAL (A+B+C+D+E-F)	**110,175**	**92,838**	**78,920**

SCHEDULE-7: STATEMENT OF SUNDRY DEBTORS -RESTATED (CONSOLIDATED)

(₹ in millions)

	As at March 31st		
	2011	**2010**	**2009**
SUNDRY DEBTORS			
-Debts outstanding for a period exceeding six months	116,797	113,442	82,324
-Other debts	179,448	130,296	104,207
TOTAL	**296,245**	**243,738**	**186,531**
Less : Provision for Doubtful debts	19,033	14,533	13,609
Less :Automatic Price Reduction Adjustment (APR)	2,107	1,032	783
TOTAL (NET)	**275,105**	**228,173**	**172,139**
Classification:			
Debts unsecured considered good	275,105	228,173	172,139
Debts considered doubtful and provided for (Incl. APR)	21,140	15,565	14,392
	296,245	**243,738**	**186,531**

Note: Debtors do not include any amount due from the Directors of the Company or their relatives

SCHEDULE-8: STATEMENT OF CASH AND BANK BALANCES -RESTATED (CONSOLIDATED)

(₹ in millions)

	As at March 31st		
	2011	**2010**	**2009**
Cash & Stamps in hand	16	15	12
Cheques, Demand Drafts in hand	4,340	2,307	3,865
Remittances in transit	86	358	-
Balances with Scheduled Banks			
Current Account	9,809	6,147	15,392
Deposit Account	82,569	89,679	83,736
Balance with non-scheduled Banks			
Current Account	244	58	290
TOTAL	**97,064**	**98,564**	**103,295**
Balances with Scheduled Banks Current Account includes Unclaimed Dividend	37	16	13

SCHEDULE-9: STATEMENT OF OTHER CURRENT ASSETS - RESTATED (CONSOLIDATED)

(₹ in millions)

	As at March 31st		
	2011	**2010**	**2009**
Other Current Assets			
Interest Accrued on Banks Deposits and investments	3,102	4,073	3,503
TOTAL	**3,102**	**4,073**	**3,503**

SCHEDULE-10: STATEMENT OF LOANS AND ADVANCES -RESTATED (CONSOLIDATED)

(₹ in millions)

Particulars	As at March 31st		
	2011	2010	2009
Loans			
Loans to Employees	0.5	0.7	1.3
Materials Issued on loan	100	46	78
Loans to others	106	168	1
Loans to Public Sector Undertakings	-	-	211
Interest accrued and or due on loans	37	50	68
TOTAL (A)	**244**	**265**	**359**
Advances (Recoverable in cash or in kind or for value to be received)			
To employees	329	270	298
For purchases	15,043	11,557	6,168
To Others	11,023	9,299	9,860
TOTAL (B)	**26,395**	**21,126**	**16,326**
Deposits			
Balance with Customs, Port Trust and other Govt Authorities	2,991	2,548	2,169
Others	2,363	765	1,349
TOTAL (C)	**5,354**	**3,313**	**3,518**
TOTAL (A)+(B)+(C)	**31,993**	**24,704**	**20,203**
Less: Provision for doubtful loans & advances	1,230	663	703
NET LOANS AND ADVANCES	**30,763**	**24,041**	**19,500**
CLASSIFICATION			
Loans & Advances fully secured	120	56	803
Loans & Advances considered good for which the Company holds no security	30,643	23,985	18,697
Loans & Advances considered doubtful & provided for	1,230	663	703
TOTAL	**31,993**	**24,704**	**20,203**

SCHEDULE-11: STATEMENT OF SECURED AND UNSECURED LOANS -RESTATED (CONSOLIDATED)

(₹ in millions)

Particulars	As at March 31st		
	2011	2010	2009
A. SECURED LOANS			
From Financial Institutions	-	18	16
TOTAL (A)	**-**	**18**	**16**
B. UNSECURED LOANS			-
Short Term Loans			
From Banks	931	46	48
From Others	-	10	-
From Companies	64	-	-
Credits for Assets taken on lease	1,577	1,224	1,439
Interest accrued and due on:			
- State Government Loans	23	23	23
- Credits for Assets taken on lease	38	33	34
- Financial Institutions & others	69	129	105
TOTAL (B)	**2,702**	**1,465**	**1,649**
TOTAL (A+B)	**2,702**	**1,483**	**1,665**

SCHEDULE-12: STATEMENT OF CURRENT LIABILITIES & PROVISIONS -RESTATED (CONSOLIDATED)

(₹ in millions)

	As at March 31st		
	2011	**2010**	**2009**
A. CURRENT LIABILITIES			
Acceptances	428	423	671
Sundry Creditors			
-Total outstanding dues of Micro & Small Enterprises (incl. interest)	3,126	2,229	965
-Other Sundry Creditors	93,576	73,870	58,016
Advances received from customers & others (incl. valuation adj. credit)	204,379	192,078	164,622
Deposits from Contractors & others	5,026	4,426	3,341
Unclaimed dividend	37	16	13
Other liabilities	9,105	8,748	7,708
Interest accrued but not due	3	5	5
TOTAL (A)	**315,680**	**281,795**	**235,341**
B. PROVISIONS			
Proposed Dividend	8,818	6,057	3,958
Corporate Dividend Tax	1,431	1,006	673
Contractual Obligation	29,970	24,265	18,837
Retirement benefits	28,649	23,930	15,336
Others	2,829	3,111	23,255
Provision for Tax (Net of advance tax/TDS)	4,507	3,034	318
TOTAL (B)	**76,204**	**61,403**	**62,377**
TOTAL (A)+(B)	**391,884**	**343,198**	**297,718**

SCHEDULE-13: STATEMENT OF SHARE CAPITAL -RESTATED (CONSOLIDATED)

(₹ in millions)

	As at March 31st		
	2011	**2010**	**2009**
Authorised Share Capital			
200,00,00,000 Equity Shares of ₹ 10 each	**20,000**	**20,000**	**20,000**
Issued, Subscribed & Paid up Share Capital			
48,95,20,000 fully paid up Equity Shares of ₹ 10/- each	**4,895**	**4,895**	**4,895**
Note			
(i) 17,06,48,800 Equity Shares of ₹ 10/- each fully paid up in cash	1,706	1,706	1,706
(ii) 7,41,11,200 Equity Shares of ₹ 10/- each allotted as fully paid up for consideration other than cash	741	741	741
(iii) 24,47,60,000 Equity Shares of ₹ 10/- each fully paid up allotted as Bonus Shares	2,448	2,448	2,448
TOTAL	**4,895**	**4,895**	**4,895**

SCHEDULE-14: STATEMENT OF RESERVES & SURPLUS -RESTATED (CONSOLIDATED)

(₹ in millions)

	As at March 31st		
	2011	**2010**	**2009**
RESERVES			
Capital Reserve	27	27	27
Foreign Project Reserve	-	-	14
General Reserve	188,688	148,659	118,634
Stock Reserve Adjustment	1	(1)	(5)
TOTAL (A)	**188,716**	**148,685**	**118,670**
SURPLUS			
Balance Carried Forward (B)	**7,939**	**10,922**	**6,081**
TOTAL (A+B)	**196,655**	**159,607**	**124,751**

SCHEDULE-15: STATEMENT OF OTHER INCOME -RESTATED (CONSOLIDATED)

(₹ in millions)

	For the year ended 31st March		
Recurring Income	**2011**	**2010**	**2009**
A. Other Operational Income			
Export Incentives	429	447	563
Rental income on leased assets (net of lease equailisation account)	150	332	434
Scrap	2,724	1,890	1,896
Receipt from sale/transfer of surplus stock	1	6	2
Others	3,532	2,307	2,311
Total (A)	**6,836**	**4,982**	**5,206**
B Other Income			
Profit from sale of fixed assets (Net Cr)	43	3	84
Dividend on Investment (Long term-Trade)	150	158	185
Exchange variation gain (Net)	1,003	883	265
Others	2,750	2,436	1,581
Total (B)	**3,946**	**3,480**	**2,115**
C. Interest Income			
From customers	0.1	0.0	6
From employees	0.1	0.2	0.4
From banks	6,148	7,775	7,588
Others	97	84	68
Total (C)	**6,245**	**7,859**	**7,662**
TOTAL OTHER INCOME (A+B+C)	**17,027**	**16,321**	**14,983**
Profit Before Tax and Extra Ordinary Items	**83,383**	**73,158**	**50,807**
Total Other Income as % of profit before tax and extra ordinary items	**20.42**	**22.31**	**29.49**

Note: Other Income is recurring in nature and relates to the business of the Company

SCHEDULE-16: STATEMENT OF ACCRETION/ (DECRETION) TO WORK-IN PROGRESS & FINISHED GOODS-RESTATED (CONSOLIDATED)

(₹ in millions)

	For the year ended 31st March		
	2011	**2010**	**2009**
Closing Balance			
Finished Goods	8,589	6,003	5,211
Work-in-Progress	41,427	43,381	36,390
TOTAL (A)	50,016	49,384	41,601
Less: Opening Balance			
Finished Goods	6,003	5,211	4,769
Work-in-Progress	43,381	36,390	25,607
TOTAL (B)	49,384	41,601	30,376
Inter-division transfer in transit **(C)**	630	(25)	415
TOTAL (A)-(B)+(C)	**1,262**	**7,758**	**11,640**
NOTE:			
Element of Excise duty in Finished Goods			
Closing Balance	820	531	352
Opening Balance	531	352	532

SCHEDULE-17: STATEMENT OF CONSUMPTION OF MATERIAL, ERECTION AND ENGINEERING EXPENSES-RESTATED (CONSOLIDATED)

(₹ in millions)

	For the year ended 31st March		
	2011	**2010**	**2009**
Consumption of Raw material & components	195,428	174,544	153,046
Consumption of stores & spares	4,738	4,613	4,421
Erection and Engineering expenses. - payment to subcontractors	33,500	29,473	20,933
TOTAL	**233,666**	**208,630**	**178,400**

SCHEDULE-18: STATEMENT OF EMPLOYEES REMUNERATION & BENEFITS-RESTATED (CONSOLIDATED)

(₹ in millions)

	For the year ended 31st March		
	2011	**2010**	**2009**
Salaries, Wages, Bonus, Allowances & other benefits	47,180	40,844	31,199
Contribution to gratuity fund	2,249	2,641	1,164
Contribution to Provident and other funds	2,652	2,349	2,045
Group Insurance	99	102	86
Staff Welfare Expenses	3,677	3,547	3,763
TOTAL	**55,857**	**49,483**	**38,257**

SCHEDULE-19: STATEMENT OF OTHER EXPENSES OF MANUFACTURE, ADMINISTRATION AND SELLING & DISTRIBUTION-RESTATED (CONSOLIDATED)

(₹ in millions)

	For the year ended 31st March		
	2011	**2010**	**2009**
Royalty, technical documentation, resident consultant charges & other consultancy charges	1,354	428	425
Rent	815	737	531
Excise duty (Net)	2,093	950	685
Power & Fuel	4,070	3,413	3,446
Rates & Taxes	383	492	483
Service Tax (Net)	122	71	115
Insurance	1,093	849	780
Repairs & Maintenance			
Buildings	549	514	718
Plant & Machinery	294	206	169
Others	1,200	917	865
Other expenses in connection with exports	331	237	266
Bad Debts and amount Written off	210	371	28
Carriage outward	3,595	3,033	2,474
Travelling & conveyance	1,667	1,480	1,927
Miscellaneous Expenses	7,378	6,041	5,533
Liquidated damages charged off	195	1,058	29
Donations	2	3	1
Corporate Social Responsibility	216	40	30
TOTAL	**25,567**	**20,840**	**18,505**

SCHEDULE-20: STATEMENT OF PROVISIONS (NET)-RESTATED (CONSOLIDATED)

(₹ in millions)

	For the year ended 31st March		
	2011	**2010**	**2009**
Doubtful debts, Liquidated Damages and Loans & advances			
-Created during the year	7,409	4,839	5,760
-Less written back during the year	2,421	3,879	3,625
TOTAL (A)	**4,988**	**960**	**2,135**
Contractual Obligations			
-Created during the year	11,743	8,948	6,931
-Less written back during the year	6,060	3,490	2,417
TOTAL (B)	**5,683**	**5,458**	**4,514**
Others			
-Created during the year	1,661	1,468	858
-Less written back during the year	268	1,003	1,461
TOTAL (C)	**1,393**	**465**	**(603)**
TOTAL(A)+(B)+(C)	**12,064**	**6,883**	**6,046**

SCHEDULE-21: STATEMENT OF INTEREST AND OTHER BORROWING COSTS -RESTATED (CONSOLIDATED)

(₹ in millions)

	For the year ended 31st March		
	2011	**2010**	**2009**
Interest on:			
Banks/financial Institutions borrowings	319	157	100
Others	247	193	166
Less: Borrowing Costs capitalised	-	-	-
TOTAL	**566**	**350**	**266**

SCHEDULE-22: STATEMENT OF PRIOR PERIOD ADJUSTMENTS-RESTATED (CONSOLIDATED)

(₹ in millions)

	For the year ended 31st March		
	2011	**2010**	**2009**
INCOME			
Sales less returns	-	170	82
Other Operational income	-	1	(93)
Other income	-	13	-
Interest income	-	-	1
Total	**0**	**184**	**(10)**
EXPENDITURE			
Consumption of Raw material & components	2	3	(7)
Depreciation	3	2	1
Payment to Sub-contractors	-	171	(171)
Interest	-	1	6
Misc. Expenses	(2)	8	3
Total	**3**	**185**	**(168)**
Prior period adjustments (Net)	(3)	(1)	158

SCHEDULE-23 A : NOTES ON ADJUSTMENTS MADE FOR FINANCIAL STATEMENTS-RESTATED (CONSOLIDATED)

A. Adjustments on changes in Accounting Policies, Prior period Items and Other Adjustments

(₹ in millions)

	For the year ended 31st March		
	2011	**2010**	**2009**
Profit After Tax (As per Audited Accounts)	60,534	43,269	31,152
Adjustment for Restatement on Accounts of: Increase/(decrease) in Profit			
a) Changes in Accounting Policies			
Exchange variation policy on fixed assets	-	-	-
P.F. contribution on Leave encashment	-	-	(550)
Provision for outstanding debts	(110)	1,745	(1,598)
Provision for warranties	(5,200)	1,901	577
Accounting of Leave liability	(2,236)	407	461
Sub Total (a)	(7,546)	4,053	(1,110)
b) Other Adjustments and Prior Period Items			
Reclassification of Cranes and depreciation adj.	(490)	211	88
Prior period Income adjustment	17	100	(137)
Prior period Expenses adjustment	(3)	(172)	182
Interest income on Income Tax refunds	(78)	(309)	-
Interest cost on Income Tax demands	(2)	17	86
Sub Total (b)	(556)	(153)	219
c) Arrears of Salary & Wages			
Salary & Wages arrear incl. retirement benefits, gratuity	905	3,050	3,318
d) Income Tax related to earlier years adjustment	(814)	491	(100)
Total Adjustment (a+b+c+d) Increase /(decrease) in profit	(8,011)	7,441	2,327
Tax Adjustments:			
Current tax impact on adjustments	(6,493)	2,230	2,797
Deferred tax impact on adjustments	4025	129	(1,990)
Total of Adjustments after tax impact- Increase/(decrease) in profit after tax	**(5,543)**	**5,082**	**1,520**
Net Adjusted Profits after Tax(Restated)	**54,991**	**48,351**	**32,672**

SCHEDULE-23 B: NOTES ON ADJUSTMENTS MADE FOR FINANCIAL STATEMENTS-RESTATED (CONSOLIDATED)

(i) The Company had revised its accounting policy of Exchange differences relating to Fixed Assets in 2007-08, by charging to Profit & Loss Account as against adjustment to carrying amount of fixed assets in earlier years, in line with mandatory accounting standard. Accordingly, the effect has been carried out to the respective years.

(ii) In line with the decision of the Supreme Court in case of Manipal Academy of higher education Vs RPFC, PF was not to be deducted and provided for on leave encashment w.e.f. 30.05.2008. Accordingly, the policy was changed in 2008-09 and the effect has been given to the respective years in the restated accounts.

(iii) The Company had changed the accounting practice of provision for doubtful debts in 2009-10, as against earlier practice of creating provision on a case to case basis, it has revised that wherever trial operation has been conducted and the debtors are outstanding for more than three years from the date of trial operation, provisions (including contractual obligations) shall be equal to the debtors as prevalent on that date. Accordingly, the accounts has been restated based on the revised policy.

(iv) The Company had changed the accounting policy on provision for warranties in respect of AS-7 ® contracts in 2010-11. As against creation of provision for warranties @2.5% of contract value on trial operation, it has revised that provision for warranty is provided @ 2.5% of the revenue progressively as and when it recognises the revenue and maintains the same through the warranty period. Accordingly, the accounts have been restated based on the revised policy.

(v) The Company had modified the accounting policy on Employee benefits in respect of leave liability in 2010-11. As against creation of provision for leave liability on accrual basis, it has changed to actuarial valuation basis treating the same as other long term benefits based on behavioural patterns as per AS-15 (R). Accordingly, the accounts have been restated based on revised policy.

(vi) The cranes used at the project sites have been classified under "General Plant & Machinery" as against the earlier practice of "Erection Equipment" in 2010-11. Accordingly, depreciation adjustment on cranes has been carried out to the respective years.

(vii) The prior period items in the Profit & Loss Account have been re-allocated to the respective years to which it pertains.

(viii) Arrears of salary and wages paid to employees settled out of wage revision settlement w.e.f. 01.01.2007 in 2009-10 have been restated in the years to which it relates. Similarly retirement benefit liabilities are also restated in years to which it relates based on the actuarial valuation.

(ix) Impact of provision for gratuity due to enhancement of limit from ₹ 350,000 to ₹ 1,000,000 as part of wage revision settlement in line with DPE guidelines made in 2009-10 have also been restated to the respective years based on actuarial valuation assuming the enhanced limit of ₹ 1,000,000 also to opening liability of gratuity for employees on service as on 01.01.2007 including for past services rendered by the employees as an opening adjustment made in reserve & surplus prior to 2006-07.

(x) Provision for tax including interest income/cost for earlier years have been restated and considered in the respective years to which it relates.

(xi) The Company has accounted for the deferred tax assets and liabilities for earlier years in terms of "Accounting for Taxes on Income" (AS 22) issued by the Institute of Chartered Accountants of India (ICAI) notified by Ministry of Corporate Affairs. Current tax and Deferred tax impact of adjustments made have been computed on the profit arrived after making the adjustment and on the basis of rates applicable to respective years.

(xii) The accounts for the years have been restated considering the Guidance Note 'Reports in Company Prospectuses' issued by the Institute of Chartered Accountants of India and other changes/adjustments referred to above. Effect of these changes has been made to the line by line items. Effect of changes for Financial Years prior to 2006-07 have been adjusted in Reserves & Surplus as on 31.03.2006 net of taxes including deferred tax relatable to Financial Years prior to 2006-07 in standalone accounts.

SCHEDULE-23 C: NOTES ON FINANCIAL STATEMENTS-RESTATED (CONSOLIDATED)

1 The Restated Consolidated Financial Statements relate to Bharat Heavy Electricals Limited (Parent Company), its Subsidiaries and its interest in Joint Venture entities. The restated consolidated Financial Statements have been prepared on the following basis:-

Basis of Accounting:

i) The financial statements of the subsidiary companies and interest in joint ventures in the consolidation are drawn up to the same reporting date as of the parent company.

ii) The consolidated financial statements have been prepared in accordance with Accounting Standard -21 on "Consolidated Financial Statements" and Accounting Standard - 27 on "Financial Reporting of interest in Joint Ventures".

Principles of Consolidation:

(a) The Financial Statements of the Parent Company and its Subsidiary companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating the intra-group balances and intra-group transactions and unrealized profits or losses in accordance with Accounting Standard - 21 on "Consolidated Financial Statements".

(b) The financial statements of Joint Venture entities have been combined by applying proportionate consolidation method on a line by line basis on items of assets, liabilities, income and expenses after eliminating proportionate share of unrealized profits or losses in accordance with Accounting Standard- 27 on "Financial Reporting of Interests in Joint Ventures".

(c) The restated consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company's separate financial statements except as otherwise stated in the Significant Accounting Policies.

(d) The difference between the costs of investments in the subsidiary over the net assets at the time of acquisition of shares in the Subsidiary is recognized in the Financial Statements as Goodwill or Capital Reserve as the case may be.

2 The Restated Consolidated Financial Statements includes the result of following entities:

Name of Company	Country of Incorporation	Proportion (%) of Shareholding as on 31.03.2011	Proportion (%) of Shareholding as on 31.03.2010	Proportion (%) of Shareholding as on 31.03.2009
Subsidiary Company				
1) Bharat Heavy Plate and Vessels Ltd. (BHPV)	India	100	100	100
Joint Venture Companies				
1) BHEL-GE Gas Turbine Services Ltd.	India	one share less than 50	one share less than 50	one share less than 50
2) NTPC-BHEL Power Projects Pvt. Ltd.	India	50	50	50
3) Udangudi Power Corporation Ltd.	India	50	50	50
4) Dada Dhuniwale Khandwa Power Ltd.	India	50	50	
5) Raichur Power Corporation Limited	India	50	50	

(a) The financial statements of BHPV are consolidated based on the audited financial statement for the year ended.

(b) A subsidiary company has been incorporated on 19th January 2011 under the name of "BHEL Electrical Machines Limited" which would take up manufacturing of rotating electrical machines, after acquiring the assets of Kasargod unit of KEL, Kerala. BHEL owns 51% equity in the company and Govt. of Kerala owns 49%. The first Financial Year of the company has commenced from 19.01.2011 and shall end on 31.03.2012, accordingly the same will be considered for the period ended on 31.03.2012 and there is no financial transaction during Financial Year 2010-11 except equity contribution and incorporation formalities.

(c) The interest in Joint Venture Companies in respect of BHEL-GE Gas Turbine Services Ltd. and NTPC-BHEL Power Projects Pvt. Ltd. is considered based on audited financial statements for the year ended.

(d) The interest in Joint Venture in respect of Powerplant Performance Improvement Ltd. (PPIL) and Barak Power Pvt. Ltd. have not been considered in preparation of Consolidated Financial Statements as the companies are under liquidation and full amount of equity investment has been provided for diminution in the value of investment.

(e) The interest in Joint Venture in respect of Udangudi Power Corporation Ltd. and Raichur Power Corporation Ltd. Is considered based on unaudited financial statements for the year ended.

(f) Dada Dhuniwale Khandwa Power Ltd., a Joint venture company of BHEL and Madhya Pradesh Power Generation Co. Ltd., was incorporated on 25.02.2010. The first accounts of the company are made for the period from 25.02.2010 to 31.03.2011. Accordingly, the interest in JV is considered in the Restated Consolidated Financial Investment based on unaudited financial statements for the period from 25.02.2010 to 31.03.2011.

			2010-2011	**2009-2010**	**2008-2009**
3	Estimated amount of contracts, net of advances, remaining to be executed on capital account and not provided for	₹ Million	13,619	16,561	17,838
	The above includes for acquisition of intangible assets	₹ Million	51	338	248
4	Land and buildings includes				
a) (i)	Acres of land for which formal transfer/ lease deed have not been executed	Acres	9039.33	9029.39	9868.26
(ii)	Number of flats for which formal transfer/ lease deed have not been executed	Nos.	12	36	36
(iii)	Number of buildings for which formal transfer/ lease deed have not been executed	Nos.	1	1	1
(iv)	Acres of land for which the cost paid is provisional; registration charges and stamp duty (net of provision already made), if any, would be accounted for on payment.	Acres	91.52	71.44	71.44
b)	Acres of land leased to Ministry of Defence,Govt. of India Departments & others	Acres	28.77	28.77	28.68
c)	Acres of land being used by Ministry of Defence and for which further approval of the competent authority for continuance of licensing of this land is awaited.	Acres	180	180	180
d)	Acres of land is under adverse possession.	Acres	97.25	116.37	116.37

5	The impact on the profit of providing 100 percent depreciation on fixed assets up to ₹ 10,000/- each, without considering such impact of earlier years, is as under :				
	100% depreciation on assets up to ₹ 10,000/- charged off in the accounting year.	₹ Million	101	107	154
	Normal depreciation on above.	₹ Million	30	30	91
	Excess amount charged.	₹ Million	71	77	63
6	Sales less returns				
a	Includes based on provisional prices	₹ Million	7	204	7,666
b	includes for escalation claims raised in accordance with sales contracts, inclusive of escalation claims on accrual basis, to the extent latest indices were available;	₹ Million	13,885	11,081	9,239
c	includes dispatches of equipment held on behalf of customers at their request for which payment has been received by Company ; and	₹ Million	1,124	157	255
d	excludes for price reduction (net of refund) due to delay in delivery as per the terms of the contract .	₹ Million	139	230	157
7	Contingent liabilities :				
A	Claims against the company not acknowledged as debt :				
i) a	Income Tax Pending Appeals	₹ Million	356	325	438
b	Against which paid under protest included under the head "deposit others"	₹ Million	27	24	105
ii) a	Sales Tax Demand	₹ Million	5,216	3,535	3,425
b	Against which paid under protest included under the head "Advances Recoverable"	₹ Million	994	770	810
iii) a	Excise Duty demands	₹ Million	3,399	1,967	2,746
b	Against which paid under protest included under the head "Advances Recoverable"	₹ Million	90	50	57
iv) a	Custom Duty demands	₹ Million	2	2	2
b	Against which paid under protest included under the head "Advances Recoverable"	₹ Million	1	1	1
v)	Court & Arbitration cases	₹ Million	4,097	2,546	1,259
vi)	Liquidated Damages	₹ Million	14,011	12,879	13,634
vii)	Counter Claim by contractors	₹ Million	6	6	410
viii) a	Service Tax Demand	₹ Million	2,166	1,086	731
b	Against which paid under protest	₹ Million	2	2	2
ix)	Others	₹ Million	2,099	600	664
	(In view of the various court cases and litigations and claims disputed by the Company, financial impact as to outflow of resources is not ascertainable at this stage).				

8 Cash credit limit from banks as on 31.03.2011 aggregating to ₹ 6,000 Million and Company's counter guarantee / indemnity obligations in regard to bank guarantee / letters of credit limit aggregating to ₹ 494,000 Million sanctioned by the consortium banks are secured by first charge by way of hypothecation of raw materials, components, work in progress, finished goods, stores, book debts and other current assets both present and future. The outstanding bank guarantees as at 31.03.2011 is ₹ 374,740 Million and Corporate Guarantee as on 31.03.2011 is ₹ 41,920 Million.

9 Balances shown under debtors, creditors, contractor's advances, deposits and stock/materials lying with sub-contractors/fabricators are subject to confirmation, reconciliation & consequential adjustment, if any. The reconciliation is carried out ongoing basis & provisions wherever considered necessary have been made in line with the guidelines.

10 Details of Balances with Non-Scheduled Banks

₹ Million

Current Account	2010-11	2009-10	2008-09
- Standard Chartered bank, Libya	0.6	0.2	0.0
- Bank Muskat, Oman	0.2	(0.3)	149.1
- Barclays Bank Ltd, Zambia	0.1	0.1	0.1
- Bank of commerce, Malaysia	0.5	0.5	0.5
- CIMB Berhad	0.2	0.2	3.2
- Indo Jambia Bank, Lusaka	0.0	0.0	1.6
- Commercial Bank of Ethopia	26.5	34.2	0.5
- Bank of Bhutan, Bhutan	0.0	0.0	0.1
- Jamahouria Bank, Libya	2.6	5.3	9.5
- National Bank of Egypt	1.1	1.2	1.3
- Byblos Bank of Syria	172.8	0.0	0.0
- Standard Chartered bank, Bangladesh	16.9	2.9	10.2
- Bank of Khartoum, Sudan	22.2	13.3	113.6
- Standard Chartered bank, Dubai	0.0	0.0	0.5

11 a) The disclosures relating to Construction Contracts entered on or after 01.04.2003 as per the requirement of Accounting Standard -7 (Revised) are as follows:

	2010-11	**2009-10**	**2008-09**
			₹ Million
Contract revenue recognised for the year	352,088	288,942	222,159
In respect of Contract in progress at the end of year :			
Cost incurred and recognised profits (less recognised losses)	1,266,917	931,555	642,473
Amount of advance received	109,716	98,323	86,322
Amount of retentions (deferred debts)	97,167	87,862	55,577
In respect of dues from customers after appropriate netting off			
Gross amount due from customer for the contract work as an asset	49,742	44,387	42,185
Gross amount due to customer for the contract work as a liability	34,187	31,703	27,034
Contingencies	-	-	-

b) The estimates of total costs and total revenue in respect of construction contracts entered on or after 1st April 2003 in accordance with Accounting Standard (AS) -7 (R) Construction Contracts are reviewed and up dated periodically to ascertain the percentage completion for revenue recognition.

12 The disclosure relating to derivative instruments:

a) The derivative instruments that are hedged and outstanding as on 31.03.2011 is Nil.

b) The foreign currency exposures that are not hedged by a derivative instrument or otherwise are as under :		2010-11	2009-10	2008-09
a) Assets / Receivables (i.e. Debtors)				
in foreign currency				
in US $	Million	349	216	247
in EURO	Million	343	220	106
in LYD	Million	9	9	3
in RO	Million	2	2	2
In Indian currency				
in US $	₹ Million	15,532	9,650	12,501
in EURO	₹ Million	21,277	13,178	7,056
in LYD	₹ Million	344	320	105
in RO	₹ Million	221	223	291
in Others	₹ Million	389	149	213
b) Liabilities (i.e. Advances from customers / creditors) in foreign currency				
in US $	Million	299	291	178
in EURO	Million	323	346	239
in LYD	Million	15	21	9
In Indian currency				
in US $	₹ Million	13,494	13,262	9,179
in EURO	₹ Million	20,645	21,263	16,372
in LYD	₹ Million	548	480	373
in Others	₹ Million	1,153	1,008	703

13 Remuneration paid/payable to Directors (including Chairman & Managing Director) *	2010-11	2009-10	2008-09
Salaries & Allowances	24.8	15.5	9.5
Contribution to PF	1.5	1.7	1.1
Contribution to Gratuity Fund	0.6	0.2	0.3
Others	3.9	6.2	3.0

* The above amount include leave encashment on payment basis & excludes group insurance premium.

		2010-11	2009-10	2008-09
14 a)	Expenditure on departmental Repair & maintenance which are as under :			
	Plant & Machinery	1,573	1,907	1,318
	Buildings	455	444	401
	Others	303	294	264
b)	Agency Commission on exports included in expenses in connection with exports	218	150	153
c)	Expenditure on research & development	3,615	3,525	2,961
d)	Rent Residential	672	620	450
e)	Payment to Auditors			
	Audit Fees	4.5	4.2	4.0
	includes paid abroad	0.1	0.4	0.5
	Out of Pocket expenses	1.8	1.5	0.9
	Income tax matters(including certification)	1.1	1.0	1.0
	includes paid abroad	0.1	0.1	0.2
	Other Certification Work	2.2	1.8	1.8
	includes paid abroad	-	-	0.1
	Other Professional services	0.4	1.0	0.7
	includes paid abroad	-	-	0.4
f)	Payment to Cost Auditors	0.1	0.1	0.1
g)	Expenditure on entertainment	65	70	76
h)	Expenditure on foreign travel			
	Expenditure	174	146	141
i)	Expenditure on Publicity and Public relations			
	Salaries allowances & other benefits	101	101	63
	Other expenses	162	163	118
j)	Director's Fees	1.6	0.8	0.8

15 Statement of Employee Benefits

The company has adopted AS-15 (R) for Employee benefits issued by the Institute of Chartered Accountants of India from 01.04.2006. The valuation of year end liability in respect of defined benefits as on 31.03.2011 are as under:

	₹ Million
Gratuity	17,873
Leave liability	12,000
Settlement Allowance	80
Post retired medical benefits	9,514
Provident Fund liability	272

The disclosure relating to AS-15 (R) – Employee Benefits

a) **Gratuity Plan**

The gratuity liability arises on account of future payments, which are required to be made in the event of retirement, death in service or withdrawal. The liability has been assessed using projected unit credit actuarial method.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as at the year ended are as follows:

		2010-11
1	Change in present value of obligation	
	a) Present value of obligation as at the beginning	16,714

	b) Acquisition adjustment	-
	c) Interest Cost	1,254
	d) Past service cost	-
	e) Current service cost	729
	f) Curtailment cost / (Credit)	-
	g) Settlement cost / (Credit)	-
	h) Benefits paid	(2,452)
	i) Actuarial (gain) / Loss	1,632
	j) Present value of obligation at the end of the period	17,873
2	Change in the fair value of plan assets	
	a) Fair value of plan assets at the beginning	6,378
	b) Acquisition Adjustments	-
	c) Expected return on plan assets	542
	d) Contributions	10,200
	e) Benefits paid	(2,407)
	f) Actuarial gain / (Loss) on plan assets	823
	g) Fair value of plan assets as at the end of the year	15,532
3	Fair value of plan assets	
	a) Fair value of plan assets at the beginning	6,376
	b) Acquisition Adjustments	-
	c) Actual return on plan assets	1,365
	d) Contributions	10,198
	e) Benefits paid	(2,407)
	f) Fair value of plan assets at the year end	15,532
	g) Funded status	(2,170)
	h) Excess of actual over estimated return of plan assets	823
4	Actuarial gain / loss recognized	
	a) Actuarial gain / (loss) for the period - obligation	(1,571)
	b) Actuarial (Gain) / loss for the period – plan assets	(823)
	c) Total (gain) / loss for the period	749
	d) Actuarial (gain)/ loss recognized in the period	749
	e) Unrecognized actuarial (gains)/ losses at the end of the period	
5	The amount recognized in balance sheet and statement of profit and loss	
	a) Present value of obligation as at end of the period	17,706
	b) Fair value of plan assets as at the end of period	15,529

	c) Funded status	(2,169)
	d) Excess of actual over estimated	823
	e) Unrecognised actuarial (gains)/ losses	
	f) Net asset/ (liability) recognized in balance sheet	(2,169)
6	Expense recognized in the statement of profit and loss a/c	
	a) Current service cost	722
	b) Past service cost	-
	c) Interest cost	1,243
	d) Expected return on plan assets	(542)
	e) Curtailment cost / (Credit)	-
	f) Settlement cost / (credit)	-
	g) Net actuarial (gain) / loss recognized in the period	749
	h) Expenses recognized in the statement of profit & losses	2,249
	Assumptions- Discounting rate 7.50%, Future salary increase 5.00%, Expected rate of return on plan assets 8.50%.	
b)	**Post Retirement Medical Benefits plan**	
1	Change in present value of obligation	2010-11
	a) Present value of obligation as at the beginning	8,604
	b) Acquisition adjustment	-
	c) Interest Cost	645
	d) Past service cost	-
	e) Current service cost	172
	f) Curtailment cost / (Credit)	-
	g) Settlement cost / (Credit)	-
	h) Benefits paid	(361)
	i) Actuarial (gain) / Loss	453
	j) Present value of obligation as at the end of year	9,514
2	Change in the fair value of plan assets	-
3	Fair value of plan assets -	
	Funded Status	(9,514)
4	Actuarial gain / loss recognized	
	a) Actuarial gain / (loss) for the period - obligation	453
	b) Actuarial (Gain) / loss for the period – plan assets	-
	c) Total (gain) / loss for the year	453
	d) Actuarial (gain)/ loss recognized in the period	453
	e) Unrecognized actuarial (gains)/ losses at the end of the period	-
5	The amount recognized in balance sheet and statement of profit and loss	
	a) Present value of obligation as at the end of the year	9,514
	b) Fair value of plan assets as at the end of the year	-
	c) funded status	(9,514)
	d) Net assets / (liability) recognized in balance sheet	(9,514)
6	Expenses recognized in the statement of profit and loss	
	a) Current service cost	172
	b) Interest cost	645

	c) Net actuarial (gain) / loss recognized in the year	453
	d) Expenses recognized in the statement of profit & loss	1,270

c) **Long Term Leave Liability (EL/NEL/HPL)**

The leave liability has been treated as other long term benefits and has been assessed using projected unit credit actuarial method.

1	Change in present value of obligation	2010-11
	a) Present value of obligation as at the beginning	13,052
	b) Acquisition adjustment	-
	c) Interest Cost	980
	d) Past service cost	-
	e) Current service cost	888
	f) Curtailment cost / (Credit)	-
	g) Settlement cost / (Credit)	-
	h) Benefits paid	(2,090)
	i) Actuarial (gain) / Loss	(829)
	j) Present value of obligation at the end of the period	12,000
2	Change in the fair value of plan assets	-
3	Fair value of plan assets	
	g) Funded status	(12,000)
4	Actuarial gain / loss recognized	
	a) Actuarial gain / (loss) for the period - obligation	783
	b) Actuarial (Gain) / loss for the period – plan assets	-
	c) Total (gain) / loss for the period	(783)
	d) Actuarial (gain)/ loss recognized in the period	(783)
	e) Unrecognized actuarial (gains)/ losses at the end of the period	-
5	The amount recognized in balance sheet and statement of profit and loss	
	a) Present value of obligation as at end of the period	12,000
	b) Fair value of plan assets as at the end of period	-
	c) Funded status	(12,000)
	d) Excess of actual over estimated	-
	e) Unrecognised actuarial (gains)/ losses	-
	f) Net asset/ (liability) recognized in balance sheet	(12,000)
6	Expense recognized in the statement of profit and loss a/c	
	a) Current service cost	876
	b) Past service cost	-
	c) Interest cost	971
	d) Expected return on plan assets	-
	e) Curtailment cost / (Credit)	-
	f) Settlement cost / (credit)	-
	g) Net actuarial (gain) / loss recognized in the period	(783)
	h) Expenses recognized in the statement of profit & losses	1,064

d) In line with the guidance note on AS-15(R), the company has got the actuarial valuation of provident fund done in respect of PF trusts of the units/regions. As per the actuarial valuation certificate liability for likely interest shortfall, to be compensated by the company to the PF trust, has been provided in the accounts.

	Provision made (withdrawal) for shortfall in PF interest liability based on actuarial valuation for the year 2010-11	₹ Million 110

	Accumulated provision for shortfall in PF interest liability based on actuarial valuation as on 31.03.2011	₹ Million	272

16 As required by AS-18 ' Related Party Disclosures' are given below :

i) Related Parties - Joint Venture Companies for the year 2010-11:

1 Powerplant Performance Improvement Ltd.
2 BHEL-GE Gas Turbine Services Pvt. Ltd.
3 NTPC-BHEL Power Projects Pvt. Ltd.
4 Udangudi Power Corporation Ltd.
5 Barak Power Pvt. Ltd.
6 Raichur Power Corporation Ltd.
7 Dada Dhuniwale Khandwa Power Ltd.

Related Parties - Joint Venture Companies for the year 2009-10:

1 Powerplant Performance Improvement Ltd.
2 BHEL-GE Gas Turbine Services Pvt. Ltd.
3 NTPC-BHEL Power Projects Pvt. Ltd.
4 Udangudi Power Corporation Ltd.
5 Barak Power Pvt. Ltd.
6 Raichur Power Corporation Ltd.
7 Dada Dhuniwale Khandwa Power Ltd.

Related Parties - Joint Venture Companies for the year 2008-09:

1 Powerplant Performance Improvement Ltd.
2 BHEL-GE Gas Turbine Services Pvt. Ltd.
3 NTPC-BHEL Power Projects Pvt. Ltd.
4 Udangudi Power Corporation Ltd.
5 Barak Power Pvt. Ltd.

ii) Key Management Personnel for FY 2010-11:

Shri B.P. Rao, Anil Sachdev, Atul Saraya, O.P. Bhutani, C.S. Verma, C.P. Singh, Anil Gupta, A.K. Goswamy, B Sainath, Anand K Bansal, S S Gupta, A S Nagaraja, P V Sridharan, P Ashoka Verma, R Nagaraja, Narayan Prasad, K.N. Venktesh, G Rajagopal, P R Shriram, K Balasubramanian, S Sukumar Solomon and Y.K. Rastogi.

Key Management Personnel for FY 2009-10:

Shri B.P. Rao, C.S.Verma, Anil Sachdev, Atul Saraya, O.P. Bhutani, K.Ravi Kumar, C.P. Singh, Anil Gupta, R.M.Verma, A.K. Goswamy, B Sainath, Anand K Bansal, R.Nagaraja, S.M.Jaamdar, P.N.Venkatesh, S.S.Gupta, C.P.Singh, C.Rajgopal, K Balasubramanian, A.S.Nagaraja, P.V.Sridharan, Om Prakash, R.B.Aggarwal, R.S.Rastogi and Mohd. Sulemain.

Key Management Personnel for FY 2008-09:

S/Shri K.Ravi Kumar, C.S.Verma, Anil Sachdev, B.P.Rao, C.P.Singh, Anil Gupta, C.P.Singh (Udangudi JV), S.Kathiresan, K.Balasubramanian, B.Sainath, Anand K.Bansal and Om Prakash.

iii) Details of Transactions

Joint Ventures		2010-11	2009-10	2008-09
Purchase of Goods and Services	₹ Million	761	25	611
Sales of Goods and services	₹ Million	673	630	679
Receiving of Services	₹ Million	252	-	-
Rendering of Services	₹ Million	1,012	56	49
Dividend income	₹ Million	150	158	185
Royalty income	₹ Million	8	8	15

	Purchase of shares	₹ Million	3,540	250	51
	Amounts due to BHEL at the end of the year	₹ Million	597	183	266
	Amounts due from BHEL at the end of the year	₹ Million	1,450	11	7
	Advance deposit towards issue of shares	₹ Million	-	25	50
	Provision for Doubtful debts	₹ Million	0.2	0.2	0.2
	Advances given	₹ Million	270	-	-
	Key Management Personnel (KMP)				
	Payment of Salaries	₹ Million	20	19	8
	Relatives of KMP				
	Amounts due to BHEL at the end of the year	₹ Million	-	0.1	0.1
	Payment of Salaries	₹ Million	2.0	1.4	1.0

17 Lease

Details of assets taken on lease on or after 1st April 2001 are as under:

i) Finance Lease:

			2010-11	2009-10	2008-09
a.	Outstanding balance of Minimum Lease payments				
	not later than one year	₹ Million	657	558	570
	later than one year and not later than five years	₹ Million	1,206	895	1,175
	later than five years	₹ Million	-	-	-
	Total minimum lease payments at the balance sheet date	₹ Million	1,863	1,453	1,745
b.	Present Value of (a) above				
	not later than one year	₹ Million	536	476	442
	later than one year and not later than five years	₹ Million	1,041	749	998
	later than five years	₹ Million	-	-	-
	Total of Present Value at the balance sheet date	₹ Million	1,577	1,224	1,439
c.1	Finance charges	₹ Million	286	229	306
c.2	Present value of Residual value, if any	₹ Million	0.1	0.1	0.1

ii) The company is in the practice of taking houses for employees,office buildings and EDP equipments etc. on operating lease both as cancellable and non-cancellable..

			2010-11	2009-10	2008-09
iii)	Operating Lease				
	The future minimum lease payments under non-cancellable operating lease are as under				
	not later than one year	₹ Million	52	44	44
	later than one year and not later than five years	₹ Million	99	93	73
	later than five years	₹ Million	16	9	0

iv) Details regarding rentals in respect of assets taken on lease prior to 1.4.2001 are as given below:

Cost of Assets

	Land & Buildings	₹ Million	0.1	0.7	0.6
	Computers & peripherals	₹ Million	0.0	8.3	8.3
	Rentals payable over unexpired period of lease				
	Land & buildings	₹ Million	0.2	0.2	0.3
	Computers & peripherals	₹ Million	0.0	0.1	0.1

18 The breakup of net deferred tax assets in compliance of Accounting Standard - 22 on 'Accounting for Taxation' is as under:

₹ Million

	As on 31.3.2011	As on 31.3.2010	As on 31.3.2009
Deferred Tax Assets			
Provisions	18,210	14,831	18,192
Statutory dues	4,120	4,313	4,122
Adjustment as per section 145A	454	472	854
Others	97	593	64
	22,881	20,209	23,232
Deferred Tax Liabilities			
Depreciation	1,229	898	668
Net Deferred Tax Assets	21,652	19,311	22,564

19 The disclosure relating to Accounting Standard -29

₹ Million

a) **Liquidated Damages**	2010-11	2009-10	2008-09
Opening	4,833	5,225	6,441
Additions	2,826	1,774	1,750
Usage/ Write off/payment	(195)	(1,058)	(29)
Withdrawal/adjustments	(484)	(1,108)	(2,937)
Closing Balance	6,980	4,833	5,225
Contractual Obligation			
Opening	24,265	18,837	14,323
Additions	11,743	8,948	6,931
Usage/ Write off/payment	(991)	(771)	(750)
Withdrawal/adjustments	(5,047)	(2,749)	(1,667)
Closing Balance	29,970	24,265	18,837

b) Liquidated damages are provided in line with the Accounting Policy of the company and the same is dealt suitably in the accounts on settlement or otherwise. Contingent liability relating to liquidated damages is shown in Notes to accounts separately.

c) The provision for contractual obligation is made at the rate of 2.5% of the contract revenue progressively in line with significant Accounting Policy No.14 to meet the warranty obligations as per the terms and conditions of the contract. The same is retained till the completion of the warranty obligations of the contract. The actual expenses on warranty obligation may vary from contract to contract and on year to year depending upon the terms and conditions of the respective contract.

20 Item of expense and income less than ₹ one Lakh are not considered for booking under Prior Period Items.

21 For certain items, the Company and its Joint Ventures have followed different accounting policies as indicated in Significant Accounting policies. However, impact of the same is not material.

SCHEDULE 23 – D: SIGNIFICANT ACCOUNTING POLICIES (CONSOLIDATED)

1 **Basis of preparation of Financial Statements**

The financial statements have been prepared as of a going concern on historical cost convention and on accrual method of accounting in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company**.**

2 **Fixed Assets**

(a) Fixed assets (other than land acquired free from State Government) are carried at the cost of acquisition or construction or book value less accumulated depreciation.

(b) Cost includes value of internal transfers for capital works, taken at actual / estimated factory cost or market price, whichever is lower. Effect of extraordinary events such as devaluation / revaluation in respect of long term liabilities / loans utilized for acquisition of fixed assets is added to / reduced from the cost.

(c) Land acquired free of cost from the State Government is valued at Re.1/- except for that acquired after 16th July 1969, in which case the same is valued at the acquisition price of the State Government concerned, by corresponding credit to capital reserve.

3 **Leases**

FINANCE LEASE

A) i) Assets Given on Lease Prior to 1st April 2001

Assets manufactured and given on finance lease are capitalized at the normal sale price/fair value/contracted price and treated as sales.

Depreciation on the same is charged at the rate applicable to similar type of fixed assets as per Accounting Policy on 'Depreciation'. Against lease rentals, matching charge is made through Lease Equalization Account.

Finance income is recognized over the lease period.

(ii) Assets Given on Lease on or after 1st April 2001

Assets manufactured and given on finance lease are recognized as sales at normal sale price / fair value / NPV.

Finance income is recognized over the lease period.

Initial direct costs are expensed at the commencement of lease.

B) Assets Taken on Lease on or after 1st April 2001

Assets taken on lease are capitalized at fair value / NPV / contracted price.

Depreciation on the same is charged at the rate applicable to similar type of fixed assets as per Accounting Policy on 'Depreciation'. If the lease assets are returnable to the lesser on expiry of lease period, the same is depreciated over its useful life or lease period, whichever is shorter.

Lease payments made are apportioned between finance charges and reduction of outstanding liability in relation to assets taken on lease.

OPERATING LEASE

Assets Given on Lease:

Assets manufactured and given on operating lease are capitalized. Lease income arising there from is recognized as income over the lease period.

Assets Taken on Lease:

Lease payments made for assets taken on operating lease are recognized as expense over the lease period.

4 **Intangible Assets**

A. Intangible assets are capitalized at cost if

a. it is probable that the future economic benefits that are attributable to the asset will flow to the company, and

b. the company will have control over the assets, and

c. the cost of these assets can be measured reliably and is more than ₹ 10,000/-

Intangible assets are amortized over their estimated useful lives not exceeding three years in case of software and not exceeding ten years in case of others on a straight line pro-rata monthly basis.

B. Expenditure on research including the expenditure during the research phase of Research & Development Projects is charged to profit and loss account in the year of incurrence.
b. Expenditure incurred on Development including the expenditure during the development phase of Research & Development Project meeting the criteria as per Accounting Standard on Intangible Assets, is treated as intangible asset.
c. Fixed assets acquired for purposes of research and development are capitalized.

5 **Borrowing Costs**

Borrowing costs that are attributable to the manufacture, acquisition or construction of qualifying assets, are included as part of the cost of such assets.
A qualifying asset is one that necessarily takes more than twelve months to get ready for intended use or sale.
Other borrowing costs are recognized as expense in the period in which they are incurred.

6 **Depreciation**

(i) Depreciation on fixed assets (other than those used abroad under contract) is charged up to the total cost of the assets on straight-line method as per the rates prescribed in Schedule XIV of the Companies Act, 1956, except where depreciation is charged at rates determined on the basis of the technically assessed estimated useful lives shown hereunder:-

	Single Shift	Double Shift	Triple Shift
General Plant & Machinery	8%	12%	16%
Automatic/Semi-Automatic Machines	10%	15%	20%
Erection Equipment, Capital Tools Tackles	20 %		
Township Buildings			
–Second Class	2.5%		
–Third Class	3.5%		
Railway Sidings	8 %		
Locomotives & Wagons	8 %		
Electrical Installations	8 %		
Office & Other Equipment	8 %		
Drainage, Sewerage & Water supply	3.34%		
Electronic Data Processing Equipment	20 %		

In respect of additions to/deductions from the fixed assets, depreciation is charged on pro-rata monthly basis.
(ii) Fixed assets used outside India pursuant to long term contracts are depreciated over the duration of the initial contract.
(iii) Fixed assets costing ₹ 10, 000/- or less and those whose written down value as at the beginning of the year is ₹ 10, 000/- or less, are depreciated fully. In so far as township buildings are concerned, the cost per tenement is the basis for the limit of ₹ 10, 000/-.
(iv) At erection/project sites: The cost of roads, bridges and culverts is fully amortized over the tenure of the contract, while sheds, railway sidings, electrical installations and other similar enabling works (other than purely temporary erections, wooden structures) are so depreciated after retaining 10% as residual value.
(v) Purely Temporary Erection such as wooden structures are fully depreciated in the year of construction.
(vi) Leasehold Land and Buildings are amortized over the period of lease. Buildings constructed on land taken on lease are depreciated over their useful life or the lease period, whichever is earlier.

In the case of BGGTS (50% JV)

Depreciation on fixed assets is provided using the straight line method over the useful life of the assets as estimated by the management. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than the envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life / remaining useful life. Pursuant to this policy, depreciation on assets has been provided at the rates based on the following useful lives of fixed assets as estimated by management.

Asset category	Estimated useful life (of years)
Plant and machinery	2-15
Electrical Installations	3-10
Civil Structures	5-10
Furniture and fixtures	1-8
Computers	3
Office equipment	3-5

Depreciation is calculated on a pro-rata basis from / up to the month the assets are purchased / sold. Individual assets costing less than ₹ 5000/- each are depreciated in full in the year of purchase.

In the case of Raichur Power Corporation Limited (50% JV)

Depreciation is provided on straight line method at the rates prescribed in the Electricity Supply Act 1948. In respect of assets for which rates are not specified in the Electricity Supply Act 1956, depreciation is provided at the rates specified under schedule XIV of the Companies Act 1956.

Assets are depreciated to the extent of 90% of the cost and 10% is retained as residual value.

Depreciation on additions to assets is provided for the full year irrespective of the date of addition.

In the case of NTPC BHEL POWER PROJECTS PVT LTD,

Depreciation on fixed assets is charged up to the total cost of the assets on a straight line method as per the rates prescribed in Schedule XIV of the Companies Act, 1956.

In the case of UDANGUDI POWER CORPORATION LTD.

Depreciation on some assets is provided on the straight line method based on useful life of assets as estimated by management. Depreciation on other assets is provided on Straight line method as per the rates and in the manner prescribed under Schedule XIV of the Companies Act,1956. Depreciation for assets purchased/sold during the period is proportionately charged. 100% depreciation is charged on assets acquired for price up to ₹ 5000/-, Management estimates useful life of assets as follows

1. Temporary Shed	1 Year
2. Computer & Accessories	5 Years

7 **Investments**

(I) Long–term investments are carried at cost. Decline, other than temporary, in the value of such investments, is recognized and provided for.

(ii) Current investments are carried at cost or quoted/fair value whichever is lower. Unquoted current investments are carried at cost.

(iii) The cost of investment includes acquisition charges such as brokerage, fees and duties.

Any reduction in the carrying amount & any reversals of such reductions are charged or credited to the Profit & Loss Account.

8 **Inventory Valuation**

(I) Inventory is valued at actual/estimated cost or net realizable value, whichever is lower.

(ii) Finished goods in Plant and work in progress involving Hydro and Thermal sets including gas based power plants, boilers, boiler auxiliaries, compressors and industrial turbo sets are valued at actual/estimated factory cost or at 97.5% of the realizable value, whichever is lower.

(iii) In respect of valuation of finished goods in plant and work-in-progress, cost means factory cost; actual/estimated factory cost includes excise duty payable on manufactured goods.

(iv) In respect of raw material, components, loose tools, stores and spares cost means weighted average cost.

(v)a) For Construction contracts entered into on or after 01.04.2003:

Where current estimates of cost and selling price of a contract indicates loss, the anticipated loss in respect of such contract is recognized immediately irrespective of whether or not work has commenced.

b) For all other contracts:

Where current estimates of cost and selling price of an individually identified project forming part of a contract indicates loss, the anticipated loss in respect of such project on which the work had commenced, is recognized.

c) In arriving at the anticipated loss, total income including incentives on exports/deemed exports is taken into consideration.

(vi) The components and other materials purchased / manufactured against production orders but declared surplus are charged off to revenue retaining residual value based on technical estimates.

In the case of BGGTS (50% JV)

Traded stock is valued at the lower of cost and net realizable value. Cost is determined under the first-in-first-out method.

9 **Revenue Recognition**

Sales are recorded based on significant risks and rewards of ownership being transferred in favor of the customer. Sales include goods dispatched to customers by partial shipment.

A. For construction contracts entered into on or after 1.4.2003

Revenue is recognized on percentage completion method based on the percentage of actual cost incurred up to the reporting date to the total estimated cost of the contract.

B. For all other contracts

(I) Recognition of sales revenue in respect of long production cycle items (Hydro and Thermal sets including gas-based power plants, boilers, boiler auxiliaries, compressors and industrial turbo sets) is made on technical estimates. When the aggregate value of shipments represents 30% or more of the realizable value, they are considered at 97.5% of the realizable value or in its absence, quoted price. Otherwise, they are considered at actual/estimated factory cost or 97.5% of the realizable value, whichever is lower. The balance 2.5% is recognized as revenue on completion of supplies under the contract.

(ii) Income from erection and project management services is recognized on work done based on:

Percentage of completion; or

The intrinsic value, reckoned at 97.5% of contract value, the balance 2.5% is recognized as income when the contract is completed.

(iii) Income from engineering services rendered is recognized at realizable value based on percentage of work completed.

(iv) Income from supply/erection of non-BHEL equipment/systems and civil works is recognized based on dispatches to customer/work done at project site.

10 **Accounting for Foreign Currency Transactions**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities are translated at year end exchange rates. Exchange difference arising on settlement of transactions and translation of monetary items are recognized as income or expense in the year in which they arise.

11 **Translation of Financial Statements of Integral Foreign Operations**

(I) Items of income and expenditure are translated at average rate except depreciation, which is converted at the rates adopted for the corresponding fixed assets.

(ii) Monetary items are translated at the closing rate; non-monetary items carried at historical cost are translated at the rates in force on the date of the transaction; non-monetary items carried at fair value are translated at exchange rates that existed when the value were determined.

(iii) All translation variances are taken to Profit & Loss Account.

In the case of BGGTS (50% JV)

Forward contracts are entered into to hedge the foreign currency risk of the underlying outstanding at the year end. The premium or discount on all such contracts arising at the inception of each contract is amortised as expense or income over the life of the contract. The exchange differences on such a forward contract is the difference between i) the foreign currency amount of the contract translated at the exchange rate on the reporting date, or the settlement date where the transaction is settled during the period and (ii) the same foreign currency amount translated at the latter of the date of inception of the forward exchange contract or the last reporting date. Any profit or loss arising on such cancellation or renewal of such a forward contract is recognised as income or expense for the year.

12 **Employee Benefits**

Provident Fund and Employees' Family Pension Scheme contributions are accounted for on accrual basis. Liability for Earned Leave, Half Pay Leave, Gratuity, Travel claims on retirement and Post Retirement Medical Benefits are accounted for in accordance with actuarial valuation. The actuarial liability is determined with reference to employees at the beginning of each calendar year. Compensation under Voluntary Retirement Scheme is charged off in the year of incurrence on a pro-rata monthly basis.

13 **Claims by /against the Company**

(I) Claims for liquidated damages against the Company are recognized in accounts based on management's assessment of the probable outcome with reference to the available information supplemented by experience of similar transactions.

(ii) Claims for export incentives / duty drawbacks / duty refunds and insurance claims etc. are taken into account on accrual.

(iii) Amounts due in respect of price escalation claims and/or variations in contract work are recognized as revenue only when there are conditions in the contracts for such claims or variations and/or evidence of the acceptability of the same from customers. However, escalation is restricted to intrinsic value.

14 **Provision for Warranties**

i) For construction contracts entered into on or after 01.04.2003:

The company provides warranty cost at 2.5% of the revenue progressively as and when it recognises the revenue and maintain the same through the warranty period.

ii) For all other contracts:

Provision for contractual obligations in respect of contracts under warranty at the year end is maintained at 2.5% of the value of contract. In the case of contracts for supply of more than a single product 2.5% of the value of each completed product is provided.

(iii)Warranty claims/ expenses on rectification work are accounted for against natural heads as and when incurred and charged to provisions in the year end.

15 **Government Grants**

Government Grants are accounted when there is reasonable certainty of their realization.

Grants related to fixed depreciable assets are adjusted against the gross cost of the relevant assets while those related to non-depreciable assets are credited to capital reserve.

Grants related to revenue, unless received as compensation for expenses/losses, are recognized as revenue over the period to which these are related on the principle of matching costs to revenue. Grants in the form of non-monetary assets are accounted for at the acquisition cost, or at nominal value if received free.

SCHEDULE-24: STATEMENT OF SEGMENT INFORMATION - RESTATED (CONSOLIDATED)

(₹ in millions)

		For the year ended 31.3.2011			For the year ended 31.3.2010			For the year ended 31.3.2009		
A.	**PRIMARY SEGMENT - BUSINESS SEGMENTS**									
		Power	**Industry**	**Total**	**Power**	**Industry**	**Total**	**Power**	**Industry**	**Total**
I.	**SEGMENT REVENUE**									
a.	Segment Revenue	332,568	89,733	**422,301**	277,096	80,205	**357,301**	218,351	73,672	**292,113**
b.	Inter-Segment Revenue	-	5,975	**5,975**	-	5,412	**5,412**	-	5,044	**5,044**
c.	Operating Revenue-External (a) - (b)	332,568	83,758	**416,326**	277,096	74,793	**351,889**	218,351	68,718	**287,069**
II.	**SEGMENT RESULTS**									
a.	Segment Results	78,986	18,695	**97,681**	67,824	17,398	**85,222**	40,211	11,896	**52,107**
b.	Unallocated expenses (Net of income)			**13,654**			**11,714**			**1,034**
c.	Profit before Interest, DRE & Incometax (a) - (b)			**84,027**			**73,508**			**51,073**
d.	Interest			**566**			**350**			**266**
e.	Net Profit before Income Tax (c) - (d)			**83,461**			**73,158**			**50,807**
f.	Income Tax			**28,470**			**24,807**			**18,135**
g.	Net Profit after Income Tax			**54,991**			**48,351**			**32,672**
III	**ASSETS & LIABILITIES**									
a.	Segment Assets	365,911	99,544	**465,455**	296,006	86,686	**382,692**	227,805	70,893	**298,698**
b.	Unallocated Assets			**130,681**			**126,491**			**130,331**
c.	Total Assets			**596,136**			**509,183**			**429,029**
d.	Segment Liabilities	303,446	64,650	**368,096**	266,138	64,189	**330,327**	227,134	57,262	**284,396**
e.	Unallocated Liabilities			**26,490**			**14,354**			**14,987**
f.	Total Liabilities			**394,586**			**344,681**			**299,383**
IV	**OTHER INFORMATION**									
a.	Cost incurred during the period to acquire fixed assets (Incl. CWIP)	17,450	3,572		13,948	2,710		10,495	1,451	
b.	Depreciation	4,491	1,141		2,810	833		1,872	656	

		For the year ended 31.3.2011			For the year ended 31.3.2010			For the year ended 31.3.2009		
c.	Non-Cash Expenses (other than depreciation)	7,126	4,082		63	(2,376)		9,292	3,997	
B.	**SECONDARY SEGMENT - GEOGRAPHICAL SEGMENTS**									
		Within India	Outside India	**Total**	Within India	Outside India	**Total**	Within India	Outside India	**Total**
1	Net Sales / Income from Operations	403,143	13,183	**416,326**	334,773	17,116	**351,889**	268,347	18,722	**287,069**
2	Total Assets	592,115	4,021	**596,136**	507,755	1,428	**509,183**	426,344	2,685	**429,029**
3	Cost incurred during the period to acquire Fixed Assets	21,355	14	**21,369**	16,962	2	**16,964**	13,083	1	**13,084**

Notes:

1. The products and services of the Company have been grouped under 'Power' and 'Industry' segments depending upon the sector to which they are predominantly identified in the market.
2. Power sector includes products and services relating to various power generating sets and its auxilaries.
3. Industry sector includes products and services relating to transportation and transmission, electric machines, industrial sets and DG sets and telecommunications and other industrial products and systems.
4. Inter segment transfers have been carried out at mutually agreed prices.
5. BGGTS (JV) is in the business of sale of parts and components of gas turbines, Engineering services, repair services and uprate repairs has been considered under 'Power Segment'.
6. BHPV (Subsidiary Co.) is in the business of fabrication/ erection on industrial boiler, fertilizer, chemicals and other equipment, considered under 'Industry segment'.

SCHEDULE-25: STATEMENT OF FINANCIAL INDEBTEDNESS -RESTATED (CONSOLIDATED)

A. Secured Loans

S.No.	Lender	Facility	Amount (₹ in Million) outstanding as of 31.03.11	Interest Rate	Security	Repayment Terms
			-Nil-			

B. Unsecured Loans

S.No.	Lender	Facility	Amount (₹ in Million) outstanding as of 31.03.11	Interest Rate	Security	Repayment Terms
1	Credit for assets taken on finance lease		1,614	Implicit rate as per contract to contract		Finance lease for a period of 3-5 years
2	Bank/FIs Loan & Int.		1,065	9%		Short term
3	Interest accrued and due on State Govt. Loan		23			No demand
	Total		**2,702**			

SCHEDULE-26: STATEMENT OF CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS AS ON 31ST MARCH 2011 -RESTATED (CONSOLIDATED)

(₹ in millions)

S.No.	Description	2011	2010	2009
i)	Capital Commitment :			
	Estimated amount of contracts, net of advances, remaining to be executed on capital account and not provided for	13,619	16,561	17,838
ii)	Contingent Liability :			
	Claims against the Company not acknowledged as debts			
	Income Tax Pending Appeals	356	325	438
	-Against which paid under protest	27	24	105
	Sales Tax Demand	5,216	3,535	3,425
	-Against which paid under protest	994	770	810
	Excise Duty demands	3,399	1,967	2,746
	-Against which paid under protest	90	50	57
	Custom Duty demands	2	2	2
	-Against which paid under protest	1	1	1
	Court & Arbitration cases	4,097	2,546	1,259
	Liquidated Damages	14,011	12,879	13,634
	Counter Claim by contractors	6	6	410
	Service Tax Demand	2,166	1,086	731
	-Against which paid under protest	2	2	2
	Others	2,099	600	664
iii)	Bills discounted under IDBI scheme	-	-	1

SCHEDULE-27: STATEMENT OF CAPITALISATION -RESTATED (CONSOLIDATED)

(₹ in millions)

	Pre-issue as on 31st March 2011	Post Issue
Debt		
Short Term Debt	1,660	1,660
Long Term Debt	1,042	1,042
Total	**2,702**	**2,702**
Shareholders fund		
Share Capital	4,895	4,895
Reserves & Surplus	196,655	196,655
Total Shareholders fund	**201,550**	**201,550**
Debt Equity Ratio	0.013	0.013
Long Term Debt/Equity	0.005	0.005

Notes:

1. As the Further Public Offer is only Offer for Sale by Government of India, there would be no change in Debt and Shareholders Funds Post Issue

2. The above has been computed on the basis of Restated Financial Statements of the Company

SCHEDULE-28: STATEMENT OF ACCOUNTING RATIOS OF COMPANY-RESTATED (CONSOLIDATED)

(₹ in millions)

	Year Ended March 31st		
	2011	**2010**	**2009**
Restated Profit after Tax and before extraordinary items	54,913	48,351	32,672
Extraordinary items (Net of Taxes)	78	-	-
Restated Profit after Tax and after extraordinary items	54,991	48,351	32,672
Net worth	201,512	164,479	129,646
Weighted average number of equity shares during the year (units) face value of ₹ 10/-	489,520,000	489,520,000	489,520,000
Earning per share before extraordinary items (₹)	112.18	98.77	66.74
Earning per share after extraordinary items (₹)	112.34	98.77	66.74
Diluted Earning per share before extraordinary items (₹)	112.18	98.77	66.74
Diluted Earning per share after extraordinary items (₹)	112.34	98.77	66.74
Return on Net Worth (%)	27.25	29.40	25.20
Net Asset Value/Shares (₹)	411.65	336.00	264.84
Formulae			
Earning/Diluted per share before extraordinary items (₹)	Restated Profit after Tax and before extraordinary items/ Number of Equity Shares		
Earning/Diluted per share after extraordinary items (₹)	Restated Profit after Tax and after extraordinary items/ Number of Equity Shares		
Return on Net Worth	Restated Profit after Tax * 100/Net Worth		
Net Asset Value per share (₹)	Net Worth/ Number of Equity Shares		

Notes :

1. The Earning per share is calculated in accordance with " Earning Per Share" (AS-20) issued by ICAI
2. Net worth means Equity Share Capital + Reserves & Surplus - Miscellaneous Expenditure to the extent not written off
3. Ratios have been computed/adjusted on the basis of restated Profit/Loss for the respective years

SCHEDULE-29: STATEMENT OF RELATED PARTY TRANSACTIONS -RESTATED (CONSOLIDATED)

The related party transactions undertaken by the company relating to Joint Ventures, Key Management Personnel & Relatives of Key management Personnel are given as below.

(₹ in millions)

	For the Year Ended March 31st		
	2011	**2010**	**2009**
Joint Ventures			
Purchase of Goods and Services	761	25	611
Sales of Goods and services	673	630	679
Receiving of Services	252	-	-
Rendering of Services	1,012	56	49
Dividend income	150	158	185
Royalty income	8	8	15
Purchase of shares	3,540	250	51
Amounts due to BHEL at the end of the year	597	183	266
Amounts due from BHEL at the end of the year	1,450	11	7
Advance deposit towards issue of shares	-	25	50
Provision for Doubtful debts	0.2	0.2	0.2
Advances given	270	-	-
Key Management Personnel (KMP)			
Payment of Salaries	20	19	8
Relatives of KMP			
Amounts due to BHEL at the end of the year	-	0.1	0.1
Payment of Salaries	2.0	1.4	1.0

STANDALONE AUDITORS' REPORT

The Board of Directors
Bharat Heavy Electricals Ltd.,
BHEL House,
Siri Fort,
New Delhi. 110049

Dear Sirs,

We have examined the attached financial information of Bharat Heavy Electricals Limited (the Company), as approved by the Board of directors of the Company. The said financial information has been prepared by the Company in accordance with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended ("**SEBI ICDR Regulations**"), issued by the Securities and Exchange Board of India in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 (the SEBI Act) and in terms of our engagement agreed upon with the Company in accordance with our engagement letter dated September 12, 2011 in connection with proposed Equity offering by the selling Shareholder, the Government of India. This Restated Financial Information is proposed to be included in the Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus (collectively referred to as "offer document") of the Company.

1. Financial Information as per Audited Financial Statements

We have examined the attached 'Balance Sheets of the company, as Restated' of Bharat Heavy Electricals Limited for the years ended March 31, 2011, 2010, 2009, 2008 and 2007 (Schedule 1) and the attached 'Profit and Loss accounts, as Restated' (Schedule 2) and 'Cash Flows, as Restated' (Schedule 3) for the years ended March 31, 2011 2010, 2009, 2008 and 2007 and together referred to as "**Restated Stand-alone Financial Statements**". These Restated Statements have been extracted by the management from the financial statements of the Company as at and for the years ended March 31, 2011, 2010, 2009, 2008 and 2007 and have been approved/ adopted by the Board of Directors/ Members for those respective years.

The audit for the Financial Year ended March 31, 2007, 2008 & 2009 was conducted by Messrs. M.L. Puri & Co. ("the Erstwhile Auditor"), further the audit for the Financial Year ended March 31, 2010 was conducted jointly by Messrs. M.L. Puri & Co. and Messrs Gandhi Minocha & Co. and our opinion in so far as it relates to the amounts included in respect of that year is based solely on the report submitted by them. Accordingly reliance has been placed on the financial information examined by them for the said year after conducting such additional procedures as deemed appropriate by us for the purpose of expressing our opinion on the restated financial statements. The financial statements as at and for the years ended March 31, 2011 have been jointly audited by us. Based on our examination of these Restated Stand-alone Financial Statements, we state that:

(i) The "**Restated Stand-alone Financial Statements**" have to be read in conjunction with the notes given in Schedule 23 C to this report.

(ii) Adjustments have been made for the changes in accounting policies retrospectively in respect of Financial Years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods and given in Schedule 23 A & 23 B

(iii) The "**Restated Stand-alone Financial Statements**" are after making adjustments and regroupings as in our opinion were appropriate in the year/period to which they relate.

(iv) There is no extra ordinary items that need to be disclosed separately in the Restated Summary Statements.

(v) There are no qualifications in the auditors' report on the financial statements that require adjustments to the Restated Summary Statements.

2. Other Financial Information

We have examined the following information relating to Bharat Heavy Electricals Limited as at and for the years ended March 31, 2011, 2010, 2009, 2008 and 2007 of the Company, proposed to be included in the offer document, as approved by the Board of Directors of the Company and annexed to this report:

(i) Statement of Fixed Assets & Capital work in progress(Standalone) as at March 31, 2011, 2010, 2009, 2008 and 2007.(Schedule 4)

(ii) Statement of Investments (Standalone) as at March 31, 2011, 2010, 2009, 2008 and 2007.(Schedule 5)

(iii) Statement of Inventories(Standalone) as at March 31, 2011, 2010, 2009, 2008 and 2007.(Schedule 6)

(iv) Statement of Sundry Debtors(Standalone) as at March 31, 2011, 2010, 2009, 2008 and 2007.(Schedule 7)

(v) Statement of Cash and Bank Balances (Standalone) as at March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 8)

(vi) Statement of Other Current Assets (Standalone) as at March 31, 2011, 2010, 2009, 2008 and 2007.(Schedule 9)

(vii) Statement of Loans & Advances (Standalone) as at March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 10)

(viii) Statement of Secured and Unsecured Loans (Standalone) as at March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 11)

(ix) Statement of Current Liabilities & Provisions (Standalone) as at March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 12)

(x) Statement of Share Capital (Standalone) as at March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 13)

(xi) Statement of Reserves & Surplus (Standalone) as at March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 14)

(xii) Statement of Other Income (Standalone) for the year ended March 31, 2011, 2010, 2009, 2008 and 2007.(Schedule 15)

(xiii) Statement of Accretion/(Decretion) to work in progress & Finished Goods (Standalone) for the year ended March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 16)

(xiv) Statement of Consumption of Material, Erection and Engineering Expenses (Standalone) for the year ended March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 17)

(xv) Statement of Employees Remuneration & Benefits (Standalone) for the year ended March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 18)

(xvi) Statement of Other Expenses of Manufacture, Administration, and Selling & Distribution (Standalone) for the year ended March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 19)

(xvii) Statement of Provisions (net) (Standalone) for the year ended March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 20)

(xviii) Statement of Interest and Other Borrowing Costs (Standalone) for the year ended March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 21)

(xix) Statement of Prior Period Adjustments (Standalone) for the year ended March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 22)

(xx) Statement of changes made, Significant Notes to the Restated Summary Statements and significant accounting policies on restated Assets and Liabilities, Profit and Loss Account and Cash Flow Statement as appearing in Schedule 23 A, 23 B, 23 C and 23 D.

(xxi) Statement of Segment Information (Standalone) for the year ended March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 24).

(xxii) Statement of Financial indebtedness (Standalone) as at March 31, 2011(Schedule 25).

(xxiii) Statement of Contingent liabilities and Capital Commitments (Standalone) as at March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 26)

(xxiv) Statement of Capitalisation (Standalone) as at March 31, 2011 (Schedule 27)

(xxv) Statement of Accounting Ratios (Standalone) as at March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 28)

(xxvi) Statement of Related Party Information (Standalone) as at March 31, 2011, 2010, 2009, 2008 and 2007. (Schedule 29)

(xxvii) Statement of Rates of Dividends paid/proposed (Standalone) as at March 31, 2011, 2010, 2009, 2008 and 2007.(Schedule 30)

(xxviii) Statement of Tax Shelters as at March 31, 2011, 2010, 2009, 2008 and 2007.(Schedule 31)

3. Based on our examination of the financial information of the Company attached to this report, we state that in our opinion, the "Restated Stand-alone Financial Statements" and 'Other Financial Information' mentioned above, for the years ended March 31, 2011, March 31, 2010, March 31, 2009, March 31, 2008 and March 31, 2007, have been prepared in accordance with the SEBI ICDR Regulations and the SEBI Act.

4. This report should not in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other firm of Chartered Accountants nor should this be construed as a new opinion on any of the financial statements referred to herein..

5. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

6. This report is intended solely for your information and for inclusion in the Offer Documents in connection with the proposed offer for sale of equity shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S. N. Dhawan & Co.
Chartered Accountants
Firm Registration No. 000050N

Suresh Seth
Partner (Membership No. 010577)
Place: New Delhi
Date: September 28, 2011

For Gandhi Minocha & Co.
Chartered Accountants
Firm Registration No. 000458N

Manoj Bhardwaj
Partner (Membership No. 098606)
Place: New Delhi
Date: September 28, 2011

SCHEDULE - 1: SUMMARY STATEMENT OF ASSETS AND LIABILITIES - RESTATED (STANDALONE)

(₹ in millions)

		As at March 31st				
	Schedule	**2011**	**2010**	**2009**	**2008**	**2007**
A. Fixed Assets & Intangible Assets						
Gross Block	4	80,496	65,800	52,247	44,433	41,349
Less:						
Accumulated Depreciation/Amortisation		46,486	41,014	36,853	33,839	31,039
Lease Adjustment Account		2	142	412	591	293
Net Block		34,008	24,644	14,982	10,003	10,017
Add: Capital Work-in-Progress	4	17,622	15,500	12,123	6,857	3,061
TOTAL FIXED ASSETS		**51,630**	**40,144**	**27,105**	**16,860**	**13,078**
B. Investments	5	**4,392**	**799**	**524**	**83**	**83**
C. Deferred Tax Assets (Net)		**21,636**	**19,297**	**22,557**	**15,543**	**10,432**
D. Current Assets, Loans and Advances						
Inventories	6	109,630	92,354	78,370	57,364	42,177
Sundry Debtors	7	273,546	227,125	171,142	129,606	103,974
Cash & Bank Balances	8	96,302	97,901	103,147	83,860	58,089
Other current assets	9	3,096	4,068	3,502	4,211	1,997
Loans and advances	10	32,373	25,595	20,613	12,877	11,634
TOTAL CURRENT ASSETS		**514,947**	**447,043**	**376,774**	**287,918**	**217,871**
TOTAL ASSETS (A+B+C+D)		**592,605**	**507,283**	**426,960**	**320,404**	**241,464**
E. Liabilities & Provisions						
Secured Loans	11	-	-	-	-	-
Unsecured Loans	11	1,634	1,278	1,494	952	893
Current Liabilities	12	313,466	279,987	233,280	165,675	116,799
Provisions	12	75,968	61,358	62,382	47,082	35,686
TOTAL LIABILITIES		**391,068**	**342,623**	**297,156**	**213,709**	**153,378**
NET WORTH (A+B+C+D-E)		**201,537**	**164,660**	**129,804**	**106,695**	**88,086**
REPRESENTED BY						
F. Share Capital	13	4,895	4,895	4,895	4,895	2,448
G. Reserves & Surplus	14	196,642	159,765	124,909	101,800	85,638
NET WORTH (F+G)		**201,537**	**164,660**	**129,804**	**106,695**	**88,086**
NOTES TO ACCOUNTS	23					

SCHEDULE - 2: SUMMARY STATEMENT OF PROFIT & LOSS ACCOUNT - RESTATED (STANDALONE)

(₹ in millions)

	Schedule	For the year ended 31st March				
		2011	**2010**	**2009**	**2008**	**2007**
INCOME						
Turnover (Gross)		412,986	348,470	283,542	216,218	191,661
Less: Excise duty & Service Tax		17,709	12,923	18,209	20,964	15,014
Turnover (Net)		**395,277**	**335,547**	**265,333**	**195,254**	**176,647**
Interest & other income	15	16,933	16,177	14,974	11,808	8,130
Accretion/ (Decretion) to Work-in-Progress & Finished Goods	16	1,274	7,866	11,515	8,272	1,812
TOTAL INCOME		**413,484**	**359,590**	**291,822**	**215,334**	**186,589**
EXPENDITURE						
Consumption of Material, Erection and Engineering Expenses	17	232,091	206,723	176,201	118,209	100,179
Employees' remuneration & benefits	18	55,257	48,983	37,934	32,106	25,328
Other expenses of Manufacture, Administration, Selling and Distribution	19	25,359	20,646	18,358	16,442	16,601
Provisions (net)	20	12,063	6,905	5,768	4,929	3,930
Interest & other borrowing costs	21	549	318	221	114	417
Depreciation and amortisation		5,931	4,369	3,254	2,911	2,676
Less: Cost of jobs done for internal use		685	1,209	612	383	284
		330,565	**286,735**	**241,124**	**174,328**	**148,847**
Profit before tax, extra ordinary items and prior period items		**82,919**	**72,855**	**50,698**	**41,006**	**37,742**
Add/(Less): Prior period items (Net)	22	(4)	-	164	53	-
Add/(Less): Extra ordinary items		-	-	-	-	-
Profit Before Tax (Restated)		**82,915**	**72,855**	**50,862**	**41,059**	**37,742**
Provision for Income Tax		(30,630)	(21,418)	(25,030)	(18,827)	(15,545)
Deferred Tax		2,339	(3,260)	7,014	5,111	2,163
Profit After Tax (Restated)		**54,624**	**48,177**	**32,846**	**27,343**	**24,360**
Balance of profit brought forward from last year		11,241	6,371	3,250	4,630	2,181
Foreign Project Reserves written back		-	14	11	11	14

	Schedule	For the year ended 31st March				
Profit available for appropriation		65,865	54,562	36,107	31,984	26,555
APPROPRIATION						
Transfer to General Reserve		40,000	30,000	20,000	20,000	15,000
Interim Dividend on Equity Shares		6,486	5,385	4,406	4,406	3,060
Proposed Dividend on Equity Shares		8,762	6,021	3,916	3,059	2,937
Corporate Dividend tax		2,499	1,915	1,414	1,269	928
Total Appropriation		**57,747**	**43,321**	**29,736**	**28,734**	**21,925**
BALANCE CARRIED TO BALANCE SHEET		**8,118**	**11,241**	**6,371**	**3,250**	**4,630**
NOTES TO ACCOUNTS	23					

SCHEDULE - 3: SUMMARY STATEMENT OF CASH FLOW - RESTATED (STANDALONE)

(₹ in millions)

	For the year ended 31st March				
	2011	**2010**	**2009**	**2008**	**2007**
A. CASH FLOW FROM OPERATING ACTIVITIES					
Net Profit Before Tax - Restated	**82,915**	**72,855**	**50,862**	**41,059**	**37,742**
Adjustment for					
Depreciation/Amortisation	5,934	4,371	3,255	2,912	2,675
Lease Equalisation	(140)	(270)	(179)	299	423
Provisions (Net)	6,416	6,295	12,546	6,790	1,443
Bad Debts & Liquidated Damages written off	410	1,399	53	424	687
Provision for diminution in investment	1	-	-	-	-
Profit on sale of Fixed assets	(43)	(3)	(84)	(17)	(12)
Interest paid	549	319	222	114	417
Interest/Dividend Income	(6,340)	(7,930)	(7,881)	(6,691)	(3,334)
Restated Operating Profit before Working Capital changes	**89,702**	**77,036**	**58,794**	**44,890**	**40,041**
Adjustment for					
Decrease/(Increase) in Debtors, Loans and Advances and others	(53,954)	(63,425)	(52,566)	(27,089)	(30,126)
Decrease/(Increase) in Inventories	(17,380)	(14,034)	(21,065)	(15,288)	(4,742)
Increase/(decrease) in Current Liabilities and Provisions	46,866	35,308	70,818	54,999	38,377
Cash generated from operations	**65,234**	**34,885**	**55,981**	**57,512**	**43,550**
Direct Taxes Paid (Net of refund)	(38,648)	(19,035)	(23,069)	(22,733)	(15,340)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**26,586**	**15,850**	**32,912**	**34,779**	**28,210**
B. CASH FROM INVESTING ACTIVITIES					
Purchase of Fixed Assets	(17,300)	(17,222)	(13,556)	(7,030)	(4,424)
Sale and Disposal of Fixed Assets	62	85	320	53	67
Investment in Subsidiary & Joint Ventures	(3,593)	(275)	(441)	-	-
Interest & Dividend Receipts	7,403	7,746	8,549	6,851	2,234
NET CASH USED IN INVESTING ACTIVITIES	**13,428**	**9,666**	**5,128**	**126**	**2,123**
C. CASH FLOW FROM FINANCING ACTIVITIES					
Long Term Borrowings (Secured)	-	-	-	-	(5,000)
Borrowings-Credit for Assets taken on lease (Unsecured)	351	(214)	526	51	306
Dividend Paid (including tax on dividend)	(14,563)	(10,879)	(8,730)	(8,589)	(4,051)
Interest paid	(545)	(337)	(293)	(344)	(593)

	For the year ended 31st March				
NET CASH USED IN FINANCING ACTIVITIES	**14,757**	**11,430**	**8,497**	**8,882**	**9,338**
D. NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,599)**	**(5,246)**	**19,287**	**25,771**	**16,749**
Opening Balance of Cash and Cash Equivalents	97,901	103,147	83,860	58,089	41,340
Closing Balance of Cash and Cash Equivalents	**96,302**	**97,901**	**103,147**	**83,860**	**58,089**
Note: Cash and Cash Equivalent comprises of the following:					
Cash & Stamps in hand	15	13	10	10	12
Cheques, Demand Drafts in hand	4,335	2,269	3,864	2,659	2,869
Remittances in transit	87	358	-	564	378
Balances with Scheduled Banks					
Current Account	9,584	5,937	15,328	11,717	17,378
Current Account-unclaimed dividend account	37	16	13	9	7
Deposit Account	82,000	89,250	83,642	68,750	37,400
Balance with non-scheduled Banks					
Current Account	244	58	290	151	45
Total	**96,302**	**97,901**	**103,147**	**83,860**	**58,089**

SCHEDULE - 4: -STATEMENT OF FIXED ASSETS AND CAPITAL WORK-IN-PROGRESS-RESTATED (STANDALONE)

(₹ in millions)

		As at March 31st				
		2011	**2010**	**2009**	**2008**	**2007**
1)	FACTORY / OFFICE COMPLEX					
A)	Freehold land (incl. development exp.)					
	Gross Block	157	44	44	42	42
	Less: Accumulated Depreciation	-	-	-	-	-
	Net Block	157	44	44	42	42
B)	Leasehold land (incl. development exp.)					
	Gross Block	61	62	62	62	62
	Less: Accumulated Depreciation	4	4	4	4	4
	Net Block	57	58	58	58	58
C)	Roads, bridges and culverts					
	Gross Block	151	128	84	71	71
	Less: Accumulated Depreciation	34	32	30	29	29
	Net Block	117	96	54	42	42
D)	Buildings					
	Gross Block	10,708	8,635	4,809	3,477	3,082
	Less: Accumulated Depreciation	3,741	3,012	2,471	2,177	1,960
	Net Block	6,967	5,623	2,338	1,300	1,122
E)	Leasehold buildings					
	Gross Block	31	31	31	30	30
	Less: Accumulated Depreciation	13	12	12	11	11
	Net Block	18	19	19	19	19
F)	Drainage, sewerage and water supply					
	Gross Block	188	182	136	125	122
	Less: Accumulated Depreciation	106	102	98	96	92
	Net Block	82	80	38	29	30
G)	Railway siding					
	Gross Block	110	87	87	79	77
	Less: Accumulated Depreciation	80	77	76	76	75
	Net Block	30	10	11	3	2
H)	Locomotives and wagons					
	Gross Block	277	276	275	160	160
	Less: Accumulated Depreciation	180	168	156	150	147
	Net Block	97	108	119	10	13
I)	Plant & Machinery					
	Gross Block	48,580	39,403	30,893	26,388	24,562

		As at March 31st				
	Less: Accumulated Depreciation	28,480	25,064	22,866	21,397	19,925
	Net Block	20,100	14,339	8,027	4,991	4,637
J)	Electronic data processing equipments					
	Gross Block	1,335	1,206	1,153	984	950
	Less: Accumulated Depreciation	1,266	1,116	1,031	867	827
	Net Block	69	90	122	117	123
K)	Electrical installations					
	Gross Block	1,975	1,432	1,159	952	878
	Less: Accumulated Depreciation	856	773	721	686	655
	Net Block	1,119	659	438	266	223
L)	Construction Equipment					
	Gross Block	1,847	1,416	1,202	939	737
	Less: Accumulated Depreciation	1,094	889	698	583	509
	Net Block	753	527	504	356	228
M)	Vehicles					
	Gross Block	188	187	186	188	183
	Less: Accumulated Depreciation	161	159	157	156	151
	Net Block	27	28	29	32	32
N)	Furniture & fixtures					
	Gross Block	300	245	195	146	108
	Less: Accumulated Depreciation	95	78	66	57	51
	Net Block	205	167	129	89	57
O)	Office & other equipments					
	Gross Block	1,102	881	807	740	652
	Less: Accumulated Depreciation	654	601	563	535	486
	Net Block	448	280	244	205	166
P)	Fixed assets costing up to ₹ 10000/-					
	Gross Block	774	710	637	559	499
	Less: Accumulated Depreciation	774	710	637	559	499
	Net Block	-	-	-	-	-
Q)	Capital expenditure					
	Gross Block	4	4	4	4	4
	Less: Accumulated Depreciation	4	4	4	4	4
	Net Block	-	-	-	-	-
R)	Assets Given on Lease					
	Gross Block	4972	4972	4972	4972	4972
	Less: Accumulated Depreciation	4928	4784	4463	4065	3677
	Less: Lease Adjustment Account	2	142	412	591	293

		As at March 31st				
	Net Block	42	46	97	316	1012
S)	EDP Equipment taken on lease					
	Gross Block	2,876	2,271	2,178	1,462	1,327
	Less: Accumulated Depreciation	1,495	1,220	863	743	529
	Net Block	1,381	1,051	1,315	719	798
T)	Office & other equipment taken on lease					
	Gross Block	25	15	15	15	53
	Less: Accumulated Depreciation	3	7	4	5	23
	Net Block	22	8	11	10	30
U)	Other assets taken on lease					
	Gross Block	12	-	-	-	-
	Less: Accumulated Depreciation	9	-	-	-	-
	Net Block	3	-	-	-	-
V)	Intangible Assets (Internally Developed)					
	Others					
	Gross Block	187	105	50	25	10
	Less: Accumulated Depreciation	74	33	17	6	4
	Net Block	113	72	33	19	6
W)	Intangible Assets (Other than Internally Developed)					
(i)	Software					
	Gross Block	1,149	1,066	890	689	542
	Less: Accumulated Depreciation	985	831	651	455	278
	Net Block	164	235	239	234	264
(ii)	Technical Know-how					
	Gross Block	1,253	230	229	229	109
	Less: Accumulated Depreciation	174	108	87	66	53
	Net Block	1,079	122	142	163	56
(iii)	Others					
	Gross Block	88	88	88	88	96
	Less: Accumulated Depreciation	88	88	85	71	59
	Net Block	0	0	3	17	37
	TOTAL OF FACTORY / OFFICE					
	Gross Block	78,350	63,675	50,183	42,425	39,327
	Less: Accumulated Depreciation	45,298	39,872	35,759	32,796	30,038
	Less: Lease Adjustment Account	2	142	412	591	293
	Net Block	33,050	23,661	14,012	9,038	8,996

		As at March 31st				
2)	TOWNSHIP / RESIDENTIAL					
A)	Freehold land (incl. development exp.)					
	Gross Block	21	21	21	22	22
	Less: Accumulated Depreciation	-	-	-	-	-
	Net Block	21	21	21	22	22
B)	Leasehold land (incl. development exp.)					
	Gross Block	20	20	21	20	20
	Less: Accumulated Depreciation	6	5	5	5	5
	Net Block	14	15	16	15	15
C)	Roads, bridges and culverts					
	Gross Block	51	51	51	51	49
	Less: Accumulated Depreciation	28	29	28	27	25
	Net Block	23	22	23	24	24
D)	Buildings					
	Gross Block	1,309	1,306	1,300	1,272	1,309
	Less: Accumulated Depreciation	607	590	568	543	523
	Net Block	702	716	732	729	786
E)	Leasehold buildings					
	Gross Block	3	3	5	4	4
	Less: Accumulated Depreciation	2	2	2	3	2
	Net Block	1	1	3	1	2
F)	Drainage, sewerage and water supply					
	Gross Block	171	171	168	167	167
	Less: Accumulated Depreciation	138	134	130	125	122
	Net Block	33	37	38	42	45
G)	Plant and Machinery					
	Gross Block	166	162	115	107	102
	Less: Accumulated Depreciation	102	92	86	81	77
	Net Block	64	70	29	26	25
H)	Electrical installations					
	Gross Block	171	169	168	164	162
	Less: Accumulated Depreciation	141	137	133	129	126
	Net Block	30	32	35	35	36
I)	Vehicles					
	Gross Block	11	11	11	11	12
	Less: Accumulated Depreciation	10	10	10	10	11
	Net Block	1	1	1	1	1

		As at March 31st				
J)	Furniture & fixtures					
	Gross Block	7	7	6	4	2
	Less: Accumulated Depreciation	2	2	1	1	1
	Net Block	5	5	5	3	1
K)	Office & other equipments					
	Gross Block	192	181	177	165	154
	Less: Accumulated Depreciation	128	119	109	99	90
	Net Block	64	62	68	66	64
L)	Fixed assets costing up to ₹ 10000/-					
	Gross Block	24	23	21	21	19
	Less: Accumulated Depreciation	24	23	21	21	19
	Net Block	-	-	-	-	-
	TOTAL OF TOWNSHIP / RESIDENTIAL					
	Gross Block	2,146	2,125	2,064	2,008	2,022
	Less: Accumulated Depreciation	1,188	1,143	1,093	1,044	1,001
	Net Block	958	982	971	964	1,021
	TOTAL OF FACTORY AND TOWNSHIP					
	Gross Block	80,496	65,800	52,247	44,433	41,349
	Less: Accumulated Depreciation	46,486	41,014	36,853	33,839	31,039
	Less: Lease Adjustment Account	2	142	412	591	293
	Net Block	34,008	24,644	14,982	10,003	10,017
	CAPITAL WORK-IN-PROGRESS					
	Construction work-in-progress -Civil	3,211	2,372	3,593	2,429	856
	Construction Stores (including in transit)	131	143	119	56	41
	Plant & Machinery and other equipments					
	-Under Erection/ Fabrication/awaiting erection	9,162	8,709	5,075	2,835	1,517
	-In transit	4,730	4,010	2,767	1,241	601
	Intangible Assets under development	104	62	15	18	11
	Advances for capital expenditure	284	204	554	278	35
	TOTAL CWIP	17,622	15,500	12,123	6,857	3,061
	Notes:					
	1. Gross Block includes assets condemned and retired from active use	500	388	300	307	250
	2. Net Block includes assets condemned and retired from active use	2	1	2	3	1
	3. Gross block excludes assets purchased out of grants received from Govt. of India for research as executing agency since the property does not vest with the Company	308	308	308	308	308

SCHEDULE - 5: STATEMENT OF INVESTMENTS -RESTATED (STANDALONE)

(₹ in millions)

	As at March 31st				
	2011	**2010**	**2009**	**2008**	**2007**
Long Term Investments (at cost)					
Unquoted Shares(Fully paid up):					
TRADE:					
Engineering Projects (India) Ltd.	*	*	*	*	*
AP Gas Power Corporation Ltd.	9	9	9	9	9
Neelachal Ispat Nigam Ltd.	50	50	50	50	50
Subsidiary Companies -					
Bharat Heavy Plate & Vessels Ltd. (acquired at a nominal value of Re. 1/-)	*	*	*	-	-
BHEL Electrical Machines Ltd.	0.5	-	-	-	-
Joint Ventures Companies					
Powerplant Performance Improvement Ltd.	20	20	20	20	20
Less: Provision for diminution in value	(20)	(20)	(20)	(20)	(20)
Barak Power Pvt. Ltd.	0.5	0.5	0.5	-	-
Less: Provision for diminution in value	(0.5)	-	-	-	-
NTPC-BHEL Power Projects Pvt. Ltd.	250	250	0.5	-	-
Udangudi Power Corporation Ltd.	325	50	50	-	-
Raichur Power Corporation Ltd.	3,315	50	-	-	-
Dada Dhuniwale Khandwa Power Ltd.	25	-	-	-	-
BHEL-GE Gas Turbine Services Pvt. Ltd.	24	24	24	24	24
TOTAL	**3,999**	**434**	**134**	**83**	**83**
Advances deposit towards issue of Shares					
Bharat Heavy Plate & Vessels Ltd. (Subsidiary Company)	340	340	340	-	-
BHEL Electrical Machines Ltd. (Subsidiary Company)	53	-	-	-	-
Dada Dhuniwale Khandwa Power Ltd. (Joint Venture)	-	25	-	-	-
NTPC-BHEL Power Projects Pvt. Ltd. (Joint Venture)	-	-	50	-	-
TOTAL	**393**	**365**	**390**	**0**	**0**
OTHER THAN TRADE:					
3 shares of ₹ 100/- each of BHEL House Building Cooperative Society Ltd., Hyderabad	*	*	*	*	*
TOTAL	**4,392**	**799**	**524**	**83**	**83**
Aggregate value of Unquoted Investments (Cost)	**4,392**	**799**	**524**	**83**	**83**

*value of less than ₹ 100,000/-

SCHEDULE - 6: STATEMENT OF INVENTORIES-RESTATED (STANDALONE)

(₹ in millions)

	As at March 31st				
	2011	**2010**	**2009**	**2008**	**2007**
Inventories					
Stores & Spare parts					
-Production	1,803	1,412	1,401	1,247	1,086
-Fuel stores	206	119	78	77	136
-Miscellaneous	271	281	177	150	100
SUB-TOTAL (A)	**2,280**	**1,812**	**1,656**	**1,474**	**1,322**
Raw Material & Components	38,551	28,937	26,087	16,937	12,969
Material-in-transit	14,460	9,662	6,292	6,433	3,704
Materials with Fabricators/Contractors	2,370	1,441	1,688	1,455	1,343
Loose Tools	314	251	228	192	127
Scrap (at estimated realisable value)	703	402	376	275	299
SUB-TOTAL (B)	**56,398**	**40,693**	**34,671**	**25,292**	**18,442**
Finished Goods (C)	**8,587**	**5,995**	**5,190**	**4,730**	**3,026**
Inter division transfers in transit (D)	**1,777**	**1,211**	**1,246**	**843**	**990**
Work-in-progress (including items with sub-contractors) (E)	**41,266**	**43,214**	**36,126**	**25,485**	**18,756**
Less : Provision for non-moving stock (F)	**678**	**571**	**519**	**460**	**359**
TOTAL (A+B+C+D+E-F)	**109,630**	**92,354**	**78,370**	**57,364**	**42,177**

SCHEDULE - 7: STATEMENT OF SUNDRY DEBTORS- RESTATED (STANDALONE)

(₹ in millions)

	As at March 31st				
	2011	**2010**	**2009**	**2008**	**2007**
SUNDRY DEBTORS					
-Debts outstanding for a period exceeding six months	115,683	113,405	81,610	63,528	45,893
-Other debts	178,364	128,641	103,249	77,140	68,367
TOTAL	**294,047**	**242,046**	**184,859**	**140,668**	**114,260**
Less : Provision for Doubtful debts	18,394	13,889	12,934	10,240	9,456
Less :Automatic Price Reduction Adjustment (APR)	2,107	1,032	783	822	830
TOTAL(net)	**273,546**	**227,125**	**171,142**	**129,606**	**103,974**
Classification:					
Debts unsecured considered good	273,546	227,125	171,143	129,606	103,974
Debts considered doubtful and provided for (Incl. APR)	20,501	14,921	13,716	11,062	10,286
TOTAL	**294,047**	**242,046**	**184,859**	**140,668**	**114,260**

Note: Debtors do not include any amount due from the Directors of the Company or their relatives.

SCHEDULE - 8: STATEMENT OF CASH AND BANK BALANCES - RESTATED (STANDALONE)

(₹ in millions)

	As at March 31st				
	2011	**2010**	**2009**	**2008**	**2007**
Cash & Stamps in hand	15	13	10	10	12
Cheques, Demand Drafts in hand	4,335	2,269	3,864	2,659	2,869
Remittances in transit	87	358	-	564	378
Balances with Scheduled Banks					
Current Account	9,621	5,953	15,341	11,726	17,385
Deposit Account	82,000	89,250	83,642	68,750	37,400
Balance with non-scheduled Banks					
Current Account	244	58	290	151	45
TOTAL	**96,302**	**97,901**	**103,147**	**83,860**	**58,089**
Balances with Scheduled Banks Current Account includes Unclaimed Dividend	37	16	13	9	7

SCHEDULE - 9: STATEMENT OF OTHER CURRENT ASSETS - RESTATED (STANDALONE)

(₹ in millions)

	As at March 31st				
	2011	**2010**	**2009**	**2008**	**2007**
Other Current Assets					
Interest Accrued on Banks Deposits and investments	3,096	4,068	3,502	4,211	1,997
TOTAL	**3,096**	**4,068**	**3,502**	**4,211**	**1,997**

SCHEDULE - 10: STATEMENT OF LOANS AND ADVANCES -RESTATED (STANDALONE)

(₹ in millions)

	As at March 31st				
Particulars	**2011**	**2010**	**2009**	**2008**	**2007**
Loans					
Loans to Subsidiaries Companies	2,175	2,175	1,819	-	-
Loans to Employees	0.4	0.6	1.3	3.3	7.4
Materials Issued on loan	101	46	77	-	-
Loans to others	0.3	0.4	0.7	1.3	1.7
Interest accrued and or due on loans	34	47	121	80	107
TOTAL(A)	**2,311**	**2,269**	**2,019**	**85**	**116**
Advances (Recoverable in cash or in kind or for value to be received)					
To subsidiaries	18	-	-	-	-
To employees	303	247	272	220	205
For purchases	15,061	11,480	5,958	2,305	993
To Others	10,513	8,947	9,453	6,922	5,780
TOTAL(B)	**25,895**	**20,674**	**15,683**	**9,447**	**6,978**
Deposits					
Balance with customs, Port Trust and other Govt Authorities	2,776	2,287	1,914	1,954	1,761
Others	2,325	732	1,311	396	3,048
Advance Tax/ TDS (Net of Provision for Income Tax)	-	-	-	1,271	-
SUB TOTAL	**5,101**	**3,019**	**3,225**	**3,621**	**4,809**
TOTAL(A+B)	**33,307**	**25,962**	**20,927**	**13,153**	**11,903**
Less: Provision for doubtful loans & advances	934	367	314	276	269
NET LOANS AND ADVANCES	**32,373**	**25,595**	**20,613**	**12,877**	**11,634**
CLASSIFICATION					
Loans & Advances fully secured	120	56	803	12	25
Loans & Advances considered good for which the Company holds no security	32,253	25,539	19,810	12,865	11,609
Loans & Advances considered doubtful & provided for	934	367	314	276	269
TOTAL	**33,307**	**25,962**	**20,927**	**13,153**	**11,903**
Loans & Advances includes:					
Advances given to Joint Ventures	270	-	-	-	27

SCHEDULE - 11: STATEMENT OF SECURED AND UNSECURED LOANS -RESTATED (STANDALONE)

(₹ in millions)

	As at March 31st				
Particulars	**2011**	**2010**	**2009**	**2008**	**2007**
A. SECURED LOANS	**-**	**-**	**-**	**-**	**-**
B. UNSECURED LOANS			-		
Credits for Assets taken on lease	1,573	1,222	1,437	911	860
Interest accrued and due on:					
- State Government Loans	23	23	23	23	23
- Credits for Assets taken on lease	38	33	34	18	10
TOTAL (B)	**1,634**	**1,278**	**1,494**	**952**	**893**
TOTAL (A+B)	**1,634**	**1,278**	**1,494**	**952**	**893**

SCHEDULE - 12: STATEMENT OF CURRENT LIABILITIES & PROVISIONS -RESTATED (STANDALONE)

(₹ in millions)

	As at March 31st				
	2011	**2010**	**2009**	**2008**	**2007**
A. CURRENT LIABILITIES					
Acceptances	428	423	671	598	554
Sundry Creditors					
-Total outstanding dues of Micro & Small Enterprises (incl. interest)	3,126	2,228	965	389	50
-Other Sundry Creditors	92,893	73,570	57,564	43,851	34,520
Advances received from customers & others (incl. valuation adj. credit)	203,906	191,658	164,236	113,850	76,381
Deposits from Contractors & others	4,930	4,344	3,257	2,338	1,705
Unclaimed dividend	37	16	13	9	7
Other liabilities	8,143	7,743	6,569	4,633	3,577
Interest accrued but not due	3	5	5	7	5
TOTAL(A)	**313,466**	**279,987**	**233,280**	**165,675**	**116,799**
B. PROVISIONS					
Proposed Dividend	8,762	6,021	3,916	3,059	2,937
Corporate Dividend Tax	1,421	1,000	666	521	499
Contractual Obligation	29,822	24,143	18,738	14,254	10,776
Retirement benefits	28,636	23,964	15,364	13,001	11,683
Others	2,668	2,951	23,094	16,247	9,260
Provision for Tax (Net of advance tax/TDS)	4,659	3,279	604	-	531
TOTAL(B)	**75,968**	**61,358**	**62,382**	**47,082**	**35,686**
TOTAL(A+B)	**389,434**	**341,345**	**295,662**	**212,757**	**152,485**

SCHEDULE - 13: STATEMENT OF SHARE CAPITAL-RESTATED (STANDALONE)

(₹ in millions)

	As at March 31st				
	2011	**2010**	**2009**	**2008**	**2007**
Authorised Share Capital					
200,00,00,000 Equity Shares of ₹ 10/- each	**20,000**	**20,000**	**20,000**	**20,000**	**3,250**
Issued, Subscribed & Paid up Share Capital					
48,95,20,000 fully paid up Equity Shares of ₹ 10/- each	**4,895**	**4,895**	**4,895**	**4,895**	**2,448**
Note					
(i) 17,06,48,800 Equity Shares of ₹ 10/- each fully paid up in cash	1,706	1,706	1,706	1,706	1,706
(ii) 7,41,11,200 Equity Shares of ₹ 10/- each allotted as fully paid up for consideration other than cash	741	741	741	741	741
(iii) 24,47,60,000 Equity Shares of ₹ 10/- each fully paid up alloted as Bonus Shares	2,448	2,448	2,448	2,448	-
TOTAL	**4,895**	**4,895**	**4,895**	**4,895**	**2,448**

Note: In 2007-08 the Company has increase its authorised share capital from ₹ 3,250 million to ₹ 20,000 million and bonus share were also issued in the ratio of 1:1.

SCHEDULE - 14: STATEMENT OF RESERVES & SURPLUS -RESTATED (STANDALONE)

(₹ in millions)

	As at March 31st				
	2011	**2010**	**2009**	**2008**	**2007**
RESERVES					
Capital Reserve	27	27	27	27	27
Foreign Project Reserve	-	-	14	26	36
General Reserve	188,497	148,497	118,497	98,497	80,945
TOTAL (A)	**188,524**	**148,524**	**118,538**	**98,550**	**81,008**
SURPLUS					
Balance Carried Forward (B)	**8,118**	**11,241**	**6,371**	**3,250**	**4,630**
TOTAL (A+B)	**196,642**	**159,765**	**124,909**	**101,800**	**85,638**

SCHEDULE - 15: STATEMENT OF OTHER INCOME - RESTATED (STANDALONE)

(₹ in millions)

	For the year ended 31st March				
Recurring Income	**2011**	**2010**	**2009**	**2008**	**2007**
A. Other Operational Income					
Export Incentives	429	447	563	671	916
Rental income on leased assets (net of lease equailisation account)	150	332	434	479	576
Scrap	2,717	1,867	1,867	1,425	1,274
Receipt from sale/transfer of surplus stock	1	6	2	1	2
Others	3,508	2,282	2,279	1,351	920
Total (A)	**6,805**	**4,934**	**5,145**	**3,927**	**3,688**
B Other Income					
Profit from sale of fixed assets (Net)	43	3	84	17	12
Dividend on Investment (Long term-Trade)	150	159	185	81	175
Exchange variation gain (Net)	997	872	286	-	-
Others	2,748	2,438	1,579	1,173	1,099
Total (B)	**3,938**	**3,472**	**2,134**	**1,271**	**1,286**
C. Interest Income					
From customers	0.1	*	6.0	8.9	*
From employees	0.1	0.2	0.4	1.1	1.8
From banks	6,100	7,750	7,566	6,217	3,120
Others	90	21	123	383	34
Total (C)	**6,190**	**7,771**	**7,695**	**6,610**	**3,156**
TOTAL OTHER INCOME (A+B+C)	**16,933**	**16,177**	**14,974**	**11,808**	**8,130**
Profit Before Tax and Extra Ordinary Items	**82,915**	**72,855**	**50,862**	**41,059**	**37,742**
Total Other Income as % of profit before tax and extra ordinary items	**20.42**	**22.20**	**29.44**	**28.76**	**21.54**

* Amount less than ₹ 100,000/-

Note: Other Income is recurring in nature and relates to the business of the Company

SCHEDULE - 16: STATEMENT OF ACCRETION/ (DECRETION) TO WORK-IN-PROGRESS & FINISHED GOODS-RESTATED (STANDALONE)

(₹ in millions)

	For the year ended 31st March				
	2011	**2010**	**2009**	**2008**	**2007**
Closing Balance					
Finished Goods	8,587	5,995	5,190	4,730	3,026
Work-in-Progress	41,266	43,214	36,126	25,485	18,756
Total (A)	49,853	49,209	41,316	30,215	21,782
Less: Opening Balance					
Finished Goods	5,995	5,190	4,730	3,026	3,296
Work-in-Progress	43,214	36,126	25,485	18,756	17,209
Total (B)	49,209	41,316	30,215	21,782	20,505
Inter-division transfer in transit	630	(27)	414	(161)	535
Total (A+B)	**1,274**	**7,866**	**11,515**	**8,272**	**1,812**
NOTE:					
Element of Excise duty in Finished Goods					
Closing Balance	820	531	352	532	342
Opening Balance	531	352	532	342	357

SCHEDULE - 17: STATEMENT OF CONSUMPTION OF MATERIAL, ERECTION AND ENGINEERING EXPENSES-RESTATED (STANDALONE)

(₹ in millions)

	For the year ended 31st March				
	2011	**2010**	**2009**	**2008**	**2007**
Consumption of Raw material & components	194,176	172,953	151,490	100,693	82,119
Consumption of stores & spares	4,699	4,574	4,385	3,314	3,495
Erection and Engineering expenses. - payment to subcontractors	33,216	29,196	20,326	14,202	14,565
Total	**232,091**	**206,723**	**176,201**	**118,209**	**100,179**

SCHEDULE - 18: STATEMENT OF EMPLOYEES REMUNERATION & BENEFITS -RESTATED (STANDALONE)

(₹ in millions)

	For the year ended 31st March				
	2011	**2010**	**2009**	**2008**	**2007**
Salaries, Wages, Bonus, Allowances & other benefits	46,761	40,454	30,959	24,588	15,790
Contribution to gratuity fund	2,170	2,630	1,165	2,358	2,474
Contribution to Provident and other funds	2,622	2,317	2,019	1,782	1,382
Group Insurance	99	102	86	54	20
Staff Welfare Expenses	3,605	3,480	3,705	3,324	5,662
Total	**55,257**	**48,983**	**37,934**	**32,106**	**25,328**

SCHEDULE - 19: STATEMENT OF OTHER EXPENSES OF MANUFACTURE, ADMINISTRATION AND SELLING & DISTRIBUTION - RESTATED (STANDALONE)

(₹ in millions)

	For the year ended 31st March				
	2011	**2010**	**2009**	**2008**	**2007**
Royalty, technical documentation, resident consultant charges & other consultancy charges	1,332	409	402	278	970
Rent	800	724	526	304	285
Excise duty (Net)	2,091	949	688	1,382	1,940
Power & Fuel	4,029	3,380	3,418	2,731	2,591
Rates & Taxes	383	486	471	354	255
Service Tax (Net)	122	71	115	58	40
Exchange Variation loss (Net)	-	-	-	416	197
Insurance	1,092	847	778	725	544
Repairs & Maintenance					
Buildings	540	507	711	486	334
Plant & Machinery	279	198	165	170	168
Others	1,193	910	860	791	589
Other expenses in connection with exports	331	238	266	174	348
Bad Debts and amount Written off	210	370	27	63	219
Carriage outward	3,580	3,027	2,473	1,906	1,753
Travelling & conveyance	1,645	1,458	1,911	1,535	1,424
Miscellaneous Expenses	7,314	6,000	5,490	4,637	4,470
Liquidated damages charged off	200	1,029	26	361	468
Donations	2	3	1	8	2
Corporate Social Responsibility	216	40	30	63	4
Total	**25,359**	**20,646**	**18,358**	**16,442**	**16,601**

SCHEDULE - 20: STATEMENT OF PROVISIONS (NET) - RESTATED (STANDALONE)

(₹ in millions)

	For the year ended 31st March				
	2011	**2010**	**2009**	**2008**	**2007**
Doubtful debts, Liquidated Damages and Loans & advances					
-Created during the year	7,398	4,798	5,627	2,762	2,812
-Less written back during the year	2,407	3,806	3,604	1,730	1,864
Total (A)	**4,991**	**992**	**2,023**	**1,032**	**948**
Contractual Obligations					
-Created during the year	11,687	8,921	6,850	5,013	5,316
-Less written back during the year	6,031	3,486	2,410	1,535	2,057
Total (B)	**5,656**	**5,435**	**4,440**	**3,478**	**3,259**
Others					
-Created during the year	1,684	1,467	765	3,018	616
-Less written back during the year	268	989	1,460	2,599	893
Total (C)	**1,416**	**478**	**(695)**	**419**	**(277)**
Total (A+B+C)	**12,063**	**6,905**	**5,768**	**4,929**	**3,930**

SCHEDULE – 21: STATEMENT OF INTEREST AND OTHER BORROWING COSTS - RESTATED (STANDALONE)

(₹ in millions)

	For the year ended 31st March				
	2011	**2010**	**2009**	**2008**	**2007**
Interest on:					
Banks/financial Institutions borrowings/Bonds	306	129	86	1	297
Others	243	189	135	113	120
Less: Borrowing Costs capitalised	-	-	-	-	-
Total	**549**	**318**	**221**	**114**	**417**

SCHEDULE - 22: STATEMENT OF PRIOR PERIOD ADJUSTMENTS-RESTATED (STANDALONE)

(₹ in millions)

	For the year ended 31st March				
	2011	**2010**	**2009**	**2008**	**2007**
INCOME					
Sales less returns	-	170	83	57	4
Other Operational income	-	1	(94)	(9)	-
Other income	-	13	-	-	-
Interest income	-	-	1	-	3
Total	**-**	**184**	**(10)**	**48**	**7**
EXPENDITURE					
Consumption of Raw material & components	3	4	(8)	9	(1)
Depreciation	3	2	1	1	(1)
Payment to Sub-contractors	-	171	(171)	-	1
Interest	-	1	1	-	-
Misc. Expenses	(2)	6	3	(15)	8
Total	**4**	**184**	**(174)**	**(5)**	**7**
Prior period adjustments (Net)	**(4)**	**0**	**164**	**53**	**0**

Schedule – 23 A: Statement of Adjustments Made for Financial Statements-Restated (Standalone)

(₹ in millions)

A. Adjustments on changes in Accounting Policies, Prior period Items and Other adjustments					
	For the year ended 31st March				
	2011	**2010**	**2009**	**2008**	**2007**
Profit After Tax (As per Audited Accounts)	60112	43106	31382	28593	24147
Adjustment for Restatement on Accounts of: Increase/(decrease) in profit					
a) Changes in Accounting Policies					
Half Pay Leave policy	-	-	-	-	614
Exchange variation policy on fixed assets	0.3	0.2	0.2	0.2	(1)
Accounting of export incentive benefits	-	-	-	(296)	(80)
P.F. contribution on Leave encashment	-	-	(550)	145	58
Provision for outstanding debts	(110)	1745	(1598)	(602)	(34)
Provision for warranties	(5186)	1906	558	626	1207
Accounting of Leave liability	(2194)	401	426	348	1020
Sub Total (a)	(7490)	4052	(1164)	221	2784
b) Other Adjustments and Prior Period Items					
Reclassification of Cranes and depreciation adj.	(490)	211	88	60	56
Prior period Income adjustment	17	100	(137)	55	(3)
Prior period Expenses adjustment	(3)	(172)	182	8	(2)
ERV Claim adjustment	-	-	-	(344)	67
Interest income on Income Tax refunds	(78)	(309)	-	(2344)	(26)
Interest cost on Income Tax demands	(2)	17	86	240	16
Sub Total (b)	(556)	(153)	219	(2325)	108
c) Arrears of Salary & Wages					
Salary & Wages arrear incl. retirement benefits & gratuity	905	3050	3319	(1140)	(2511)
d) Income Tax related to earlier years adjustment	(814)	481	(103)	891	(45)
Total Adjustment (a+b+c+d) - Increase /(decrease) in Profit	(7955)	7430	2271	(2353)	336
Tax Adjustments:					
Current tax impact on adjustments	(6492)	2230	2797	(20)	656
Deferred tax impact on adjustments	4025	129	(1990)	(1083)	(533)
Total of Adjustments after tax impact - Increase /(decrease) in Profit	**(5488)**	**5071**	**1464**	**(1250)**	**213**
Net Adjusted Profits after Tax	**54624**	**48177**	**32846**	**27343**	**24360**

Schedule - : 23 B Notes on Adjustments Made for Financial Statements-Restated (Standalone)

1. The Company had revised its policy on encashment of half pay leave in 2006-07, the maximum limit of encashment of HPL increased from 240 days to 480 days and the basis of working was changed from 30 days to 26 days. The effect of change in policy has been given to respective years.

2. The Company had revised its accounting policy of Exchange differences relating to Fixed Assets in 2007-08, by charging it to Profit & Loss Account as against adjustment to carrying amount of fixed assets in earlier years. Accordingly, the effect has been carried out to the respective years.

3. The Company had revised its accounting practice of Recognition of duty drawback on export/ deemed export contracts on accrual basis and matching concept as against on receipt of rate letter from Drawback Directorate in 2007-08. The effect has been given to the respective years.

4. In line with the decision of the Supreme Court in case of Manipal Academy of higher education Vs RPFC, PF was not to be deducted and provided for on leave encashment w.e.f. 30.05.2008. Accordingly the policy was changed in 2008-09 and the effect has been given to the respective years in the restated accounts.

5. The Company had changed the accounting practice of provision for doubtful debts in 2009-10, as against earlier practice of creation of provision on a case to case basis, it has revised that wherever trial operation has been conducted and the debtors are outstanding for more than three years from the date of trial operation, provisions (including contractual obligations) shall be equal to the debtors as prevalent on that date. Accordingly, the accounts have been restated based on the revised policy.

6. The Company had changed the accounting policy on provision for warranties in respect of AS-7 ® contracts in 2010-11. As against creation of provision for warranties @2.5% of contract value on trial operation, it has revised that provision for warranty is provided @ 2.5% of the revenue progressively as and when it recognises the revenue and maintains the same through the warranty period. Accordingly, the accounts have been restated based on the revised policy.

7. The Company had modified the accounting policy on Employee benefits in respect of leave liability in 2010-11. As against creation of provision for leave liability on accrual basis, it has changed to actuarial valuation basis treating the same as other long term benefits based on behavioral patterns as per AS-15 (R). Accordingly, the accounts have been restated based on revised policy.

8. The cranes used at the project sites have been classified under "General Plant & Machinery" as against the earlier practice of "Erection Equipment" in 2010-11. Accordingly, depreciation adjustment on cranes has been carried out to the respective years.

9. The prior period items in the Profit & Loss Account have been re-allocated to the respective years to which it pertains.

10. Arrears of salary and wages paid to employees settled out of wage revision settlement wef. 01.01.2007 in 2009-10 have been restated in the years to which it relates. Similarly retirement benefit liabilities are also restated in years to which it relates based on the actuarial valuation.

11. Impact of provision for gratuity due to enhancement of limit from ₹ 350,000 to ₹ 1,000,000 as part of wage revision settlement in line with DPE guidelines made in 2009-10 have also been restated to the respective years based on actuarial valuation assuming the enhanced limit of ₹ 1,000,000 also to opening liability of gratuity for employees on service as on 01.01.2007 including for past services rendered by the employees as an opening adjustment made in reserve & surplus prior to 2006-07.

12. Provision for tax including interest income/cost for earlier years have been restated and considered in the respective years to which it relates.

13. The Company has accounted for the deferred tax assets and liabilities for earlier years in terms of "Accounting for Taxes on Income" (AS 22) issued by the Institute of Chartered Accountants of India (ICAI) notified by Ministry of Corporate Affairs. Current tax and Deferred tax impact of adjustments made have been computed on the profit arrived after making the adjustment and on the basis of rates applicable to respective years.

14. The accounts for the years have been restated considering the Guidance Note 'Reports in Company Prospectuses' issued by the Institute of Chartered Accountants of India and other changes/adjustments referred to above. Effect of these changes has been made line by line items. Effect of changes for Financial Years prior to 2006-07 have been adjusted in Reserves & Surplus as on 31.03.2006 net of taxes including deferred tax relatable to Financial Years prior to 2006-07.

Schedule - 23 C: Notes on Financial Statements - Restated (Standalone)

(₹ in millions)

S.No.	Description		2011	2010	2009	2008	2007
1	**Estimated amount of contracts, net of advances, remaining to be executed on capital account and not provided for**	₹ Million	13,318	16,529	17,838	10,621	3,719
	The above includes for acquisition of intangible assets	₹ Million	47	338	248	237	194
2	**Land and buildings includes**						
a) (i)	Acres of land for which formal transfer/ lease deed have not been executed	Acres	8662.27	8648.91	9713.45	13016.26	13031.72
(ii)	Number of flats for which formal transfer/ lease deed have not been executed	Nos.	12	36	36	36	52
(iii)	Number of buildings for which formal transfer/ lease deed have not been executed	Nos.	1	1	1	1	1
(iv)	Acres of land for which the cost paid is provisional; registration charges and stamp duty (net of provision already made), if any, would be accounted for on payment.	Acres	91.52	71.44	71.44	51.52	51.52
b)	Acres of land leased to Ministry of Defence,Govt. of India Departments & others	Acres	28.77	28.77	28.68	79.08	79.08
c)	Acres of land being used by Ministry of Defence and for which further approval of the competent authority for continuance of licensing of this land is awaited.	Acres	180	180	180	180	180
d)	Acres of land are under adverse possession.	Acres	97.25	116.37	116.37	106.86	106.86
3	**The impact on the profit of providing 100 percent depreciation on fixed assets up to ₹ 10,000/- each, without considering such impact of earlier years, is as under :**						
	100% depreciation on assets up to ₹ 10, 000/- charged off in the accounting year.	₹ Million	100	106	153	72	67
	Normal depreciation on above.	₹ Million	30	30	100	21	20
	Excess amount charged.	₹ Million	70	76	53	51	47

4	**Sales less returns**						
a	Includes based on provisional prices	₹ Million	7	204	7,666	1,510	4,382
b	includes for escalation claims raised in accordance with sales contracts, inclusive of escalation claims on accrual basis, to the extent latest indices were available;	₹ Million	13,885	11,081	9,239	5,745	6,308
c	includes dispatches of equipment held on behalf of customers at their request for which payment has been received by Company ; and	₹ Million	970	156	255	152	270
d	Excludes for price reduction (net of refund) due to delay in delivery as per the terms of the contract.	₹ Million	139	230	157	0	85
5	**Contingent liabilities :**						
A	Claims against the company not acknowledged as debt :						
i) a	Income Tax Pending Appeals	₹ Million	326	288	286	284	487
b	Against which paid under protest included under the head "deposit others"	₹ Million	0.2	0.3	0.1	0.1	0.1
ii) a	Sales Tax Demand	₹ Million	5,098	3,531	3,264	2,952	3,286
b	Against which paid under protest included under the head "Advances Recoverable"	₹ Million	930	769	716	780	889
iii) a	Excise Duty demands	₹ Million	2,161	1,955	1,692	1,341	1,492
b	Against which paid under protest included under the head "Advances Recoverable"	₹ Million	84	50	51	125	65
iv) a	Custom Duty demands	₹ Million	2.1	2.1	2.1	0.0	7.6
b	Against which paid under protest included under the head "Advances Recoverable"	₹ Million	0.6	0.6	0.6	0.0	0.0
v)	Court & Arbitration cases	₹ Million	3,751	2,543	861	762	825
vi) a	Liquidated Damages	₹ Million	14,011	12,879	13,634	8,095	2,572
vii)	Counter Claim by contractors	₹ Million	6	6	410	410	404
viii) a	Service Tax Demand	₹ Million	2,141	1,057	703	61	0
b	Against which paid under protest	₹ Million	2	2	1	0	0
ix)	Others	₹ Million	1,206	591	588	563	477

x)	Bill discounted under IDBI scheme	₹ Million	-	-	1	4	18

(In view of the various court cases and litigations and claims disputed by the Company, financial impact as to outflow of resources is not ascertainable at this stage).

6 **Cash credit limit from banks as on 31.03.2011 aggregating to ₹ 6,000 Million and Company's counter guarantee / indemnity obligations in regard to bank guarantee / letters of credit limit aggregating to ₹ 494,000 Million sanctioned by the consortium banks are secured by first charge by way of hypothecation of raw materials, components, work in progress, finished goods, stores, book debts and other current assets both present and future. The outstanding bank guarantees as at 31.03.2011 is ₹ 374,740 Million and Corporate Guarantee as on 31.03.2011 is ₹ 41,920 Million.**

7 **Other liabilities as on 31.03.2011 include a sum of ₹ 1005.10 Million towards guarantee fee demanded by the Government of India in respect of foreign currency loans taken by the company at the instance of the Government up to 1990-91. The matter for its waiver has been taken up with the Government since there was no stipulation for payment of such guarantee fee at the time the loans (guaranteed by Government) were taken. DHI has been again requested for waiver of the guarantee fee by BHEL vide letter dated 18.02.2011.**

8 **Amorphous Silicon Solar Cell Plant (ASSCP), Gurgaon was taken on April 1, 1999 from Ministry of Non-conventional Energy Sources on lease for a period of 30 years. The formal lease agreement with the Ministry of Non-Conventional Energy Sources is yet to be finalised.**

9 **Balances shown under debtors, creditors, contractor's advances, deposits and stock/materials lying with sub-contractors/fabricators are subject to confirmation, reconciliation & consequential adjustment, if any. The reconciliation is carried out ongoing basis & provisions wherever considered necessary have been made in line with the guidelines.**

10 **Details of Balances with Non-Scheduled Banks (Schedule No. 8)** **₹ Millions**

Current Account	2011	2010	2009	2008	2007
- Standard Chartered bank, Libya	0.6	0.2	0.0	0.5	1.7
- Bank Muskat, Oman	0.2	(0.3)	149.1	42.2	4.7
- Barclays Bank Ltd, Zambia	0.1	0.1	0.1	0.1	0.1
- Bank of commerce, Malaysia	0.5	0.5	0.5	3.1	3.1
- CIMB Berhad	0.2	0.2	3.2	0.2	0.2
- Indo Jambia Bank, Lusaka	0.0	0.0	1.6	7.9	10.0
- Commercial Bank of Ethopia	26.5	34.2	0.5	30.4	14.4
- Bank of Bhutan, Bhutan	0.0	0.0	0.1	0.2	0.1
- Jamahouria Bank, Libya	2.6	5.3	9.5	36.1	6.5
- National Bank of Egypt	1.1	1.2	1.3	1.0	4.2
- Byblos Bank of Syria	172.8	0.0	0.0	0.0	0.0
- Standard Chartered bank, Bangladesh	16.9	2.9	10.2	3.2	0.0
- Bank of Khartoum, Sudan	22.2	13.3	113.6	26.5	0.0
- Standard Chartered bank, Dubai	0.0	0.0	0.5	0.0	0.0

11	**The disclosure relating to Micro and Small Enterprises**		**2011**	**2010**	**2009**	**2008**	**2007**
i	The principal amount remaining unpaid to supplier as at the end of the accounting year	₹ Million	3,028	2,162	921	367	44
ii	The interest due thereon remaining unpaid to supplier as at the end of accounting year.	₹ Million	98	66	44	22	6
iii	The amount of interest paid, along with the amounts of the payment made to the supplier beyond appointed day during the year.	₹ Million	0.2	6	45	107	10
iv	The amount of interest paid in terms of section 18, along with the amounts of the payment made to the supplier beyond the appointed day during the year.	₹ Million	0.0	0.0	0.0	0.0	0.0
v	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding interest specified under this Act.	₹ Million	7.8	2.5	3.4	1.7	0.0
vi	The amount of interest accrued during the year and remaining unpaid at the end of year.	₹ Million	41.1	34.0	30.1	7.2	3.2
vii	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises, for the purpose of disallowance as a deductible expenditure.	₹ Million	26.1	0.1	0.4	0.3	0.1

12 a) The disclosures relating to Construction Contracts entered on or after 01.04.2003 as per the requirement of Accounting Standard -7 (Revised) are as follows:

		2011	**2010**	**2009**	**2008**	**2007**
						₹ Million
	Contract revenue recognised for the year	350,704	288,968	221,361	155,992	147,474
	In respect of Contract in progress at the end of year:					
	Cost incurred and recognised profits (less recognised losses)	1,264,926	931,453	638,959	412,778	271,943

	Amount of advance received	109,366	98,302	86,124	49,191	37,464
	Amount of retentions (deferred debts)	96,898	87,988	55,223	38,454	34,559
	In respect of dues from customers after appropriate netting off					
	Gross amount due from customer for the contract work as an asset	49,470	44,371	41,715	22,679	23,238
	Gross amount due to customer for the contract work as a liability	34,011	31,702	26,911	20,113	11,202
	Contingencies	-	-	-	-	-

b) The estimates of total costs and total revenue in respect of construction contracts entered on or after 1st April 2003 in accordance with Accounting Standard (AS) -7 (R) Construction Contracts are reviewed and up dated periodically to ascertain the percentage completion for revenue recognition.

13 The operations of the Libyan project site has been consolidated based on the unaudited accounts as on 31.03.2011 maintained at the regional headquarter at Noida, in view of the ongoing turmoil in Libya.

14 The company accounts the leave encashment expenditure with 26 days a month as base. The company proposed a change in the base as 30 days a month in line with the directives of Government of India, Department of Public enterprise vide their O.M. dated 20.9.2005. However, some of the workers unions have raised a dispute under section 9(A) of the Industrial Dispute Act 1947 against the proposed changes in the calculation of leave encashment with 30 days month base instead of 26 days month. As per section 33 (3) of the Industrial dispute Act no employer can alter the service conditions during the pendency of such proceedings with the Conciliation Officer. Pending final disposal of the dispute by the Conciliation officer/ Industrial Tribunal, the status quo is being continued. The proposed change has already been effected for the employees who have joined/ joining BHEL on or after 1st Jan 2010.

15 The details of Research & Development Expenditure incurred during the year which is deductible under section 35 (2AB) of the Income Tax Act. 1961.

			2011	**2010**	**2009**
	A. Capital Expenditure on R&D				
	Land	₹ Million	-	-	-
	Building	₹ Million	21	5	11
	Plant & Machinery & Other Equipments	₹ Million	524	233	65
	Total Capital Expenditure	₹ Million	545	238	76
	B. Revenue Expenditure on R & D				
	Salaries & Wages	₹ Million	1,566	1,278	1,058
	Material Consumables/spares	₹ Million	291	509	328
	Manufacturing & Other Expenses (Net of Income)	₹ Million	540	437	539
	Total Revenue Expenditure (Net of Income)	₹ Million	2,397	2,224	1,925

Note: Expenditure on land and building has not been considered as deductible under section 35 (2AB) of the Income Tax Act, 1961.

16	**The disclosure relating to derivative instruments:**						
a)	The derivative instruments that are hedged and outstanding as on 31.03.2011 is Nil						
b)	The foreign currency exposures that are not hedged by a derivative instrument or otherwise are as under :		**2011**	**2010**	**2009**	**2008**	**2007**
	a) Assets / Receivables (i.e. Debtors)						
	in foreign currency						
	in US $	Million	346	215	247	199	129
	in EURO	Million	343	220	106	54	43
	in LYD	Million	9	9	3	7	33
	in RO	Million	2	2	2	2	56
	In Indian currency						
	in US $	₹ Million	15,421	9,606	12,501	7,903	5,686
	in EURO	₹ Million	21,277	13,178	7,056	3,342	2,480
	in LYD	₹ Million	344	320	105	219	1,097
	in RO	₹ Million	221	223	291	232	6,276
	in Others	₹ Million	389	149	213	146	74
	b) Liabilities (i.e. Advances from customers / creditors)						
	in foreign currency						
	in US $	Million	294	288	178	178	140
	in EURO	Million	323	346	239	109	16
	in LYD	Million	15	21	9	6	4
	In Indian currency						
	in US $	₹ Million	13,260	13,137	9,179	7,148	5,988
	in EURO	₹ Million	20,645	21,263	16,372	6,848	934
	in LYD	₹ Million	548	480	373	191	119
	in Others	₹ Million	1,153	1,008	703	437	398
			₹ Million				
17	**Remuneration paid/payable to Directors (including Chairman & Managing Director) ***		**2011**	**2010**	**2009**	**2008**	**2007**
	Salaries & Allowances		16.7	10.1	6.2	9.7	4.9
	Contribution to PF		0.6	0.9	0.6	0.7	0.5
	Contribution to Gratuity Fund		0.6	0.2	0.3	0.5	0.3
	Others		2.4	4.7	2.2	4.1	2.7

* The above amount includes leave encashment on payment basis & excludes group insurance premium.

₹ Million

18 a)	**Expenditure on departmental Repair & maintenance which are as under:**	**2011**	**2010**	**2009**	**2008**	**2007**
	Plant & Machinery	1,573	1,907	1,318	1,087	953
	Buildings	455	444	401	323	273
	Others	303	294	264	199	142
b)	Agency Commission on exports included in expenses in connection with exports	216	154	153	114	121
c)	Expenditure on research & development	3,608	3,525	2,956	2,203	1,273
d)	Rent Residential	657	608	445	232	218
e)	Payment to Auditors					
	Audit Fees	4.0	4.0	3.6	3.1	2.6
	includes paid abroad	0.1	0.4	0.5	0.4	0.3
	Out of Pocket expenses	1.7	1.4	0.8	0.6	0.8
	Income tax matters(including certification)	1.0	0.9	0.9	0.6	0.5
	includes paid abroad	0.1	0.1	0.2	0.0	0.1
	Other Certification Work	2.0	1.6	1.7	1.6	1.6
	includes paid abroad	0.0	0.0	0.1	0.0	0.2
	Other Professional services	0.4	1.0	0.7	0.4	0.2
	includes paid abroad	0.0	0.0	0.4	0.3	0.2
f)	Payment to Cost Auditors	0.1	0.1	0.1	0.1	0.1
g)	Expenditure on entertainment	64.5	69.7	76.4	67.0	57.3
h)	Expenditure on foreign travel					
	No. of tours	994	830	775	681	711
	Expenditure in Rupees	174	146	140	85	101
i)	Expenditure on Publicity and Public relations					
	Salaries allowances & other benefits	99	101	62	47	46
	Other expenses	161	163	118	144	122
j)	Director's Fees	1.6	0.8	0.7	0.6	0.7

19 Statement of Employee Benefits

₹ Million

The company has adopted AS-15 (R) for Employee benefits issued by the Institute of Chartered Accountants of India from 01.04.2006. The valuation of year end liability in respect of defined benefits as on 31.03.2011 are as under:

Gratuity	17,702
Leave liability	11,930
Settlement Allowance	80
Post retired medical benefits	9,514
Provident Fund liability	272

The disclosure relating to AS-15 (R) – Employee Benefits

a) Gratuity Plan

The gratuity liability arises on account of future payments, which are required to be made in the event of retirement, death in service or withdrawal. The liability has been assessed using projected unit credit actuarial method.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as at the year ended are as follows:

		₹ Million
1	Change in present value of obligation	2010-11
	a) Present value of obligation as at the beginning	16,575
	b) Acquisition adjustment	-
	c) Interest Cost	1,243
	d) Past service cost	-
	e) Current service cost	720
	f) Curtailment cost / (Credit)	-
	g) Settlement cost / (Credit)	-
	h) Benefits paid	(2,407)
	i) Actuarial (gain) / Loss	1,571
	j) Present value of obligation at the end of the period	17,702
2	Change in the fair value of plan assets	
	a) Fair value of plan assets at the beginning	6,376
	b) Acquisition Adjustments	-
	c) Expected return on plan assets	542
	d) Contributions	10,198
	e) Benefits paid	(2,407)
	f) Actuarial gain / (Loss) on plan assets	823
	g) Fair value of plan assets as at the end of the year	15,532
3	Fair value of plan assets	
	a) Fair value of plan assets at the beginning	6,376
	b) Acquisition Adjustments	-
	c) Actual return on plan assets	1,365
	d) Contributions	10,198
	e) Benefits paid	(2,407)
	f) Fair value of plan assets at the year end	15,532
	g) Funded status	(2,170)

	h) Excess of actual over estimated return of plan assets	823
4	Actuarial gain / loss recognized	
	a) Actuarial gain / (loss) for the period - obligation	(1,571)
	b) Actuarial (Gain) / loss for the period – plan assets	(823)
	c) Total (gain) / loss for the period	749
	d) Actuarial (gain)/ loss recognized in the period	749
	e) Unrecognized actuarial (gains)/ losses at the end of the period	-
5	The amount recognized in balance sheet and statement of profit and loss	
	a) Present value of obligation as at end of the period	17,702
	b) Fair value of plan assets as at the end of period	15,532
	c) Funded status	(2,170)
	d) Excess of actual over estimated	823
	e) Unrecognised actuarial (gains)/ losses	-
	f) Net asset/ (liability) recognized in balance sheet	(2,170)
6	Expense recognized in the statement of profit and loss a/c	
	a) Current service cost	720
	b) Past service cost	-
	c) Interest cost	1,243
	d) Expected return on plan assets	(542)
	e) Curtailment cost / (Credit)	-
	f) Settlement cost / (credit)	-
	g) Net actuarial (gain) / loss recognized in the period	749
	h) Expenses recognized in the statement of profit & losses	2,170
	Assumptions- Discounting rate 7.50%, Future salary increase 5.00%., Expected rate of return on plan assets 8.50%.	
b)	**Post Retirement Medical Benefits plan**	₹ Million
1	Change in present value of obligation	2010-11
	a) Present value of obligation as at the beginning	8,604
	b) Acquisition adjustment	0
	c) Interest Cost	645
	d) Past service cost	0
	e) Current service cost	172
	f) Curtailment cost / (Credit)	0
	g) Settlement cost / (Credit)	0
	h) Benefits paid	(361)
	i) Actuarial (gain) / Loss	453

	j) Present value of obligation as at the end of year	9,514
2	Change in the fair value of plan assets	-
3	Fair value of plan assets	-
	Funded Status	(9,514)
4	Actuarial gain / loss recognized	
	a) Actuarial gain / (loss) for the period - obligation	453
	b) Actuarial (Gain) / loss for the period – plan assets	-
	c) Total (gain) / loss for the year	453
	d) Actuarial (gain)/ loss recognized in the period	453
	e) Unrecognized actuarial (gains)/ losses at the end of the period	-
5	The amount recognized in balance sheet and statement of profit and loss	
	a) Present value of obligation as at the end of the year	9,514
	b) Fair value of plan assets as at the end of the year	-
	c) funded status	(9,514)
	d) Net assets / (liability) recognized in balance sheet	(9,514)
6	Expenses recognized in the statement of profit and loss	
	a) Current service cost	172
	b) Interest cost	645
	c) Net actuarial (gain) / loss recognized in the year	453
	d) Expenses recognized in the statement of profit & loss	1,270
c)	**Long Term Leave Liability (EL/NEL/HPL)**	₹ Million
	The leave liability has been treated as other long term benefits and has been assessed using projected unit credit actuarial method.	
1	Change in present value of obligation	2010-11
	a) Present value of obligation as at the beginning	12,942
	b) Acquisition adjustment	-
	c) Interest Cost	971
	d) Past service cost	-
	e) Current service cost	875
	f) Curtailment cost / (Credit)	-
	g) Settlement cost / (Credit)	-
	h) Benefits paid	(2,076)
	i) Actuarial (gain) / Loss	(783)
	j) Present value of obligation at the end of the period	11,930
2	Change in the fair value of plan assets	-

3	Fair value of plan assets		
	g) Funded status		(11,930)
4	Actuarial gain / loss recognized		
	a) Actuarial gain / (loss) for the period - obligation		783
	b) Actuarial (Gain) / loss for the period – plan assets		-
	c) Total (gain) / loss for the period		(783)
	d) Actuarial (gain)/ loss recognized in the period		(783)
	e) Unrecognized actuarial (gains)/ losses at the end of the period	-	
5	The amount recognized in balance sheet and statement of profit and loss		
	a) Present value of obligation as at end of the period		11,930
	b) Fair value of plan assets as at the end of period		-
	c) Funded status		(11,930)
	d) Excess of actual over estimated		-
	e) Unrecognised actuarial (gains)/ losses		-
	f) Net asset/ (liability) recognized in balance sheet		(11,930)
6	Expense recognized in the statement of profit and loss a/c		
	a) Current service cost		875
	b) Past service cost		-
	c) Interest cost		971
	d) Expected return on plan assets		-
	e) Curtailment cost / (Credit)		-
	f) Settlement cost / (credit)		-
	g) Net actuarial (gain) / loss recognized in the period		(783)
	h) Expenses recognized in the statement of profit & losses		1,063
d)	In line with the guidance note on AS-15(R), the company has got the actuarial valuation of provident fund done in respect of PF trusts of the units/regions. As per the actuarial valuation certificate liability for likely interest shortfall, to be compensated by the company to the PF trust, has been provided in the accounts.		
	Provision made (withdrawal) for shortfall in PF interest liability based on actuarial valuation for the year 2011	₹ Million	110
	Accumulated provision for shortfall in PF interest liability based on actuarial valuation as on 31.03.2011	₹ Million	272
20	Related Party Transactions:		
i)	Related Parties where control exists (Joint Ventures) for the year 2010-11:		
	Powerplant Performance Improvement Ltd.		
	BHEL-GE Gas Turbine Services Pvt. Ltd.		
	NTPC-BHEL Power Projects Pvt. Ltd.		
	Udangudi Power Corporation Ltd.		
	Barak Power Pvt. Ltd.		

	Raichur Power Corporation Ltd.					
	Dada Dhuniwale Khandwa Power Ltd.					
	Related Parties where control exists (Joint Ventures) for the year 2009-10:					
	Powerplant Performance Improvement Ltd.					
	BHEL-GE Gas Turbine Services Pvt. Ltd.					
	NTPC-BHEL Power Projects Pvt. Ltd.					
	Udangudi Power Corporation Ltd.					
	Barak Power Pvt. Ltd.					
	Raichur Power Corporation Ltd.					
	Dada Dhuniwale Khandwa Power Ltd.					
	Related Parties where control exists (Joint Ventures) for the year 2008-09:					
	Powerplant Performance Improvement Ltd.					
	BHEL-GE Gas Turbine Services Pvt. Ltd.					
	NTPC-BHEL Power Projects Pvt. Ltd.					
	Udangudi Power Corporation Ltd.					
	Barak Power Pvt. Ltd.					
	Related Parties where control exists (Joint Ventures) for the year 2007-08:					
	Powerplant Performance Improvement Ltd.					
	BHEL-GE Gas Turbine Services Pvt. Ltd.					
	Related Parties where control exists (Joint Ventures) for the year 2006-07:					
	Powerplant Performance Improvement Ltd.					
	BHEL-GE Gas Turbine Services Pvt. Ltd.					
ii)	Other related parties for the year 2010-11 (Key Management Personnel- Functional Directors: existing & retired):					
	S/Shri B.P. Rao , Anil Sachdev, Atul Saraya, O. P. Bhutani and C S Verma (up to 10.06.2010)					
	Other related parties for the year 2009-10 (Key Management Personnel- Functional Directors: existing & retired):					
	S/Shri B.P. Rao , C.S.Verma, Anil Sachdev, Atul Saraya, O. P. Bhutani and K.Ravi Kumar					
	Other related parties for the year 2008-09 (Key Management Personnel- Functional Directors: existing & retired):					
	S/Shri K.Ravi Kumar, C.S.Verma, Anil Sachdev, B.P.Rao, and C.P.Singh					
	Other related parties for the year 2007-08 (Key Management Personnel- Functional Directors: existing & retired):					
	S/Shri K.Ravi Kumar, C.S.Verma, C.P.Singh, Anil Sachdev, B.P.Rao, S.K.Jain, A.K.Mathur and Ashok K. Puri					
	Other related parties for the year 2006-07 (Key Management Personnel- Functional Directors: existing & retired):					
	S/Shri Ashok K. Puri, K.Ravi Kumar, S.K.Jain, A.K.Mathur, C.S.Verma, C.P.Singh, and Ramji Rai					
iii)	Details of Transactions					
	Joint Ventures	2010-11	2009-10	2008-09	2007-08	2006-07
	Purchase of Goods and Services	₹ Million	761	25	611	489	27

	Sales of Goods and services	₹ Million	673	630	679	594	697
	Receiving of Services	₹ Million	252	-	-	-	-
	Rendering of Services	₹ Million	1,012	56	49	-	-
	Dividend income	₹ Million	150	158	185	81	175
	Royalty income	₹ Million	8	8	15	9	4
	Purchase of shares	₹ Million	3,540	250	51	-	-
	Amounts due to BHEL at the end of the year	₹ Million	597	183	266	243	223
	Amounts due from BHEL at the end of the year	₹ Million	1,450	11	7	9	3
	Advance deposit towards issue of shares	₹ Million	0	25	50	-	-
	Provision for Doubtful debts	₹ Million	0.2	0.2	0.2	0.5	2.3
	Advances given	₹ Million	270	-	-	-	27
	Key Management Personnel (KMP)						
	Purchase of Goods and Services	₹ Million	-	-	-	4.9	-
	Amounts due from BHEL at the end of the year	₹ Million	-	-	-	0.4	-
	Payment of Salaries	₹ Million	20.2	19.1	7.8	13.8	8.1
	Rent	₹ Million	-	-	-	0.1	0.1
	Relatives of KMP						
	Amounts due to BHEL at the end of the year	₹ Million	0.1	0.1	0.1	-	-
	Payment of Salaries	₹ Million	2.0	1.4	1.0	-	-

21 Lease

Details of assets taken on lease on or after 1st April 2001 are as under:

i) Finance Lease:

			2011	**2010**	**2009**	**2008**	**2007**
a.	Outstanding balance of Minimum Lease payments						
	not later than one year	₹ Million	655	557	569	379	360
	later than one year and not later than five years	₹ Million	1,203	893	1,173	682	672
	later than five years	₹ Million	-	-	-	-	-
	Total minimum lease payments at the balance sheet date	₹ Million	1,858	1,450	1,742	1,061	1,031
b.	Present Value of (a) above						
	not later than one year	₹ Million	534	474	440	308	286
	later than one year and not later than five years	₹ Million	1,039	747	996	594	573
	later than five years	₹ Million	-	-	-	-	-
	Total of Present Value at the balance sheet date	₹ Million	1,573	1,222	1,436	902	860

c.1	Finance charges	₹ Million	286	228	306	159	172
c.2	Present value of Residual value, if any	₹ Million	0.1	0.1	0.1	0.1	0.1

ii) The company is in the practice of taking houses for employees, office buildings and EDP equipments etc. on operating lease both as cancellable and non-cancellable.

iii)	Operating Lease		**2011**	**2010**	**2009**	**2008**	**2007**
	The future minimum lease payments under non-cancellable operating lease are as under						
	not later than one year	₹ Million	38	44	44	49	134
	later than one year and not later than five years	₹ Million	63	93	73	79	110
	later than five years	₹ Million	9	9	-	-	8

iv) Details regarding rentals in respect of assets taken on lease prior to 1.4.2001 are as given below:

Cost of Assets						
Land & Buildings	₹ Million	0.1	0.7	0.6	0.6	0.6
Computers & peripherals	₹ Million	0.0	8.3	8.3	57.9	229.9
Rentals payable over unexpired period of lease						
Land & buildings	₹ Million	0.2	0.2	0.3	0.3	0.3
Computers & peripherals	₹ Million	0.0	0.1	0.1	0.1	0.1

22 The break up of net deferred tax assets on account of timing difference as on 31.03.2011 are as under:

	2011	**2010**	**2009**	**2008**	**2007**
Deferred Tax Assets					
Provisions	18,195	14,824	18,187	11,746	7,617
Statutory dues	4,120	4,313	4,122	3,496	1,747
Adjustment as per section 145A	454	472	854	741	423
R&D expenditure u/s 35 (2AB)	-	422	-	-	-
Others	96	165	61	184	1278
	22,866	20,196	23,224	16,167	11,065
Deferred Tax Liabilities					
Depreciation	1,230	899	667	624	633
Net Deferred Tax Assets	21,636	19,297	22,557	15,543	10,432

23 Joint ventures / Subsidiaries :

A subsidiary company has been incorporated on 19th January 2011 under the name of "BHEL Electrical Machines Limited" which would take up manufacture of rotating electrical machines, after acquiring the assets of Kasargod unit of KEL, Kerala. BHEL owns 51% equity in the company and Govt. of Kerala owns 49%.

Pursuant to compliance of Accounting Standard-27 issued by the Institute of Chartered Accountants of India, relevant disclosures relating to Joint ventures are as follows:

			2011	2010	2009	2008	2007
a)	Names of joint ventures	Country of Incorporation	Proportion of Ownership	Proportion of Ownership	Proportion of Ownership	Proportion of Ownership	Proportion of Ownership
	Powerplant Performance Improvement Ltd	India}	One share less than 50%	One share less than 50%	One share less than 50%	One share less than 50%	One share less than 50%
	BHEL-GE Gas Turbine Services Pvt Ltd	India}	One share less than 50%	One share less than 50%	One share less than 50%	One share less than 50%	One share less than 50%
	NTPC-BHEL Power Projects Pvt. Ltd.	India	50%	50%	50%		
	Udangudi Power Corporation Ltd.	India	50%	50%	50%		
	Barak Power Pvt. Ltd.	India	50%	50%	50%		
	Raichur Power Corporation Ltd.	India	50%	50%			
	Dada Dhuniwale Khandwa Power Ltd.	India	50%	50%			
b)	The provision for diminution in value of investment in PPIL & Barak Power Pvt. Ltd. has been made since the companies are under liquidation and the amount paid as equity is not recoverable.						
c)	Aggregate amount of company's interest in Joint Ventures as per accounts is as under:						
	BHEL-GE Gas Turbine Services Pvt. Ltd.			₹ in Million			
			2011	**2010**	**2009**	**2008**	**2007**
	Fixed Assets		39	25	32	41	48
	Net Current Assets		405	320	242	279	122
	Loan funds		3	2	3	4	3
	Misc. Exp. not written off		-	-	-	-	-
	Deferred Tax Assets (net)		16	10	7	6	1
	Shareholders Funds		457	353	279	322	168
	Income		2,121	2,201	2,162	1,647	1,493
	Expenses		1,691	1,817	1,825	1,296	1,212
	Contingent Liabilities		31	67	66	159	66
	Capital Commitments		8	-	-	-	1
	NTPC-BHEL Power Project Pvt. Ltd.						₹ in Million
					2011	**2010**	**2009**
	Fixed Assets				28	3	1
	Net Current Assets				239	229	38
	Loan funds				1	1	-
	Misc. Exp. not written off				-	-	-
	Deferred Tax Assets (net)				1	4	-
	Shareholders Funds				266	234	38
	Income				544	21	-
	Expenses				463	29	12
	Contingent Liabilities				17	-	-
	Capital Commitments				226	-	-

	Udangudi Power Corporation Ltd.			₹ in Million
		2011*	**2010**	**2009**
	Fixed Assets	308	25	2
	Net Current Assets	19	27	48
	Loan funds	-	-	-
	Misc. Exp. not written off	-	-	-
	Deferred Tax Assets (net)	-	-	-
	Shareholders Funds	327	52	50
	Income	1	2	1
	Expenses	-	-	-
	Contingent Liabilities	-	-	-
	Capital Commitments	67	-	-
	Figures of 2010-11 are based on unaudited financial results			

	Raichur Power Corporation Ltd.		₹ in Million
		2011*	**2010**
	Fixed Assets	4,216	0
	Net Current Assets	38	36
	Loan funds	974	10
	Misc. Exp. not written off	36	24
	Deferred Tax Assets (net)	-	-
	Shareholders Funds	3,315	50
	Income	2	1
	Expenses	14	24
	Contingent Liabilities	-	-
	Capital Commitments	-	-
	Figures of 2010-11 are based on unaudited financial results		

	Dada Dhuniwala Khandwa Power Ltd.		₹ in Million
		2011*	**2010**
	Fixed Assets	0.1	0.0
	Net Current Assets	22	25
	Loan funds	-	-
	Misc. Exp. not written off	3	-
	Deferred Tax Assets (net)	-	-
	Shareholders Funds	25	25
	Income	1.2	-
	Expenses	-	-
	Contingent Liabilities	-	-
	Capital Commitments	-	-
	Figures of 2010-11 are based on unaudited financial results		

24 As per the listing agreement with the Stock Exchanges, the requisite details of loans and advances in the nature of loans, given by the Company are given below:

i)	In respect of Subsidiary Company:			
				(₹ in Million)
	Bharat Heavy Plates & Vessels Ltd. (interest free)	**2011**	**2010**	**2009**
	Loans and advances in the nature of loans outstanding	2,175	2,175	1,819
	Maximum amount of loans and advances in the nature of loans outstanding during the year	2,175	2,175	1,819
	BHEL Electrical Machines Ltd.			
	Loans and advances in the nature of loans outstanding	-		
	Maximum amount of loans and advances in the nature of loans outstanding during the year	-		
ii)	No loans have been given (other than loans to employees), wherein there is no repayment schedule or repayment is beyond seven years; and			
iii)	There are no loans and advances in the nature of loans, to firms/companies, in which directors are interested.			
25	The disclosure relating to Accounting Standard -29			

		₹ Million				
a)	**Liquidated Damages**	**2011**	**2010**	**2009**	**2008**	**2007**
	Opening	4,833	5,225	6,441	5,865	4,908
	Additions	2,826	1,774	1,750	1,168	1,582
	Usage/ Write off/payment	(200)	(1,029)	(26)	(361)	(468)
	Withdrawal/adjustments	(479)	(1,138)	(2,940)	(230)	(157)
	Closing Balance	6,980	4,833	5,225	6,441	5,865
	Contractual Obligation					
	Opening	24,143	18,738	14,254	10,776	7,519
	Additions	11,687	8,921	6,850	5,013	5,316
	Usage/ Write off/payment	(991)	(771)	(750)	(600)	(615)
	Withdrawal/adjustments	(5,017)	(2,745)	(1,616)	(935)	(1,444)
	Closing Balance	29,822	24,143	18,738	14,254	10,776

b)	Liquidated damages are provided in line with the Accounting Policy of the company and the same is dealt suitably in the accounts on settlement or otherwise. Contingent liability relating to liquidated damages is shown in Notes to accounts separately.
c)	The provision for contractual obligation is made at the rate of 2.5% of the contract revenue progressively in line with significant Accounting Policy No.14 to meet the warranty obligations as per the terms and conditions of the contract. The same is retained till the completion of the warranty obligations of the contract. The actual expenses on warranty obligation may vary from contract to contract and on year to year depending upon the terms and conditions of the respective contract.
26	Item of expense and income less than ₹ one Lakh are not considered for booking under Prior Period Items.

Schedule – 23 D: Significant Accounting Policies (Standalone)

1 **Basis of preparation of Financial Statements**

The financial statements have been prepared as of a going concern on historical cost convention and on accrual method of accounting in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company**.**

2 **Fixed Assets**

Fixed assets (other than land acquired free from State Government) are carried at the cost of acquisition or construction or book value less accumulated depreciation.

Cost includes value of internal transfers for capital works, taken at actual / estimated factory cost or market price, whichever is lower. Effect of extraordinary events such as devaluation / revaluation in respect of long term liabilities / loans utilised for acquisition of fixed assets is added to / reduced from the cost.

Land acquired free of cost from the State Government is valued at Re.1/- except for that acquired after 16th July 1969, in which case the same is valued at the acquisition price of the State Government concerned, by corresponding credit to capital reserve.

3 **Leases**

FINANCE LEASE

A) (i) Assets Given on Lease Prior to 1st April 2001

Assets manufactured and given on finance lease are capitalised at the normal sale price/fair value/contracted price and treated as sales.

Depreciation on the same is charged at the rate applicable to similar type of fixed assets as per Accounting Policy on 'Depreciation'. Against lease rentals, matching charge is made through Lease Equalisation Account.

Finance income is recognised over the lease period.

(ii) Assets Given on Lease on or after 1st April 2001

Assets manufactured and given on finance lease are recognised as sales at normal sale price / fair value / NPV.

Finance income is recognised over the lease period.

Initial direct costs are expensed at the commencement of lease.

B) Assets Taken on Lease on or after 1st April 2001

Assets taken on lease are capitalised at fair value / NPV / contracted price.

Depreciation on the same is charged at the rate applicable to similar type of fixed assets as per Accounting Policy on 'Depreciation'. If the lease assets are returnable to the lessor on expiry of lease period, the same is depreciated over its useful life or lease period, whichever is shorter.

Lease payments made are apportioned between finance charges and reduction of outstanding liability in relation to assets taken on lease.

OPERATING LEASE

Assets Given on Lease:

Assets manufactured and given on operating lease are capitalised. Lease income arising therefrom is recognised as income over the lease period.

Assets Taken on Lease:

Lease payments made for assets taken on operating lease are recognised as expense over the lease period.

4 **Intangible Assets**

A) Intangible assets are capitalised at cost if

a. it is probable that the future economic benefits that are attributable to the asset will flow to the company, and
b. the company will have control over the assets, and
c. the cost of these assets can be measured reliably and is more than ₹ 10,000/- Intangible assets are amortised over their estimated useful lives not exceeding three years in case of software and not exceeding ten years in case of others on a straight line pro-rata monthly basis.

B)

a. Expenditure on research including the expenditure during the research phase of Research & Development Projects is charged to profit and loss account in the year of incurrence.
b. Expenditure incurred on Development including the expenditure during the development phase of Research & Development Project meeting the criteria as per Accounting Standard on

Intangible Assets , is treated as intangible asset.

c. Fixed assets acquired for purposes of research and development are capitalised.

5 **Borrowing Costs**

Borrowing costs that are attributable to the manufacture, acquisition or construction of qualifying assets, are included as part of the cost of such assets.

A qualifying asset is one that necessarily takes more than twelve months to get ready for intended use or sale.

Other borrowing costs are recognised as expense in the period in which they are incurred.

6 **Depreciation**

(i) Depreciation on fixed assets (other than those used abroad under contract) is charged up to the total cost of the assets on straight-line method as per the rates prescribed in Schedule XIV of the Companies Act, 1956, except where depreciation is charged at rates determined on the basis of the technically assessed estimated useful lives shown hereunder:-

	Single Shift	Double Shift	Triple Shift
General Plant & Machinery	8%	12%	16%
Automatic/Semi-Automatic Machines	10%	15%	20%
Erection Equipment, Capital Tools&Tackles	20 %		
Township Buildings			
–Second Class	2.5%		
–Third Class	3.5%		
Railway Sidings	8 %		
Locomotives & Wagons	8 %		
Electrical Installations	8 %		
Office & Other Equipments	8 %		
Drainage, Sewerage & Water supply	3.34%		
Electronic Data Processing Equipment	20 %		

In respect of additions to/deductions from the fixed assets, depreciation is charged on pro-rata monthly basis.

(ii) Fixed assets used outside India pursuant to long term contracts are depreciated over the duration of the initial contract.

(iii) Fixed assets costing ₹ 10,000/- or less and those whose written down value as at the beginning of the year is ₹ 10,000/- or less, are depreciated fully. In so far as township buildings are concerned, the cost per tenement is the basis for the limit of ₹ 10,000/-.

(iv) At erection/project sites: The cost of roads, bridges and culverts is fully amortized over the tenure of the contract, while sheds, railway sidings, electrical installations and other similar enabling works (other than purely temporary erections, wooden structures) are so depreciated after retaining 10% as residual value.

(v) Purely Temporary Erection such as wooden structures are fully depreciated in the year of construction.

(vi) Leasehold Land and Buildings are amortised over the period of lease. Buildings constructed on land taken on lease are depreciated over their useful life or the lease period, whichever is earlier.

7 **Investments**

(i) Long–term investments are carried at cost. Decline, other than temporary, in the value of such investments, is recognised and provided for.

(ii) Current investments are carried at cost or quoted/fair value whichever is lower. Unquoted current investments are carried at cost.

(iii) The cost of investment includes acquisition charges such as brokerage, fees and duties.

Any reduction in the carrying amount & any reversals of such reductions are charged or credited to the Profit & Loss Account.

8 **Inventory Valuation**

(i) Inventory is valued at actual/estimated cost or net realisable value, whichever is lower.

(ii) Finished goods in Plant and work in progress involving Hydro and Thermal sets including gas based power plants, boilers, boiler auxiliaries, compressors and industrial turbo sets are valued at actual/estimated factory cost or at 97.5% of the realisable value, whichever is lower.

(iii) In respect of valuation of finished goods in plant and work-in-progress, cost means factory cost; actual/estimated factory cost includes excise duty payable on manufactured goods.

(iv) In respect of raw material, components, loose tools, stores and spares cost means weighted average cost.

(a) For Construction contracts entered into on or after 01.04.2003:

Where current estimates of cost and selling price of a contract indicates loss, the anticipated loss in respect of such contract is recognised immediately irrespective of whether or not work has commenced.

(b) For all other contracts:

Where current estimates of cost and selling price of an individually identified project forming part of a contract indicates loss, the anticipated loss in respect of such project on which the work had commenced, is recognised.

(c) In arriving at the anticipated loss, total income including incentives on exports/deemed exports is taken into consideration.

(v) The components and other materials purchased / manufactured against production orders but declared surplus are charged off to revenue retaining residual value based on technical estimates.

9 **Revenue Recognition**

Sales are recorded based on significant risks and rewards of ownership being transferred in favour of the customer. Sales include goods dispatched to customers by partial shipment.

A. For construction contracts entered into on or after 1.4.2003

Revenue is recognized on percentage completion method based on the percentage of actual cost incurred upto the reporting date to the total estimated cost of the contract.

B. For all other contracts

(i) Recognition of sales revenue in respect of long production cycle items (Hydro and Thermal sets including gas-based power plants, boilers, boiler auxiliaries, compressors and industrial turbo sets) is made on technical estimates. When the aggregate value of shipments represents 30% or more of the realizable value,

they are considered at 97.5% of the realizable value or in its absence, quoted price. Otherwise, they are considered at actual/estimated factory cost or 97.5% of the realizable value, whichever is lower. The balance 2.5% is recognized as revenue on completion of supplies under the contract.

(ii) Income from erection and project management services is recognized on work done based on:Percentage of completion; or

The intrinsic value, reckoned at 97.5% of contract value, the balance 2.5% is recognized as income when the contract is completed.

(iii) Income from engineering services rendered is recognized at realizable value based on percentage of work completed.

(iv) Income from supply/erection of non-BHEL equipment/systems and civil works is recognized based on dispatches to customer/work done at project site.

10 **Accounting for Foreign Currency Transactions**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities are translated at year end exchange rates. Exchange difference arising on settlement of transactions and translation of monetary items are recognized as income or expense in the year in which they arise.

11 **Translation of Financial Statements of Integral Foreign Operations**

(i) Items of income and expenditure are translated at average rate except depreciation, which is converted at the rates adopted for the corresponding fixed assets.

(ii) Monetary items are translated at the closing rate; non-monetary items carried at historical cost are translated at the rates in force on the date of the transaction; non-monetary items carried at fair value are translated at exchange rates that existed when the value were determined.

(iii) All translation variances are taken to Profit & Loss Account.

12 **Employee Benefits**

Provident Fund and Employees' Family Pension Scheme contributions are accounted for on accrual basis. Liability for Earned Leave, Half Pay Leave, Gratuity, Travel claims on retirement and Post Retirement Medical Benefits are accounted for in accordance with actuarial valuation. The actuarial liability is determined with reference to employees at the beginning of each calendar year. Compensation under Voluntary Retirement Scheme is charged off in the year of incurrence on a pro-rata monthly basis.

13 **Claims by/against the Company**

(i) Claims for liquidated damages against the Company are recognised in accounts based on management's assessment of the probable outcome with reference to the available information supplemented by experience of similar transactions.

(ii) Claims for export incentives / duty drawbacks / duty refunds and insurance claims etc. are taken into account on accrual.

(iii) Amounts due in respect of price escalation claims and/or variations in contract work are recognised as revenue only when there are conditions in the contracts for such claims or variations and/or evidence of the acceptability of the same from customers. However, escalation is restricted to intrinsic value.

14 **Provision for Warranties**

(i) For construction contracts entered into on or after 01.04.2003:
The company provides warranty cost at 2.5% of the revenue progressively as and when it recognises the revenue and maintain the same through the warranty period.

(ii) For all other contracts:

Provision for contractual obligations in respect of contracts under warranty at the year end is maintained at 2.5% of the value of contract. In the case of contracts for supply of more than a single product 2.5% of the value of each completed product is provided.

(iii) Warranty claims/ expenses on rectification work are accounted for against natural heads as and when incurred and charged to provisions in the year end.

15 **Government Grants**

(i) Government Grants are accounted when there is reasonable certainty of their realisation.

(ii) Grants related to fixed depreciable assets are adjusted against the gross cost of the relevant assets while those related to non-depreciable assets are credited to capital reserve. Grants related to revenue, unless received as compensation for expenses/losses, are recognised as revenue over the period to which these are related on the principle of matching costs to revenue.

(iii) Grants in the form of non-monetary assets are accounted for at the acquisition cost, or at nominal value if received free.

SCHEDULE - 24: STATEMENT OF SEGMENT INFORMATION -RESTATED (STANDALONE)

(₹ in millions)

		For the year ended 31.3.2011			For the year ended 31.3.2010			For the year ended 31.3.2009		
A.	**PRIMARY SEGMENT - BUSINESS SEGMENTS**									
		Power	**Industry**	**Total**	**Power**	**Industry**	**Total**	**Power**	**Industry**	**Total**
I.	**SEGMENT REVENUE**									
a.	Segment Revenue	329,943	89,446	**419,389**	274,911	79,420	**354,331**	216,215	72,934	**289,149**
b.	Inter-Segment Revenue	-	5,975	**5,975**	-	5,412	**5,412**	-	5,044	**5,044**
c.	Operating Revenue-External (a) - (b)	329,943	83,471	**413,414**	274,911	74,098	**348,919**	216,215	67,890	**284,105**
II.	**SEGMENT RESULTS**									
a.	Segment Results	78,471	18,648	**97,119**	67,444	17,499	**84,943**	39,861	12,234	**52,095**
b.	Unallocated expenses (Net of income)			**13,655**			**11,770**			**1,012**
c.	Profit before Interest, DRE & Income tax (a) - (b)			**83,464**			**73,173**			**51,083**
d.	Interest			**549**			**318**			**221**
e.	Net Profit before Income Tax (c) - (d)			**82,915**			**72,855**			**50,862**
f.	Income Tax			**28,291**			**24,678**			**18,016**
g.	Net Profit after Income Tax			**54,624**			**48,177**			**32,846**
III	**ASSETS & LIABILITIES**									
a.	Segment Assets	363,488	98,284	461,772	295,166	85,381	380,547	227,175	69,168	296,343
b.	Unallocated Assets			130,833			126,736			130,617
c.	Total Assets			592,605			507,283			426,960
d.	Segment Liabilities	301,473	62,951	364,424	265,611	62,412	328,023	226,785	55,140	281,925
e.	Unallocated Liabilities			26,644			14,600			15,231
f.	Total Liabilities			391,068			342,623			297,156
IV	**OTHER INFORMATION**									
a.	Cost incurred during the period to acquire fixed assets (Incl. CWIP)	12,861	3,563		13,919	2,703		10,492	1,449	

b.	Depreciation	4,479	1,130	2,800	820	1,862	579		
c.	Non Cash Expenses (other than depreciation)	7,126	4,120	63	(2,352)	9,292	3,717		

B. SECONDARY SEGMENT - GEOGRAPHICAL SEGMENTS

		Within India	Outside India	**Total**	Within India	Outside India	**Total**	Within India	Outside India	**Total**
1	Net Sales / Income from Operations	400,387	13,027	413,414	332,043	16,876	348,919	265,454	18,651	284,105
2	Total Assets	588,626	3,979	592,605	505,889	1,394	507,283	424,304	2,656	426,960
3	Cost incurred during the period to acquire Fixed Assets	16,803	14	16,817	16,929	2	16,931	13,078	1	13,079

Notes:

1. The products and services of the Company have been grouped under 'Power' and 'Industry' segments depending upon the sector to which they are predominantly identified in the market.
2. Power sector includes products and services relating to various power generating sets and its auxiliaries.
3. Industry sector includes products and services relating to transportation and transmission, electric machines, industrial sets and DG sets and telecommunications and other industrial products and systems.
4. Inter segment transfers have been carried out at mutually agreed prices.

SCHEDULE 24 -STATEMENT OF SEGMENT INFORMATION -RESTATED (STANDALONE)

(₹ in millions)

		For the year ended 31.3.2008			For the year ended 31.3.2007		
A.	**PRIMARY SEGMENT - BUSINESS SEGMENTS**						
		Power	**Industry**	**Total**	**Power**	**Industry**	**Total**
I.	**SEGMENT REVENUE**						
a.	Segment Revenue	161,022	60,184	**221,2076**	142,166	54,364	**196,530**
b.	Inter-Segment Revenue	-	4,317	**4,317**	-	3,953	**3,953**
c.	Operating Revenue-External (a) - (b)	161,022	55,867	**216,889**	142,166	50,411	**192,577**
II.	**SEGMENT RESULTS**						
a.	Segment Results	36,015	10,321	**46,336**	36,483	8,608	**45,091**
b.	Unallocated expenses (Net of income)			**5,163**			**6,932**
c.	Profit before Interest, DRE & Income tax (a) - (b)			**41,173**			**38,159**
d.	Interest			**114**			**417**
e.	Net Profit before Income Tax (c) - (d)			**41,059**			**37,742**
f.	Income Tax			**13,716**			**13,382**
g.	Net Profit after Income Tax			**27,343**			**24,360**
III	**ASSETS & LIABILITIES**						
a.	Segment Assets	160,871	54,605	215,476	114,968	53,396	168,364
b.	Unallocated Assets			104,928			73,100
c.	Total Assets			320,404			241,464
d.	Segment Liabilities	152,529	43,661	196,190	111,297	30,070	141,367
e.	Unallocated Liabilities			17,519			12,011
f.	Total Liabilities			213,709			153,378
IV	**OTHER INFORMATION**						
a.	Cost incurred during the period to acquire fixed assets (Incl. CWIP)	5,178	1,281		2,764	1,269	
b.	Depreciation	1,587	595		1,396	564	
c.	Non Cash Expenses (other than depreciation)	3,530	1,196		3,529	1,104	
B.	**SECONDARY SEGMENT - GEOGRAPHICAL SEGMENTS**						
		Within India	Outside India	**Total**	Within India	Outside India	**Total**
1	Net Sales / Income from Operations	206,651	10,238	216,889	181,627	10,950	192,577
2	Total Assets	318,088	2,316	320,404	232,131	9,333	241,464
3	Cost incurred during the period to acquire Fixed Assets	6,530	350	6,880	4,278	3	4,281

Notes:

1. The products and services of the Company have been grouped under 'Power' and 'Industry' segments depending upon the sector to which they are predominantly identified in the market.
2. Power sector includes products and services relating to various power generating sets and its auxiliaries.
3. Industry sector includes products and services relating to transportation and transmission, electric machines, industrial sets and DG sets and telecommunications and other industrial products and systems.
4. Inter segment transfers have been carried out at mutually agreed prices.

SCHEDULE – 25: Statement of Financial indebtedness-Restated (Standalone)

A. Secured Loans

S.No.	Lender	Facility	Amount (₹ in Million) outstanding as of 31.03.11	Interest Rate	Security	Repayment Terms
			-Nil-			

B. Unsecured Loans

S.No.	Lender	Facility	Amount (₹ in Million) outstanding as of 31.03.11	Interest Rate	Security	Repayment Terms
1	Credit for assets taken on finance lease		1,611	Implicit rate as per contract to contract		Finance lease for a period of 3-5 years
2	Interest accrued and due on State Govt. Loan		23			No demand
	Total		**1,634**			

SCHEDULE – 26: Statement of Contingent Liabilities and Capital commitments-Restated (Standalone)

(₹ in millions)

S.No.	Description	2011	2010	2009	2008	2007
i)	Capital Commitment :					
	Estimated amount of contracts, net of advances, remaining to be executed on capital account and not provided for	13,318	16,529	17,838	10,621	3,719
ii)	Contingent Liability:					
	Claims against the Company not acknowledged as debts					
	Income Tax Pending Appeals	326	288	286	284	487
	-Against which paid under protest	0.2	0.3	0.1	0.1	0.1
	Sales Tax Demand	5,098	3,531	3,264	2,952	3,286
	-Against which paid under protest	930	769	716	780	889
	Excise Duty demands	2,161	1,955	1,692	1,341	1,492
	-Against which paid under protest	84	50	51	125	65
	Custom Duty demands	2	2	2	-	8
	-Against which paid under protest	0.6	0.6	0.6	-	-
	Court & Arbitration cases	3,751	2,543	861	762	825
	Liquidated Damages	14,011	12,879	13,634	8,095	2,572
	Counter Claim by contractors	6	6	410	410	404
	Service Tax Demand	2,141	1,057	703	61	-
	-Against which paid under protest	2	2	1	-	-
	Others	1,206	591	588	563	477
iii)	Bills discounted under IDBI scheme	-	-	1	4	18

SCHEDULE – 27: Statement of Capitalisation -Restated (Standalone)

(₹ in millions)

	Pre-issue as on 31st March 2011	Post Issue
Debt		
Short Term Debt	594	594
Long Term Debt	1,040	1,040
Total	**1,634**	**1,634**
Shareholders fund		
Share Capital	4,895	4,895
Reserves & Surplus	196,642	196,642
Total Shareholders fund	**201,537**	**201,537**
Debt Equity Ratio	0.008	0.008
Long Term Debt/Equity	0.005	0.005

Notes:

1. As the Further Public Offer is only Offer for Sale by Government of India, there would be no change in Debt and Shareholders Funds Post Issue.

2. The above has been computed on the basis of Restated Financial Statements of the Company.

SCHEDULE – 28: Statement of Accounting Ratios of Company-Restated (Standalone)

	2011	2010	2009	2008	2007
Restated Profit after Tax and before extraordinary items (₹ in millions)	54,624	48,177	32,846	27,343	24,360
Extraordinary items (Net of Taxes)	-	-	-	-	-
Restated Profit after Tax and after extraordinary items (₹ in millions)	54,624	48,177	32,846	27,343	24,360
Net worth (₹ in millions)	201,537	164,660	129,804	106,695	88,086
Weighted Average Number of equity shares outstanding during the year (units) Face Value of ₹ 10/-each	489,520,000	489,520,000	489,520,000	489,520,000	244,760,000
Earnings per share before extraordinary items (₹)	111.59	98.42	67.10	55.86	49.76
Earnings per share after extraordinary items (₹)	111.59	98.42	67.10	55.86	49.76
Diluted Earnings per share before extraordinary items (₹)	111.59	98.42	67.10	55.86	49.76
Diluted Earnings per share after extraordinary items (₹)	111.59	98.42	67.10	55.86	49.76
Return on Net Worth (%)	27.10	29.26	25.30	25.63	27.65
Net Asset Value/per Shares (₹)	411.70	336.37	265.17	217.96	179.94

Note: In 2007-08 the Company has issued bonus share in the ratio of 1:1. Accordingly, Earning & Diluted per share Return on Net Worth and Net Asset Value is calculated based on enhanced share capital in FY 2007.

Formulae	
Earning/diluted per share before extraordinary items (₹)	Restated Profit after Tax and before extraordinary items/ Weighted Average Number of equity shares outstanding during the year
Earning /diluted per share after extraordinary items (₹)	Restated Profit after Tax and after extraordinary items/ Weighted Average Number of equity shares outstanding during the year
Return on Net Worth (%)	Restated Profit after Tax * 100/Net Worth
Net Asset Value per share (₹)	Net Worth/ Number of Equity Shares

Notes:

1. The Earning per share is calculated in accordance with "Earning per Share" (AS-20) issued by the Institute of Chartered Accountants of India.
2. Net worth means Equity Share Capital + Reserves & Surplus - Miscellaneous Expenditure to the extent not written off
3. Ratios have been computed/adjusted on the basis of restated Profit/Loss for the respective years

SCHEDULE – 29 : Statement of Related Party Transactions -Restated (Standalone)

The related party transactions undertaken by the Company relating to Joint Ventures, Key Management Personnel & Relatives of Key management Personnel are given as below.

(₹ in millions)

	For the Year Ended March 31st				
	2011	**2010**	**2009**	**2008**	**2007**
Joint Ventures					
Purchase of Goods and Services	761	25	611	489	27
Sales of Goods and services	673	630	679	594	697
Receiving of Services	252	-	-	-	-
Rendering of Services	1,012	56	49	-	-
Dividend income	150	158	185	81	175
Royalty income	8	8	15	9	4
Purchase of shares	3,540	250	51	-	-
Amounts due to BHEL at the end of the year	597	183	266	243	223
Amounts due from BHEL at the end of the year	1,450	11	7	9	3
Advance deposit towards issue of shares	-	25	50	-	-
Provision for Doubtful debts	0.2	0.2	0.2	0.5	2.3
Advances given	270	-	-	-	27
Key Management Personnel (KMP)					
Purchase of Goods and Services	-	-	-	4.9	-
Amounts due from BHEL at the end of the year	-	-	-	0.4	-
Payment of Salaries	20	19	8	14	8
Rent	-	-	-	0.1	0.1
Relatives of KMP					
Amounts due to BHEL at the end of the year	0.1	0.1	0.1	-	-
Payment of Salaries	2.0	1.4	1.0	-	-

SCHEDULE – 30 : Statement of Dividend Paid/Proposed - (Standalone)

(₹ in millions)

	Year Ended March 31st				
	2011	**2010**	**2009**	**2008**	**2007**
Paid up Equity Share Capital	4,895	4,895	4,895	4,895	2448
Face Value per Share (₹)	10	10	10	10	10
Number of Shares (units)	489,520,000	489,520,000	489,520,000	489,520,000	244,760,000
Interim (Rate of Dividend (%))	132.5%	110%	90%	90%	62.5%
Amount of Dividend	6,486	5,385	4,406	4,406	3,060
Corporate Dividend Taxes	1,077	915	749	749	429
Final (Rate of Dividend (%))	179%	123%	80%	62.5%	30.0%
Amount of Dividend	8,762	6,021	3,916	3,059	2,937
Corporate Dividend Taxes	1,422	1,000	665	520	499

Note: In 2007-08 the Company has issued bonus share in the ratio of 1:1. Accordingly, dividend (%) for 2007 is calculated based on enhanced equity share capital.

Schedule – 31: Tax Shelter Statement
(Standalone)

(₹ in millions)

	F.Y.2010-11	F.Y 2009-10	F.Y.2008-09	F.Y.2007-08	F.Y.2006-07	F.Y.2005-06
PROFIT BEFORE TAX - AS PER AUDITED ACCOUNTS	90056.70	65906.50	48488.50	44303.90	37360.70	25643.50
TOTAL ADJUSTMENTS	7141.50	(6948.50)	(2373.80)	3244.40	(381.40)	(681.40)
PROFIT BEFORE TAX - RESTATED (a - b)	82915.20	72855.00	50862.30	41059.50	37742.10	26324.90
TAX RATE	33.2175%	33.99%	33.99%	33.99%	33.66%	33.66%
NOTIONAL TAX ON PROFIT BEFORE TAX RESTATED	27542.36	24763.41	17288.10	13956.12	12703.99	8860.96
PERMANENT DIFFERENCES						
Disallowance U/s 14A	15.62	3.81	0.00	0.00	0.00	0.00
Perquisite tax paid by the company	187.14	192.64	90.45	84.18	0.00	0.00
Interest cost under MSMED Act	32.60	42.60	0.00	0.00	0.00	0.00
Donations (Net off alllowed u/s 80G)	0.90	1.50	0.65	8.00	1.75	0.47
Interest payment to IT authorities	(2.21)	24.83	85.76	240.99	36.80	25.27
Expenses allowed u/s 35(2AB) and other R&D exp	(3465.50)	(195.00)	(235.65)	(185.66)	(231.33)	(60.90)
Profit from Sale of Assets(Net)	(42.70)	(3.00)	(83.60)	(17.20)	(11.50)	(33.01)
Exempted Income u/s10(34) Dividend Income	(149.90)	(158.30)	(184.50)	(80.90)	(174.90)	(101.15)
Other Adjustments	417.40	20.00	33.09	0.00	25.21	0.39
TIMING DIFFERENCES						
Difference between tax Depreciation and book depreciation	(1073.86)	(738.73)	(125.19)	25.40	1090.35	850.29
Disallowances/Allowances u/s 43B	(234.40)	897.08	1841.42	5146.27	1217.89	2124.76
Amount Inadmissible/ Admissable u/s 40(a)	(372.12)	316.08	138.22	(19.17)	(1.61)	63.07
CSR	172.50	0.00	0.00	0.00	0.00	0.00
Provision (Net)	11102.90	(9210.10)	18948.80	12148.50	3865.91	3849.64
Adjustment u/s 145A	(20.76)	(1090.63)	330.73	937.91	299.81	660.03
Deferred Instalments of VRS u/s 35DDA	0.00	0.00	(0.15)	(304.60)	(304.63)	(745.41)
Other Adjustments- R&D 35(2AB)	(1271.55)	1271.55	0.00	0.00	0.00	0.00
Retd. Employees Health Scheme	0.00	0.00	(499.40)	0.00	0.00	0.00
TOTAL (B+C)	5296.06	-8625.67	20340.63	17983.72	5813.75	6633.45

	F.Y.2010-11	F.Y 2009-10	F.Y.2008-09	F.Y.2007-08	F.Y.2006-07	F.Y.2005-06
TAXABLE INCOME / (LOSS) [A (c) + D]	**88211.26**	**64229.33**	**71202.93**	**59043.22**	**43555.85**	**32958.35**
TAX AS PER NORMAL PROVISIONS	**29301.58**	**21831.55**	**24201.88**	**20068.79**	**14660.90**	**11093.78**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our restated and audited consolidated financial statements as of and for the Financial Years 2011, 2010 and 2009, all prepared in accordance the Companies Act and Indian GAAP and restated in accordance with the SEBI Regulations, including the schedules, annexures and notes thereto and the reports thereon, included in the section titled "Financial Statements" in this Draft Red Herring Prospectus.

Unless otherwise stated, financial information included in this section for Financial Years 2011, 2010 and 2009 has been derived from our restated and audited consolidated financial statements as of and for the Financial Years ended March 31, 2011, March 31, 2010 and March 31, 2009. For further information, see the section titled "Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation – Financial Information".

Indian GAAP differs in certain material respects from U.S. GAAP and IFRS. We have not attempted to quantify the impact of IFRS or U.S. GAAP on the financial data included in this Draft Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those under U.S. GAAP or IFRS. Accordingly, the degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with the Companies Act, Indian GAAP and the SEBI Regulations.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the sections titled "Risk Factors" and "Forward-Looking Statements".

In this section, unless the context otherwise requires, a reference to the "Company" is a reference to Bharat Heavy Electricals Limited and unless the context otherwise requires, a reference to "we", "us" and "our" refers to Bharat Heavy Electricals Limited and its Subsidiaries and joint ventures, as applicable in the relevant fiscal period, on a consolidated basis.

Overview

We are an integrated power plant equipment manufacturer and one of the largest engineering and manufacturing companies in India in terms of turnover. We are engaged in the design, engineering, manufacture, construction, testing, commissioning and servicing of a wide range of products and services in our power and industry segments. We have 15 manufacturing divisions, two repair units, four regional offices, eight service centres and 15 regional centres and currently operate at more than 150 project sites across India and abroad. Since our establishment by the GoI in 1964, we have been at the forefront of India's indigenous heavy electrical equipment industry with a sustained track record of earning profit since Financial Year 1972 and paying dividends since Financial Year 1977.

We carry on our business in two business segments, the power segment and the industry segment.

Power Segment. In the power segment, we offer a wide range of products and systems for coal-based thermal, gas-based thermal, nuclear and hydro power projects. We execute these projects either on a turnkey/EPC basis or by engineering, supplying and executing main plant equipment, which comprises primarily boilers, turbines and generators, as well as auxiliary equipment such as electrostatic precipitators (ESP), electrical equipment, control and instrumentation systems, pumps and heaters. In the turnkey business, we design, engineer, manufacture, procure, construct and commission projects in the power generation sector, wherein we undertake turnkey responsibility to supply a range of equipment and services, including the BOP and civil works and any other work that may be required under the contract for a project. In addition, we provide spare parts and after sales services for the life cycle of a plant. In Financial Years 2010 and 2011, our power segment operations accounted for 78.7% and 79.9%, respectively, of our total turnover.

Industry Segment. We design, manufacture, supply and offer services for a broad range of systems and individual products for the following business areas: captive power plants, power transmission, rail transportation, renewable energy, industrial products (electrical and mechanical) and others. In Financial Years

2010 and 2011, our industry segment operations accounted for 21.3% and 20.1%, respectively, of our total turnover.

In Financial Year 2011, the contract value of new orders that we booked was ₹ 605,070 million. We book orders as per the terms of the relevant contract. As of June 30, 2011, our Order Book stood at ₹ 1,596,000 million. Our Order Book stood at ₹ 1,173,870 million as of March 31, 2009, ₹ 1,443,120 million as of March 31, 2010 and ₹ 1,641,450 million as of March 31, 2011.

Significant Factors Affecting Results of Operations

We believe that our results of operations and financial condition are affected by a number of factors, including the following, which are of particular importance:

Growth of the Indian Economy and our target industry sectors including, in particular, the Indian Power Generation sector

We derive a substantial majority of our income from the sale of our products and services within India. In Financial Year 2011, we derived 96.8% of our turnover from sales within India. In addition, as of March 31, 2011, 99.3% of our total assets were located within India. Our business, financial conditions and results of operations are therefore affected by economic conditions in India. In particular, the industries in which we operate in India are dependent on both the continued growth of the Indian economy and on regulatory developments within India. India has experienced significant economic growth, achieving a compound annual growth rate of 8.6% for the period from 2009 to 2011**.** While it is generally believed that the demand for our products and services will increase in line with expected increases in India's GDP, there can be no assurance that this will be the case. In addition, industries in which we operate are directly or indirectly affected by GoI policies. This is particularly relevant for the turnover that we derive from our power segment business which constituted 76.0%, 78.7%, and 79.9%, of our total turnover in Financial Year 2009, 2010 and 2011, respectively. Any changes in GoI policies or in the level of direct or indirect support provided by the GoI to the industries in which our customers operate could have a material adverse effect on our business, financial condition and results of operations. See the section titled "Risk Factors—The power sector and other industries in which we operate in India are dependent on the regulatory developments in India and the continued growth of the Indian economy. Any adverse change in policy/implementation/industry demand may adversely affect us."

Issues Faced by Our Customers in the Power Generation Sector in Obtaining Coal Linkages and Environmental Clearances

We derive a substantial proportion of our revenues from the supply of power generation equipment and related services to power generation companies. Our power segment operations accounted for 76.0%, 78.7%, and 79.9%, of our total turnover in Financial Years 2009, 2010 and 2011 respectively. The ability of power generation companies to initiate and execute power plant projects is dependent on a number of factors, including receiving environmental permits from the GoI and securing coal linkages for the projects. In the recent past, some Indian power generation companies have faced issues in securing adequate supplies of coal and have experienced delays in obtaining environmental permits from the GoI. If these problems continue, our customers may delay the initiation of projects and therefore may delay placing orders for our power generation equipment which may have a material adverse effect on our business, financial condition and results of operations. See the section titled *"Risk Factors – Risks inherent to power sector and other industries in which we operate in India could materially and adverserly effect our business, financial condition and results of operations."*

Competition

Our business, financial condition and results of operations are affected by our ability to compete with large-scale companies in India and abroad. The engineering and manufacturing industry in India is highly competitive. Our primary competitors in the power segment are several Chinese companies, such as Shanghai Electric Group Company Limited, SEPCO Electric Power, Harbin Power Plant Equipment Group Corporation and Dongfang Electric Corporation, which compete primarily on price and delivery time. We also face significant competition from certain Indian companies which have established manufacturing joint ventures with foreign partners, such as L&T – Mitsubishi Heavy Industries, Bharat Forge – Alstom and JSW – Toshiba. In our industry segment operations, we compete with various companies, depending the particular business line. For further information, see the section titled "Business–Competition" and "Risk Factors–We face significant competition in our operations, which could adversely affect our business."

Order Book

The following table shows new orders secured during the periods indicated:

	For the year ended March 31,		
	2009	**2010**	**2011**
		(₹ in million)	
New orders booked	596,780	590,370	605,070

As of June 30, 2011, our Order Book stood at ₹ 1,596,000 million. Our Order Book stood at ₹ 1,173,870 million, ₹ 1,443,120 million and ₹ 1,641,450 million as of March 31, 2009, March 31, 2010 and March 31, 2011, respectively.

As reflected by the increase in the number of new orders secured in the last three Financial Years, we have generally been successful in growing our Order Book in this period. However, we cannot assure you that we will be able to continue to do so. The decrease in Order Book from March 31, 2011 to June 30, 2011 was primarily a result of our executing a significant number of pending contracts in our Order Book using our increased manufacturing capacity resulting from our capacity enhancement plan without a corresponding increase in the amount of new, unexecuted orders. Execution of outstanding orders may be affected by a number of factors, including modifications, delays or cancellations in projects, which may result in outstanding orders failing to translate into future income in their entirety. Our contracts are typically subject to long completion periods and therefore the time period between the recognition of an order in our Order Book and the recognition by us of the entire revenue under the contract for the order is generally between two to four years. Our Order Book position is also affected by other factors such as our ability to satisfy customer preferences, the GoI's ability to successfully implement policies which encourage growth in the power sector and macroeconomic conditions in India generally. In addition, the profitability of contracts in our Order Book is dependent on a variety of external factors outside our control and the allocation of risks under our customer contracts. See "Risk Factors– We may incur additional expenses and delays under our contracts due to technical problems or other interruptions at our manufacturing facilities and project sites and may be subject to certain other risks under our customer contracts" and "Risk Factors–Our current Order Book may not necessarily translate into future income in its entirety. Some of our current orders may be modified, cancelled, delayed, put on hold or not fully paid for by our customers, which could adversely affect our results of operations".

Production Capacity and Subcontracting

Our ability to execute existing orders and, to a certain extent, to take on new orders in our Order Book is dependent on our available production capacity. In March 2010, we completed an initiative to increase our production capacity, achieving the ability to manufacture power generation equipment of 15,000 MW per year. We are currently implementing another capacity enhancement plan which we expect to complete by the end of Financial Year 2012 and which we expect will increase our manufacturing capability by an additional 5,000 MW giving us a cumulative manufacturing capability of 20,000 MW of power generation equipment per year. An increase in manufacturing capacity will allow us to execute a larger volume of orders in a shorter period of time and better manage the product mix in our Order Book at any given time. Our business, financial condition and results of operations will however primarily depend upon our ability to continue to secure new orders to utilize our enhanced production capacity going forward. See "Risk Factors–We face significant competition in our operations, which could adversely affect our business." In addition, we have recently increased the number of our projects for which we engage subcontractors. We typically engage subcontractors for work carried out at project sites, such as erection and commissioning. Subcontracting allows us to execute a larger volume of orders, as work that is subcontracted does not exhaust our production capacity. Our business, financial condition and result of operations may therefore be dependent on being able to find adequately qualified subcontractors and at cost effective rates. We also face the risk of any failure by our subcontractors to meet the quality standards that our customers expect of us. See "Risk Factors — We are dependent upon timely delivery by third parties of certain parts, components and services that meet our quality standards in our operations."

Availability and Cost of Key Raw Materials

A number of our customer contracts do not have a provision allowing for the variation of the price paid to us based on an increase in the price of raw materials or other inputs. Our profitability may be affected by any unanticipated increases in the price of our key raw materials, such as steel, aluminum, copper, castings and forgings, other base metals, cement, tubes and pipes, cold-rolled grain-oriented steel ("CRGO") and cold-rolled non-grain-oriented steel. Consumption of Materials, Erection and Engineering Expenses accounted for 62.3%, 59.4% and 56.2% of our total turnover in Financial Year 2009, 2010 and 2011, respectively. We generally satisfy our raw material needs from sources within India, although we import certain raw materials which are

largely unavailable in India, such as CRGO, large size castings and forgings, higher sizes tubes and pipes and boiler-quality thick steel plates. In addition, we may source materials and products from outside India to control costs and ensure product availability. Some high-end products are sourced from Europe, China, the United States and Japan. The price of certain of these materials are subject to cyclical fluctuations and changes in supply and demand and exchange rate variations. Because we purchase our raw materials from third party suppliers, we are exposed to fluctuations in market prices resulting from changes in supply and demand and other factors. Unexpected increases or high volatility in raw material or commodities prices may affect our actual costs and cause them to differ from our estimated costs. If we are unable to pass on these additional costs to our customers, our profit margins may be adversely affected. See "Risk Factors — Fluctuations in the supply and price of raw materials such as steel and copper could result in increased operating expenses that we may not be able to pass on to our customers."

Cost of Skilled Labour

We are dependent on highly trained engineers and other skilled labour for the execution of our contracts and are therefore dependent on recruiting adequately qualified personnel and at cost-effective rates. Employee remuneration and benefits accounted for 13.4%, 14.1% and 13.4% of our total turnover in Financial Year 2009, 2010 and 2011, respectively we have generally been successful in recruiting the talent we need. However, many factors could make it more difficult, or more expensive, for us to recruit and retain the personnel we need, particularly as we grow our business. Any increase in the cost of skilled labour could affect both our profitability and our ability to expand our operations.

Critical Accounting Estimates

Our critical accounting estimates are those that we believe are the most important to the portrayal of our financial condition and results of operations and that require our management's most difficult, subjective or complex judgments. In many cases, the accounting treatment of a particular transaction is specifically dictated by Indian GAAP with no need for the application of our judgment. In certain circumstances, however, the preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. We base our estimates on historical experience and on various other assumptions that our management believes are reasonable under the circumstances. However, critical accounting estimates are reflective of significant judgments and uncertainties and are sufficiently sensitive to result in materially different results under different assumptions and conditions. We believe that our critical accounting estimates are those described below.

Construction contracts

The Group accounts for long-term construction contracts using the percentage of completion method, recognizing revenue based on the progress of contract. The contract revenue for the period is the excess of the contract revenue measured according to the percentage of completion over the contract revenue recognised in prior periods. This method of revenue recognition requires estimation of total contract costs, remaining costs to complete, total contract revenues, contract risks and other judgments which have a significant impact on financial results. Management periodically reviews all estimates involved in such construction contracts and adjustments are made accordingly.

Defined employee benefits plan

The measurement of obligations and assets in respect of defined benefit plans involves certain assumptions and factors like discount rate, the expected return on plan assets, the rate of future compensation increase/decrease and mortality rates etc. If actuarial assumptions materially differ from actual results, it could result in a significant change in employee benefit expense recognised in the profit and loss account.

Claims By/Against the Company

Claims for liquidated damages are recognised in our restated and audited financial statements based on our management's assessment of the probable outcome with reference to the available information supplemented by experience of similar transactions.

Contractual obligation

Contractual obligation in respect of contracts under warranty is estimated as a percentage of the value of respective contracts based on management's perception of warranty obligation considering warranty period, performance of the equipment, rectifications, modifications, frequency of failure and other relevant factors.

Principal Profit and Loss Statement Components

Earnings

Turnover

Turnover comprises sales (net of returns), income from external erection and other services and revenue from works contracts.

Interest and Other Income

Interest and other income comprises (i) other operational income, (ii) other income, and (iii) interest income. Other operational income includes export incentives, rental income on leased assets, scrap, receipts from the sale / transfer of surplus stock and certain other items. Other income includes profit from sale of fixed assets, dividends on investments, net exchange variation gain and others. Interest income primarily comprises interest on bank deposits.

Accretion / Secretion to Work-in-Progress & Finished Goods

Accretion / decretion to work-in-progress & finished goods relates to a change in value of works in progress and finished goods for which we have incurred costs but for which corresponding revenue has not yet been recognized.

Expenses

Consumption of Material, Erection and Engineering Expenses

Consumption of material, erection and engineering expenses comprises consumption of raw material and components, consumption of stores and spares and erection and engineering expenses.

The following table sets forth our consumption of material, erection and engineering expenses for the periods indicated:

	For the year ended March 31,		
	2009	**2010**	**2011**
			(₹ in million)
Consumption of Raw material & components	153,046	174,544	195,428
Consumption of stores & spares	4,421	4,613	4,738
Erection and Engineering expenses - payment to subcontractors	20,933	29,473	33,500
Total	**178,400**	**208,630**	**233,666**

Employees' Remuneration & Benefits

Employees' remuneration & benefits comprises salaries, wages, bonuses, allowances and other wages paid to employees, contribution to gratuity fund, contribution to Provident and other funds, group insurance and staff welfare expenses.

The following table sets forth our employees' remuneration & benefits expenses for the periods indicated:

	For the year ended March 31,		
	2009	**2010**	**2011**
			(₹ in million)
Salaries, Wages, Bonus, Allowances & other benefits	31,199	40,844	47,180
Contribution to gratuity fund	1,164	2,641	2,249
Contribution to Provident and other funds	2,045	2,349	2,652

	For the year ended March 31,		
	2009	**2010**	**2011**
Group Insurance	86	102	99
Staff Welfare Expenses	3,763	3,547	3,677
Total	**38,257**	**49,483**	**55,857**

Other Expenses of Manufacture, Administration, Selling & Distribution

Other expenses of manufacture, administration, selling and distribution include power, fuel, repair, carriage outward, travelling and conveyance and maintenance expenses. Other expenses of manufacture, administration, selling and distribution also include royalty expenses for licensed technology and consulting expenses.

The following table sets forth our other expenses of manufacture, administration, selling & distribution for the periods indicated:

	For the year ended March 31,		
	2009	**2010**	**2011**
			(₹ in million)
Royalty, technical documentation, resident consultant charges & other consultancy charges	425	428	1,354
Rent	531	737	815
Excise duty (Net)	685	950	2,093
Power & Fuel	3,446	3,413	4,070
Rates & Taxes	483	492	383
Service Tax (Net)	115	71	122
Insurance	780	849	1,093
Repairs & Maintenance			
Buildings	718	514	549
Plant & Machinery	169	206	294
Others	865	917	1,200
Other expenses in connection with exports	266	237	331
Bad Debts and amount Written off	28	371	210
Carriage outward	2,474	3,033	3,595
Travelling & conveyance	1,927	1,480	1,667
Miscellaneous Expenses	5,533	6,041	7,378
Liquidated damages charged off	29	1,058	195
Donations	1	3	2
Corporate Social Responsibility	30	40	216
Total	**18,505**	**20,840**	**25,567**

Provisions (net)

Provisions (net) comprise provisions for contractual obligations, doubtful debts, liquidated damages, loans and advances and certain other items. Provisions for contractual obligations comprise the provisions made for warranties under contracts for the supply of goods and services.

Interest and Other Borrowing Cost

Interest and other borrowing cost comprises interest and borrowing costs on borrowings from banks, financial institutions and others.

Depreciation

Depreciation mainly comprises depreciation on fixed assets.

Provision for Income Tax

Tax on income for the current period is determined on the basis of estimated taxable income and tax credit, if any, and computed in accordance with the Income Tax Act, 1961. The corporate income tax rate currently applicable to taxable income is 30% plus applicable surcharges and cesses.

Deferred Tax

Deferred tax arises mainly due to the timing differences between accounting income and the estimated taxable income for the period and is quantified using the tax rates and laws enacted or substantially enacted as on the relevant balance sheet date. Our deferred tax assets are recognized net of deferred tax liabilities, if any.

Restatement of Financial Statements

We have included in this Draft Red Herring Prospectus (i) our restated and audited standalone financial statements as of and for the years ended March 31, 2007, 2008, 2009, 2010 and 2011; and (ii) our restated and audited consolidated financial statements as of and for the years ended March 31, 2009, 2010 and 2011. These restated and audited financial statements have been prepared in accordance with the Companies Act and Indian GAAP and have been restated in accordance with the SEBI Regulations. Below is a brief discussion on the restatement adjustments made to our historical audited financial statements in the preparation of our restated and audited standalone and consolidated financial statements included in this Draft Red Herring Prospectus. For further information, see the section titled "*Financial Information*" on page 196.

- We revised our accounting policy for exchange differences relating to fixed assets in Financial Year 2008 by charging to the profit and loss account, as against an adjustment to the carrying amount of fixed assets in prior years in line with mandatory accounting standards. Accordingly, this effect has been restated to be reflected in the years to which they relate.

- We changed our accounting practice relating to making provisions for outstanding debts in Financial Year 2010. Our earlier practice was to make provisions on a case to case basis. Our revised practice is that wherever trial operations for a project have been conducted and any amount due to us is outstanding after adjustment of outstanding provisions at the end of the three year period from the date of trial operation (which is the date on which we first handover our deliverables to a customer for testing), we make a provision for such outstanding amount and in the event we have provisioned for more than such outstanding amount, we reduce the related provision to equal such outstanding amount.

- We changed the accounting policy relating to provision for warranties in respect of construction contracts in accordance with *"Construction Contracts"* AS 7(R) in Financial Year 2011. Our previous policy was to create a provision for warranties at 2.5% of contract value on trial operation. The new policy provides that we create a provision for warranty at 2.5% of the revenue progressively as and when we recognise the revenue and we maintain the provision throughout the applicable warranty period.

- Cranes used at our project sites are classified under "General Plant & Machinery" in Financial Year 2011 whereas our earlier practice was to classify them as "Erection Equipment".

- Arrears of salary and wages for the period from January 1, 2007 to March 31, 2009 paid to employees on account of the wage revision settlement reached in Financial Year 2010 have been restated to be reflected in the years to which the arrears relate. Similarly, retirement benefit liabilities have been restated to be reflected in the Financial Years to which they relate based on actuarial valuation. The impact of the increase in the limit of gratuity from ₹ 350,000 to ₹ 1,000,000 per employee on our provision for gratuity due as part of the aforementioned wage revision settlement has also been restated to be reflected in the Financial Years to which they relate and the impact of the increase in such limit on gratuity related to services rendered on or before March 31, 2006 was restated to be reflected in the opening reserve and surplus account at the beginning of Financial Year 2007.

- We modified our accounting policy relating to employee benefits in respect of leave liability in Financial Year 2011. In prior years, we created provision for leave liability on an accrual basis, while under our modified policy, we make provisions for leave liability on an actuarial valuation basis

treating such liabilities as other long term benefits based on behavioural patterns as per AS 15(R). Accordingly, the accounts have been restated to reflect the effect of this modified policy.

- Provision for tax including interest income/cost for prior years have been restated to be reflected in the years to which such taxes relate.

- Provision for tax, including interest income/cost for earlier years, has been restated in the respective years to which such taxes relate. We have accounted for deferred tax assets and liabilities for earlier years on the basis of "*Accounting for Taxes on Income*" AS 22 issued by the Institute of Chartered Accountants of India notified by Ministry of Corporate Affairs. The impact of current tax and deferred tax adjustments made have been computed on the profit arrived after making the adjustment and on the basis of rates applicable to the years to which they relate.

- Our accounts have been restated considering the Guidance Note "*Reports in Company Prospectuses"* issued by the Institute of Chartered Accountants of India and other changes/adjustments referred to above. Effect of these changes has been shown on a line-by-line basis in our restated and audited financial statements.

Summary Results of Operations

The following is a summary of our profit and loss account for the periods indicated:

	As of March 31,					
	2009		**2010**		**2011**	
			(₹ in million)			
EARNINGS	**(₹)**	**%**	**(₹)**	**%**	**(₹)**	**%**
Turnover (Gross)	286,506	97.2	351,442	96.9	415,897	99.9
Less: Excise duty & Service Tax	(18,275)	(6.2)	(12,993)	(3.6)	(17,811)	(4.3)
Turnover (Net)	268,231	91.0	338,449	93.4	398,086	95.6
Interest & other income	14,983	5.1	16,321	4.5	17,027	4.1
Accretion/Decretion to Work-in-Progress & Finished Goods	11,640	3.9	7,758	2.1	1,262	0.3
	294,854	100.0	362,528	100.0	416,375	100.0
OUTGOINGS						
Consumption of Material, Erection and Engineering Expenses	178,400	73.1	208,630	72.1	233,666	70.2
Employees' remuneration & benefits	38,257	15.7	49,483	17.1	55,857	16.8
Other expenses of Manufacture, Administration, Selling and Distribution...	18,505	7.6	20,840	7.2	25,567	7.7
Provisions (net)	6,046	2.5	6,883	2.4	12,064	3.6
Interest & other borrowing costs	266	0.1	350	0.1	566	0.2
Depreciation and amortisation	3,343	1.4	4,392	1.5	5,954	1.8
Less: Cost of jobs done for internal use.....	(612)	0.3	(1,209)	0.4	(685)	0.2
	244,205	100.0	289,369	100.0	332,989	100.0
Profit before prior period items	50,649		73,159		83,386	
Add/(Less): Prior period items (Net)	158		(1)		(3)	
Profit before tax and extraordinary items	50,807		73,158		83,383	
Provision for Income Tax	(25,150)		(21,554)		(30,811)	
Deferred Tax	7,015		(3,253)		2,341	
Profit after tax, Before Extra Ordinary Items	32,672		48,351		54,913	
Extra Ordinary Items (Net of Tax)	-		-		78	
Profit After Tax	32,672		48,351		54,991	

Financial Year 2011 Compared to Financial Year 2010

Turnover

Net turnover increased by ₹ 59,637 million, or 17.6%, to ₹ 398,086 million for Financial Year 2011 from ₹ 338,449 million for Financial Year 2010 primarily as a result of an increase in the execution of our outstanding orders. This was, in turn, primarily a result of enhanced capabilities as a result of our capacity enhancement plan and an increase in the number of our existing projects for which we engaged subcontractors. Our capacity enhancement plan was completed in March 2010 and as a result we have achieved the ability to manufacture power generation equipment of 15,000 MW per year.

Power Segment. Revenue from our power segment increased by ₹ 55,490 million, or 20.1%, to ₹ 332,139 million in Financial Year 2011 from ₹ 276,649 million in Financial Year 2010.

Industry Segment. Revenue from our industry segment increased by ₹ 8,965 million, or 12.0% to ₹ 83,758 million in Financial Year 2011 from ₹ 74,793 million in Financial Year 2010.

Interest and Other Income

Interest and other income increased by ₹ 706 million, or 4.3%, to ₹ 17,027 million for Financial Year 2011 from ₹ 16,321 million for Financial Year 2010. The increase was primarily a result of an increase in income from the sale of scrap and other items due to an increase in volume of operations and an increase in exchange variation gain, partially offset by a decrease in interest income on bank deposits due to reduced interest rates and a decrease in short-term investments.

Accretion/Decretion to Work-in-Progress & Finished Goods

Accretion to work-in-progress & finished goods decreased by ₹ 6,496 million, or 83.7%, to ₹ 1,262 million for Financial Year 2011 from ₹ 7,758 million for Financial Year 2010.

Consumption of Material, Erection and Engineering Expenses

Consumption of material, erection and engineering expenses increased by ₹ 25,036 million, or 12.0%, to ₹ 233,666 million for Financial Year 2011 from ₹ 208,630 million for Financial Year 2010, primarily as a result of an increase in consumption of raw materials and components and an increase in the amount paid to subcontractors that we engaged for our projects, both in line with an increase in our volume of operations.

Employees' Remuneration and Benefits

Employees' remuneration and benefits increased by ₹ 6,374 million, or 12.9%, to ₹ 55,857 million for Financial Year 2011 from ₹ 49,483 million for Financial Year 2010 primarily as a result of an increase in salaries, wages, allowances and other benefits and performance related payment.

Other Expenses of Manufacture, Administration, Selling & Distribution

Other expenses of manufacture, administration, selling and distribution increased by ₹ 4,727 million, or 22.7%, to ₹ 25,567 million for Financial Year 2011 from ₹ 20,840 million for Financial Year 2010, primarily as a result of an increase in royalties and consulting charges, an increase in insurance expenses, an increase in travelling and conveyance, an increase in carriage outward, and an increase in miscellaneous expenses, all in line with an increase in our volume of operations.

Provisions (net)

We made net provisions of ₹ 12,064 million in Financial Year 2011 compared to ₹ 6,883 million in Financial Year 2010, primarily as a result of an increase in provision for outstanding debts, liquidated damages and an increase in provision for warranty obligations as a result of an increase in completion of work under contracts for which we had booked revenue during the past years.

Interest and Other Borrowing Costs

Interest and other borrowing costs increased by ₹ 216 million, or 61.7%, to ₹ 566 million for Financial Year 2011 from ₹ 350 million for Financial Year 2010, primarily as a result of an increase in short-term borrowings and an increase in the average interest rates applicable to our borrowings.

Depreciation and Amortisation

Depreciation and amortisation increased by ₹ 1,562 million, or 35.6%, to ₹ 5,954 million for Financial Year 2011 from ₹ 4,392 million for Financial Year 2010, primarily as a result of an increase in fixed assets, as part of our capacity enhancement plan.

Profit Before Tax

As a result of the foregoing, profit before tax increased by ₹ 10,303 million, or 14.1%, to ₹ 83,461 million for Financial Year 2011 from ₹ 73,158 million for Financial Year 2010.

Provision for Income Tax

Our provision for income tax increased by ₹ 9,257 million, or 42.9%, to ₹ 30,811 million for Financial Year 2011 from ₹ 21,554 million for Financial Year 2010, primarily as a result of increase in profit and taxable income. Taxable income for Financial Year 2010 was lower due to recognition of a tax deduction for amounts paid by us under our wage revision settlement in Financial Year 2010.

Deferred Tax

Deferred tax was a credit of ₹ 2,341 million in Financial Year 2011 as compared to a charge of ₹ 3,253 million in Financial Year 2010. The change was primarily as a result of timing difference of provision for warranties in Financial Year 2011 and allowing for timing difference in Financial Year 2010 towards wage revision provisions.

Profit After Tax

As a result of the foregoing, our profit after tax increased by ₹ 6,640 million, or 13.7%, to ₹ 54,991 million for Financial Year 2011 from ₹ 48,351 million for Financial Year 2010.

Financial Year 2010 Compared to Financial Year 2009

Turnover

Net turnover increased by ₹ 70,218 million, or 26.2%, to ₹ 338,449 million for Financial Year 2010 from ₹ 268,231 million for Financial Year 2009, primarily as a result of an increase in the execution of our outstanding orders. This was, in turn, primarily a result of enhanced capabilities as a result of our capacity enhancement plan and an increase in the number of our existing projects for which we engaged subcontractors. We established capability to manufacture power generation equipment of 15,000 MW per year as of the end of March 2010.

Power Segment. Revenue from our power segment increased by ₹ 58,861 million, or 27.0%, to ₹ 276,649 million in Financial Year 2010 from ₹ 217,788 million in Financial Year 2009.

Industry Segment. Revenue from our industry segment increased by ₹ 6,075 million, or 8.8%, to ₹ 74,793 million in Financial Year 2010 from ₹ 68,718 million in Financial Year 2009.

Interest and Other Income

Interest and other income increased by ₹ 1,338 million, or 8.9%, to ₹ 16,321 million for Financial Year 2010 from ₹ 14,983 million for Financial Year 2009. The increase was primarily a result of an increase in exchange variation gain, an increase in others and an increase in interest on bank deposits, partially offset by a decrease in export incentives.

Accretion/Decretion to Work-in-Progress & Finished Goods

Accretion to work-in-progress & finished goods decreased by ₹ 3,882 million, or 33.4%, to ₹ 7,758 million for Financial Year 2010 from ₹ 11,640 million for Financial Year 2009.

Consumption of Material, Erection and Engineering Expenses

Consumption of material, erection and engineering expenses increased by ₹ 30,230 million, or 16.9%, to ₹ 208,630 million for Financial Year 2010 from ₹ 178,400 million for Financial Year 2009, primarily as a result of an increase in consumption of raw materials and components and an increase in the total amount paid to subcontractors that we engaged for our projects, both in line with an increase in our volume of operations.

Employees' Remuneration and Benefits

Employees' remuneration and benefits increased by ₹ 11,226 million, or 29.3%, to ₹ 49,483 million for Financial Year 2010 from ₹ 38,257 million for Financial Year 2009 primarily as a result of an increase in salaries, wages, bonuses, allowances and benefits resulting primarily from the introduction of a perquisite related pay component in November 2008, which contributed only to part of our Financial Year 2009 results but to all of our Financial Year 2010 results.

Other Expenses of Manufacture, Administration, Selling & Distribution

Other expenses of manufacture, administration, selling and distribution increased by ₹ 2,335 million, or 12.6%, to ₹ 20,840 million for Financial Year 2010 from ₹ 18,505 million for Financial Year 2009, primarily as a result of an increase in our volume of operations leading to an increase in carriage outward rental expenses, insurance expenses and miscellaneous expenses, among others.

Provisions (net)

We made net provisions of ₹ 6,883 million in Financial Year 2010 compared to net provisions of ₹ 6,046 million in Financial Year 2009, primarily as a result of an increase in our volume of operations.

Interest and Other Borrowing Costs

Interest and other borrowing costs increased by ₹ 84 million, or 31.6%, to ₹ 350 million for Financial Year 2010 from ₹ 266 million for Financial Year 2009, primarily as a result of an increase in short-term borrowings.

Depreciation and Amortisation

Depreciation and amortisation increased by ₹ 1,049 million, or 31.4%, to ₹ 4,392 million for Financial Year 2010 from ₹ 3,343 million for Financial Year 2009 primarily as a result of an increase in fixed assets, as part of our ongoing capacity enhancement plan during that year.

Profit Before Tax

As a result of the foregoing, profit before tax increased by ₹ 22,351 million, or 44.0%, to ₹ 73,158 million for Financial Year 2010 from ₹ 50,807 million for Financial Year 2009.

Provision for Income Tax

Our provision for income tax decreased by ₹ 3,596 million, or 14.3%, to ₹ 21,554 million for Financial Year 2010 from ₹ 25,150 million for Financial Year 2009, primarily as a result of decrease in taxable income due to deduction of earlier years timing difference on account of wage revision payment made in Financial Year 2010.

Deferred Tax

Deferred tax was a charge of ₹ 3,253 million in Financial Year 2010 compared to a credit of ₹ 7,015 million in Financial Year 2009. The change was primarily as a result of decrease in deferred tax assets due to allowability of deduction of provision made towards wage revision in earlier years in Financial Year 2010.

Profit After Tax

As a result of the foregoing, our profit after tax increased by ₹ 15,679 million, or 48.0%, to ₹ 48,351 million for Financial Year 2010 from ₹ 32,672 million for Financial Year 2009.

Liquidity and Capital Resources

We have historically financed our capital requirements primarily through funds generated from our operations, financing from banks and other financial institutions in the form of working capital (short term) loans.

Cash Flows

As of March 31, 2011, we had cash and cash equivalents of ₹ 97,064 million, compared to 103,295 million and ₹ 98,564 million as on March 31, 2009 and 201,0 respectively.

Particulars	As of March 31,		
	2009	2010	2011
		(₹ in million)	
Net cash from operating activities	34,632	16,301	26,991
Net cash used in investing activities	4,675	9,418	14,392
Net cash used in financing activities	10,621	11,614	14,099
Net increase/(decrease) in cash and cash equivalents	19,336	(4,731)	(1500)

Operating activities

Net cash from operating activities was ₹ 26,991 million in Financial Year 2011, consisting of net profit before tax of ₹ 83,461 million, adjusted for, among others, cash outflows for trade and other receivables of ₹ 54,553 million, cash outflows for inventories of ₹ 17,446 million and cash inflows for trade payable and advance of ₹ 47,221 million.

Net cash from operating activities was ₹ 16,301 million in Financial Year 2010, consisting of net profit before tax of ₹ 73,158 million, adjusted for, among others, cash outflows for trade and other receivables of ₹ 62,977 million, cash outflows for inventories of ₹ 13,958 million and cash inflows for trade payable and advance of ₹ 35,075 million.

Net cash from operating activities was ₹ 34,632 million in Financial Year 2009, consisting of net profit before tax of ₹ 50,807 million, adjusted for, among others, cash outflows for trade and other receivables of ₹ 50,418 million, cash outflows for inventories of ₹ 21,140 million and cash inflows from trade payables and advances of ₹ 70,263 million.

Investing activities

Net cash used in investing activities in Financial Year 2011 was ₹ 14,392 million, and consisted primarily of purchase of fixed assets of ₹ 21,861 million, primarily related to purchases of plant and machinery and buildings relating to our capacity enhancement plan, partially offset by interest and dividend receipts of ₹ 7,457 million.

Net cash used in investing activities in Financial Year 2010 was ₹ 9,418 million, and consisted primarily of purchase of fixed assets of ₹ 17,279 million, primarily related to purchases of plant and machinery and buildings relating to our capacity enhancement plan, partially offset by interest and dividend receipts of ₹ 7,775 million.

Net cash used in investing activities in Financial Year 2009 was ₹ 4,675 million, and consisted primarily of purchase of fixed assets of ₹ 13,562 million, primarily related to purchases of plant and machinery, construction equipment and buildings, partially offset by interest and dividend receipts of ₹ 8,569 million.

Financing activities

Net cash used in financing activities in Financial Year 2011 was ₹ 14,099 million, consisting primarily of dividend paid (including tax on dividend) of ₹ 14,738 million and interest paid of ₹ 653 million, partially offset by borrowings of ₹ 1,292 million.

Net cash used in financing activities in Financial Year 2010 was ₹ 11,614 million, consisting primarily of dividend paid (including tax on dividend) of ₹ 11,064 million, repayment of borrowings of ₹ 207 million and interest paid of ₹ 343 million.

Net cash from financing activities in Financial Year 2009 was ₹ 10,621 million and consisted primarily of dividend paid (including tax on dividend) of ₹ 8,946 million and repayment of borrowings of ₹ 1,332 million**.**

Working Capital and Indebtedness

We had net current assets of ₹ 79,639 million, ₹ 104,491 million and ₹ 124,325 million as of March 31, 2009, 2010 and 2011, respectively. We expect that our working capital will continue to be met by various funding sources, including cash from operating activities and financing from banks and other financial institutions in the form of working capital (short term) loans. As of March 31, 2011, we had ₹ 6,000 million available to us under credit facilities that had not been drawn, and had cash and cash equivalents of ₹ 97,064 million.

Our borrowings primarily consist of assets purchased pursuant to finance leases. The following table sets forth certain information relating to our borrowings as at the respective dates indicated.

Currency of Borrowing	**As of March 31,**		
	2009	**2010**	**2011**
		(₹ in millions)	
Rupee	1,665	1,483	2,702
Foreign currency	-	-	-
Total	**1,665**	**1,483**	**2,702**

Material Contractual Obligations

The following table sets forth information regarding certain of our material contractual obligations and commitments as of March 31, 2011.

	Total	**Less than 1 year**	**1-5 years**	**More than 5 years**
		(₹ in millions)		
Short-term loans maturities	1,125	1,125	-	-
Capital (finance) lease obligations maturities	1,577	535	1042	-
Operating lease obligations maturities	166	52	98	16
Total	**2,868**	**1,712**	**1,140**	**16**

Off-Balance Sheet Arrangements and Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities as of March 31, 2011:

	For the year ended March 31, 2011
	(₹ in millions)
Contingent Liability	
Income Tax Pending Appeals	356
Against which paid under protest	(27)
Sales Tax Demand	5,216
Against which paid under protest	(994)
Excise Duty demands	3,399
Against which paid under protest	(90)
Custom Duty demands	2
Against which paid under protest	(1)
Court & Arbitration cases	4,097

Liquidated Damages	14,011
Counter Claim by contractors	6
Service Tax Demand	2,166
Against which paid under protest	(2)
Others	2,099
Total (net of paid under protest)	**30,238**

The nature of our business is such that we are regularly required to provide guarantees for our performance under long-term contracts. As of March 31, 2011, we had bank guarantees of ₹ 374,740 million and corporate guarantees of ₹ 41,920 million outstanding.

Capital Expenditure

The majority of our capital expenditures in recent years has been related to the purchase of fixed assets, in particular in connection with our ongoing capacity enhancement programme at various manufacturing units and the erection and commissioning facilities at project sites. We had net fixed assets of ₹ 58,124 million as of March 31, 2011, which consisted principally of plants and machinery, buildings, construction equipment, assets given on lease and capital work in progress.

The following table sets forth our historical gross block of fixed assets for the periods indicated.

	Financial year		
	2009	**2010**	**2011**
		(₹ in millions)	
Plants and machinery	31,590	40,147	49,345
Buildings	6,290	10,116	12,191
Construction equipment	1,246	1,460	1,894
Others	15,885	16,851	20,010
Capital work in progress	12,123	15,524	22,028
Total	**67,134**	**84,098**	**105,468**

We have implemented our capacity enhancement plan at some of our manufacturing facilities, including at Haridwar, Hyderabad, Tiruchirappalli, Ranipet, Bengaluru and Bhopal. We plan to complete our current capacity enhancement plan by the end of Financial Year 2012 achieving the ability to manufacture power generation equipment of 20,000 MW per year and we are currently in advanced discussions to finalise our capital expenditure plan for Financial Year 2013. We anticipate that our capital expenditures for Financial Years 2012 and 2013 will be financed by funds generated from operations. Our actual capital expenditures may be significantly higher or lower than these planned amounts due to various factors, including, among others, changes in macroeconomic conditions, unplanned cost overruns and our ability to generate sufficient cash flows from operations for these planned capital expenditures.

Recent Developments

Since March 31, 2011, the following significant events have occurred. We anticipate that each of these events may have an impact on our financial condition and results of operations in future fiscal periods:

- As of June 30, 2011, our Order Book stood at Rs. 1,596,000 million, down from Rs. 1,641,450 million as of March 31, 2011. The decrease was primarily a result of our executing a major number of outstanding contracts in our Order Book using our increased manufacturing capability as a result of our ongoing capacity enhancement plan. Our Order Book was also affected by the relative decrease in the new orders procured in the three months ended June 30, 2011 as a result of the specific reasons detailed below.

- The contract value of new orders that we booked during the three months ended June 30, 2011, was Rs. 24,710 million. In the Financial Year ended March 31, 2011, the contract value of new orders that we booked was Rs. 605,070 million for the year. The contract value of new orders booked in the three months ended June 30, 2011 in the power and industry segments was Rs. 3,980 million and Rs. 20, 730 million respectively (which included Rs. 70 million from international operations). Our new orders did not include any major orders in the power industry. We attribute the decline in new orders booked in the three months

ended June 30, 2011 to a reduction in the number of orders placed by our customers in the power generation sector which is a result of the non-availability of environmental clearances and issues in procuring coal linkages for their power projects.

- The types of projects that we work on at any time, the product mix that we are required to manufacture or purchase from third parties and the civil content in the erection and commissioning contracts affects the amount of material that we consume in any period. The mix of such factors during the three months ended June 30, 2011 resulted in an increase in our consumption of material, erection and engineering expenses compared to prior periods.

- We received on July 12, 2011 a certificate for the commencement of business at Latur Power Company Limited, a joint venture in which we own a 50% interest which is in the process of setting up a 1,500 MW capacity gas-based combined cycle or a 2x660 MW capacity super-critical thermal power plant with capacity at Latur, Maharashtra on a build-own-operate basis

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to various types of market risks in the ordinary course of business, including fluctuations in commodities prices and inflation.

Commodity Price Risk

We are exposed to fluctuations in the price of copper, aluminium, cement and steel. The market price of these commodities fluctuate due to certain factors, such as government policy, the level of demand and supply in the market and the global economic environment. Therefore, fluctuations in the prices of copper, aluminium, cement and steel have a significant effect on our business, financial condition and results of operations.

Inflation Risk

Because our contracts are sometimes based on fixed price, we bear the risk that any inflation in excess of that which is anticipated in our contracts will affect our expenditure and therefore our profit margins. Under fixed price contracts, we are not generally able to increase income to counter increases in expenses relating to raw materials, labour or overhead. According to the CIA World Factbook, the inflation rate in India was 11.7%, 10.9% and 8.3% in calendar years 2010, 2009 and 2008, respectively.

Recent Accounting Pronouncements

We may be required to prepare annual financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, IFRS announced by the Ministry of Corporate Affairs, GoI in January 2010. The convergence of certain Indian Accounting Standards with IFRS was notified by the Ministry of Corporate Affairs on February 25, 2011. The date of implementing such converged Indian accounting standards has not yet been notified, and will be notified by the Ministry of Corporate Affairs in due course. We have established draft guidelines for the implementation of IFRS which have been vetted by external consultants and thus we therefore believe that we are ready to implement IFRS once its schedule for implementation in India is confirmed.

Significant Developments after March 31, 2011 that may affect our Future Results of Operations

In accordance with clause 41 of the listing agreement entered into with the Stock Exchange(s), we have disclosed the unaudited financial results of our Company on a standalone basis for the quarter ended June 30, 2011 to Stock Exchange(s).

MATERIAL DEVELOPMENTS

The unaudited standalone financial results of our Company for the quarter ended June 30, 2011 have been subjected to a limited review by one of our Statutory Auditors, Gandhi Minocha & Co., Chartered Accountants (the "**Unaudited June results**"). The presentation of the Unaudited June Results, prepared in accordance with the provisions of Clause 41 of the Equity Listing Agreement with the Stock Exchanges, is not comparable to the presentation of our restated and audited standalone and consolidated financial statements included elsewhere in this Draft Red Herring Prospectus. The Unaudited June 2011 Financial Results has not been restated in accordance with the SEBI Regulations, and may not be comparable to our restated standalone and consolidated financial statements included elsewhere in this Draft Red Herring Prospectus.

The Board of Directors
Bharat Heavy Electricals Ltd.,
BHEL House,
Siri Fort,
New Delhi. 110049

Dear Sirs

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, Review of Interim Financial Information Performed by Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial result prepared in accordance with the accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

For Gandhi Minocha & Co.
Chartered Accountants
Firm Registration No. 000458N

Manoj Bhardwaj
Partner (Membership No. 098606)
Place: New Delhi
Date: July 25, 2011

BHARAT HEAVY ELECTRICALS LIMITED
UNAUDITED STANDALONE FINANCIAL RESULTS (AFTER LIMITED REVIEW)
FOR THE QUARTER ENDED 30TH JUNE 2011

(Amount in million)

SL. No	Particulars	3 Months Ended 30.06.2011	Corresponding 3 Months in the Previous Year Ended 30.06.2010	Year to Date Figures for the Previous Year Ended 31.03.2011 (Audited)
(1)	(2)	(3)	(4)	(5)
1	Sales/Income from Operations	74,332.0	67,612.3	433,798.9
	Less: Excise Duty/Service Tax	3,075.2	2,815.4	18,010.9
2	Net Sales/Income from Operations	71,256.8	64,796.9	415,788.0
3	Value of production (Net of Excise duty/Service Tax)	75,401.2	66,030.9	415,272.4
4	Other Operating Income	1,457.8	1,213.5	9,157.1
5	Total Expenditure	63,291.4	57,629.1	340,769.2
	a) (Increase)/decrease in Stock-In-trade and work in progress	-4,305.9	-1,252.5	-1,273.5
	b) Consumption of raw materials	45,805.6	39,346.1	226,707.0
	c) Staff Cost	13,009.5	13,377.5	54,104.1
	d) Depreciation	1,709.1	1,268.9	5,441.2
	e) Other expenditure	7,073.1	4,889.1	55,790.4
6	Profit from operations before other income, interest & taxation (2+4-5)	9,423.2	8,381.3	84,185.9
7	Other income	2,486.5	1,634.5	6,418.1
8	Profit before interest & taxation (6+7)	11,909.7	10,015.8	90,604.0
9	Interest	88.0	38.3	547.3
10	Profit Before Tax (8-9)	11,821.7	9,977.5	90,056.7
11	a) Provision for Taxation (incl deferred tax)	3,666.6	3,301.0	30,759.2
	b) Prior period tax			-814.5
12	Net Profit (10-11)	8,155.1	6,676.5	60,112.0
13	Paid-up Equity Share Capital	4,895.2	4,895.2	4,895.2
	(Face Value per Share (₹))	(10)	(10)	(10)
14	Reserves excluding revaluation reserves			196,643.2
15	Earnings per Share Basic and Diluted (not annualised) (₹)	16.66	13.64	122.80
16	Public shareholding			
	No. of Shares	158,009,600	158,009,600	158,009,600
	Percentage of shareholding	32.28%	32.28%	32.28%
17	Promoters and promoter group Shareholding			
	a) Pledged/Encumbered			
	-No. of Shares	NIL	NIL	NIL
	-Percentage of shares (as a % of the total shareholding of promoter and promoter group)			
	-Percentage of shares (as a % of the total share capital of the company)			

SL. No	Particulars	3 Months Ended 30.06.2011	Corresponding 3 Months in the Previous Year Ended 30.06.2010	Year to Date Figures for the Previous Year Ended 31.03.2011 (Audited)
(1)	(2)	(3)	(4)	(5)
	B) Non-Encumbered			
	-No. of Shares	331,510,400	331,510,400	331,510,400
	-Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100%	100%	100%
	-Percentage of shares (as a % of the total share capital of the company)	67.72%	67.72%	67.72%

Segmentwise Revenue, Results and Capital Employed:

(Amount in million)

		3 Months Ended 30.06.2011	Corresponding 3 months in the previous year ended 30.06.2010	Year to date figures for the previous year ended 31.03.2011 (Audited)
1	Segment Revenue			
	A. Power	57,803.1	53,733.6	331,654.5
	B. Industry	16,528.9	13,878.7	102,144.4
	Total	74,332.0	67,612.3	433,798.9
	Inter Segmental revenue			
	Sales/Income from operations	74,332.0	67,612.3	433,798.9
2	Segment Results (Profit before tax and interest)			
	A. Power	9,518.1	10,706.4	79,543.4
	B. Industry	3,732.8	1,931.7	22,835.1
	Total	13,250.9	12,638.1	102,378.5
	Less Interest	88.0	38.3	547.3
	Other un-allocable expenditure net of income	1,341.2	2,622.3	11,774.5
	Total Profit before Tax	11,821.7	9,977.5	90,056.7
3	Capital Employed (Segment Assets - Segment Liabilities			
	A. Power	66,271.9	18,178.1	48,516.3
	B. Industry	35,653.4	19,714.1	34,458.4
	Capital Employed (including unallocable common)	180,833.8	134,691.5	163,914.6

The figures have been regrouped, wherever necessary.

Notes:

1. Details of Investor Complaints:

Pending as on 01.04.2011	Received during the quarter	Resolved during the quarter	Pending as on 30.06.2011
Nil	206	206	Nil

2. The company has an outstanding order book position of about [₹ 1,596,000] million at the end of Quarter-I 2011-12.
3. The above results have been reviewed by the Audit Committee and were taken on record by the Board of Directors in their meeting held on 26.07.2011.
4. The above results have been reviewed by the Auditors as per clause 41 of the listing agreement.

For Bharat Heavy Electricals Limited

Place: Bhopal
Dated: 26.07.2011

(B. Prasada Rao)
Chairman & Managing Director

STOCK MARKET DATA FOR EQUITY SHARES OF THE COMPANY

The Equity Shares are listed on the Stock Exchanges. The Company's stock market data is been given separately for BSE (BSE Code: 500103) and NSE (NSE Code: BHEL) below.

The following table sets forth the high and low of closing prices of the Equity Shares on the Stock Exchanges along with the volume of Equity Shares traded on such days and the average closing price of Equity Shares for last three years:

BSE

Year Ending Mar 31	High (₹ per share)	Date of High	Volume on date of high (no. of shares)	Low (₹ per share)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (₹ per share)*
2009	2,088.00	April 1, 2008	478,111	984.10	October 27, 2008	687,201	1,512.64
2010	2,550.00	October 17, 2009	19,702	1,450.20	April 1, 2009	478,314	2,207.15
2011	2,695.00	October 7, 2010	129,677	1,905.00	March 17, 2011	91,311	2,345.23

Source: www.bseindia.com

**Average computed based on number of trading days during the year*

NSE

Year Ending Mar 31	High (₹ per share)	Date of High	Volume on date of high (no. of shares)	Low (₹ per share)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (₹ per share)*
2009	2,071.00	April 1, 2008	2,160,366	981.00	October 27, 2008	2,738,784	1,513.08
2010	2,550.00	October 17, 2009	61,665	1,447.00	April 1, 2009	2,380,620	2,207.38
2011	2,694.00	October 7, 2010	840,086	1,901.00	March 17, 2011	685,742	2,344.90

Source: www.nseindia.com

**Average computed based on number of trading days during the year*

The details relating to the high and low of closing prices recorded on the Stock Exchanges for the six months preceding the date of filing of this Draft Red Herring Prospectus, the volume of Equity Shares traded on the days the high and low prices were recorded, average closing price of the Equity Shares during each such month, the volume of Equity Shares traded during each month and the average number of Equity Shares traded during such trading days, are stated below:

BSE

Month	High (₹ per share)	Date of High	Volume on date of high (no. of shares)	Low (₹ per share)	Date of Low	Volume on date of low (no. of shares)	Average price for the month (₹ per share)	Volume for the month	No. of trading days	Average no. of shares traded during trading days
March 2011	2,150.00	March 4, 11	73,384	1,905.00	March 17, 2011	91,311	2,017.71	2,016,970	22	91,680
April 2011	2,251.00	April 18, 11	72,495	1,976.15	April 28, 2011	197,477	2,135.46	1,812,242	18	100,680
May 2011	2,108.90	May 20,2011	61,718	1,892.00	May 26, 2011	106,289	2,007.16	2,513,687	22	114,259
June 2011	2,063.05	June 29, 2011	100,695	1,872.50	June 21, 2011	69,907	1,942.90	1,163,372	22	52,881
July 2011	2,074.40	July 4, 2011	29,426	1,802.00	July 28, 2011	139,146	1,947.55	2,230,492	21	106,214
August 2011	1,861.00	August1, 2011	127,169	1,662.00	August 8, 2011	123,290	1,757.81	1,902,942	21	90,616

Source: www.bseindia.com

NSE

Month	High (₹ per share)	Date of High	Volume on date of high (no. of shares)	Low (₹ per share)	Date of Low	Volume on date of low (no. of shares)	Average price for the month (₹ per share)	Volume for the month	Average no. of shares traded during trading days	Average no. of shares traded during trading days
March 2011	2,149.95	March 4, 11	708,026	1,901.00	March 17, 2011	685,742	2,017	19,244,388	22	874,745
April 2011	2,250.00	April 18, 11	559,250	1,975.00	April 28, 2011	1,959,796	2,136	15,462,296	18	859,016
May 2011	2,109.40	May 20,2011	440,883	1,890.00	May 26, 2011	839,852	2,007	14,090,707	22	640,487
June 2011	2,062.80	June 29, 2011	883,776	1,871.55	June 21, 2011	660,674	1,942	11,397,807	22	518,082
July 2011	2,075.00	July 4, 2011	254,302	1,800.00	July 27, 2011	3,610,568	1,948	17,824,288	21	848,776
August 2011	1,853.00	August 1, 2011	483,368	1,660.35	August 8, 2011	1,235,691	1,757	16,297,343	21	776,064

Source: www.nseindia.com

The closing price of the Company was ₹ 1,949.65 on BSE on May 24, 2011, the trading day immediately following the day on which Board approved the Offer, subject to the approval of GoI. The closing price was ₹ 1943.40 on NSE on May 24, 2011, the trading day immediately following the day on which Board approved the Offer, subject to the approval of GoI.

FINANCIAL INDEBTEDNESS

SECURED BORROWING

As on March 31, 2011, the Company had nil outstanding secured loans.

UNSECURED BORROWING

Loan from State Government

The Company acquired two Karnataka State Government sick PSU's namely REMCO and MPL in July 1976 with an outstanding liability of ₹ 41.20 million. However, the outstanding dues of REMCO and MPL were cleared in March 1985. The total interest payable on outstanding liability was calculated ₹ 23.3 million upto March 1985, which is currently outstanding.

The Company has requested the Karnataka Government to waive off the interest upto March 31, 1980 i.e. the date of merger of the companies. As the Company has not received any communication from the Karnataka Government, the interest amount of ₹ 23.3 million is still accounted as outstanding in the balance sheet of the Company under unsecured loans.

For further information, please see the section titled "*History and Certain Corporate Matters*" of this Draft Red Herring Prospectus.

WORKING CAPITAL FACILITIES

The Company has entered into a Working Capital Consortium Agreement ("**Consortium Agreement**") dated May 25, 2010 to avail working capital facilities from the consortium banks aggregating to ₹ 500 billion.

Facility	Interest Rate	Repayment Schedule
Working capital facilities of ₹ 500,000 Million, with the following limits: ***Fund based limits:*** Cash credit facility of ₹ 6,000 Million. ***Non-fund based limits*** Letter of credit facility of ₹ 10,000 Million fully interchangeable with Bank Guarantee facility of ₹ 484,000 Million.	For the fund based limits: SBI Lending Rate *minus* 1.00%	To be repaid upon demand.

The consortium comprises of 31 banks with State Bank of India being the lead bank. The details of the working capital facilities are set forth below:

Sr. No.	Name of the Lenders	Amount Sanctioned (In ₹ million)	Amount outstanding as of March 31, 2011 (In ₹ million)
Fund Based			
1.	State Bank of India	5,000	Nil
2.	Punjab National Bank	50	Nil
3.	Canara Bank	300	Nil
4.	HDFC Bank Limited	200	Nil
5.	Citi Bank	50	Nil
6.	Standard Chartered Bank	100	Nil
7.	ICICI Bank	50	Nil
8.	IDBI Bank Limited	250	Nil

	Total Fund Based (A)	**6,000**	**Nil**
Non-Fund Based			
1.	State Bank of India	160000	130790
2.	State Bank of Hyderabad	5000	3730
3.	State bank of Travencore	5000	2690
4.	Punjab National Bank	16000	12280
5.	Bank of Baroda	7750	7460
6.	Canara Bank	34000	33160
7.	Deutsche Bank	3500	3320
8.	HDFC Bank Limited	15000	9000
9.	Citi Bank	1700	2570
10.	Standard Chartered Bank	2500	1560
11.	ICICI Bank	76000	68460
12.	IDBI Bank Limited	28000	21270
13.	HSBC Limited	1250	490
14.	The Royal Bank of Scotland	4000	360
15.	Corporation Bank	16500	15700
16.	Syndicate bank	7500	5060
17.	Indian Bank	10000	7510
18.	Oriental Bank of Commerce	11500	11300
19.	Kotak Mahindra Bank Limited	3000	1860
20.	Central Bank of India	14750	14350
21.	UCO Bank	8000	5510
22.	The Federal Bank Limited	7000	6790
23.	United Bank of India	5500	5400
24.	Vijaya Bank	5800	4350
25.	Punjab and Sind Bank	5000	1970
26.	Bank of India	3000	NIL
27.	Union Bank of India	8000	7740
28.	Andhra Bank	5000	4530
29.	Axis bank	5000	4900
30.	Allahabad Bank	10000	9240
31.	Indusind Bank	3000	2350
32.	Reserve*	5750	Nil
	Total Non-Fund Based (B)	**494,000**	**405700**
	Total Facility (A+B)	**500,000**	**405700**

** Unallocated part of the consortium facility kept as reserve for futher allocation to the Company by any of the consortium bank, if needed*

The Company has entered into a hypothecation agreement dated May 25, 2010 with the consortium banks creating a first hypothecation charge on the entire working capital current assets ranking *pari passu* with the consortium banks.

SECTION VI – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below, there are no outstanding litigation, suits, criminal or civil prosecutions, arbitrations, statutory or legal proceedings, including those for economic offences, tax liabilities, show cause notices or legal notices against the Company, its Directors, its Subsidiaries and there are no defaults, non-payment of statutory dues, over-dues to banks / financial institutions, defaults against banks / financial institutions, defaults in creation of full security as per terms of issue / other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than an unclaimed liability, except as stated below. No disciplinary action has been taken by SEBI or any stock exchange against the Company, our Directors, and our Subsidiaries.

Neither the Company nor its Directors, or Subsidiaries have been declared as willful defaulters by the RBI or any other Governmental authority and there are no violations of securities laws committed by them in the past or pending against them or any person or entity connected with them, except as mentioned below.

*We have individually summarized the significant legal proceedings involving the Company and its Subsidiaries in relation to criminal cases, civil cases, arbitration proceedings, public interest litigation, tax related proceedings, and with respect of all other proceedings involving the Company and its Subsidiaries for claims exceeding a monetary value of ₹ 100 million ("**Material Cases**"). For other cases, we have disclosed all the legal proceedings pending against the Company, its Subsidiaries in an aggregated manner.*

Contingent liabilities not provided for as of March 31, 2011 as per our consolidated financial statements

	Year ended March 31, 2011
Claims against us not acknowledged as debts	
Income tax pending appeals	355.9
Against which paid under protest	26.5
Sales tax demands	5,216.1
Against which paid under protest	994.3
Excise duty demands	3,399.2
Against which paid under protest	90.1
Custom duty demands	2.1
Against which paid under protest	0.6
Court and arbitration cases	4,096.6
Liquidated damages	14,011.1
Counterclaims by subcontractors	6.1
Service tax demands	2,165.7
Against which paid under protest	2.2
Others	2,098.7

If any of these contingent liabilities materializes, the value of our capital worth in progress and profitability could be adversely affected.

I. Litigation involving the Company as on September 15, 2011

1. Litigation against the Company

A. Criminal Complaints

There are 19 criminal cases pending against the Company. The details of these are given below.

(i) The Union of India represented by the Deputy Director (Safety) ("**Complainant**") filed a complaint bearing number 4022 of 2001 before the XVI Metropolitan Magistrate, Chennai against BHEL and Mr. K.G Ramachandran, the erstwhile chairman and managing director of BHEL ("**Accused**") ("**Complaint**"). The Complaint was filed under section 14(2) of the Dock

Workers (Safety, Health & Welfare) Act, 1986 for violation of Regulations 65(4), 66(1) and 117 of Dock Workers (Safety, Health and Welfare) Regulations 1990 ("**Regulations**"). The Complainant alleged that while clearing certain steel pipes from the port of Chennai, the operator of the equipment engaged by BHEL contravened the safety requirements stipulated under the Regulations, causing death of a person. The Metropolitan Magistrate, vide order dated March 16, 2006, held that the Complainant was unable to establish enough evidence, therefore the Accused cannot be held vicariously liable for the alleged negligence on the part of its employee ("**Order**"). Aggrieved by the Order, the Complainant filed an appeal bearing number 599 of 2006 before the High Court of Judicature at Madras. The matter is currently pending.

(ii) The State of Himachal Pradesh represented by the Labour Inspector, Jogindernagar, Dist. Mandi (HP) ("**Complainant**") filed a complaint bearing number 84-11/2010 before the Court of Judicial Magistrate, Jogindernagar, Dist. Mandi (HP) on February 1, 2010 against the project manager, BHEL, Jogindernagar, Dist. Mandi (HP) ("**Accused**") ("**Complaint**"). The Complaint was filed under sections 18(2) and 18(3) of the Himachal Pradesh Minimum Wages Act, 1948 read with Rules 23, 28(2) and 30 of the Minimum Wages Rules, 1978 ("**Regulations**"). It was alleged that upon inspection of the worksite of the Accused by the Labour Officer on January 28, 2010, he noted that the Accused was not maintaining the workers registration certificates which was in violation of the Regulations. Further, the abstract of the Act and Rules and the name and address of the inspecting authorities were not displayed at the Accused premises. The Labour Officer, filed the Complaint stating that the Accused is in violation of the Regulations and is punishable under section 22A of the Minimum Wages Act, 1948. The matter is currently pending.

(iii) The State of Himachal Pradesh represented by the Labour Inspector, Shimla (HP) ("**Complainant**") filed a complaint bearing number 1732-1-2010 before the Court of Chief Judicial Magistrate, Kullu on January 10, 2010 against BHEL represented by Mr. Atul Pal Gupta, Additional General Manager ("**Accused**") under section 22A of the Minimum Wages Act, 1948 ("**Act**"). The Accused was engaged in the erection and commissioning of a power house for Parvati Hydo Electric Project - III. It was alleged that upon inspection of the worksite of the Accused by the Labour Enforcement Officer on October 29, 2009, he noted that the Accused did not maintain the register of overtime, register of wages, register of fine and deductions for damage or loss and a muster roll. Further, minimum rates of wages fixed, the abstract of the Act and Rules and the name and address of the inspecting authorities etc were not displayed at the premises of the Accused. The same was in violation of the provisions of the Act. The Labour Enforcement Officer filed the Complaint stating that the Accused is in violation of the Act and therefore be summoned to stand trial. The matter is currently pending.

(iv) The State of Uttarakhand represented by the Labour Inspector, Dehradun ("**Complainant**") filed a complaint bearing number 2261 of 2009 before the Court of Chief Judicial Magistrate, GB Nagar ("**CJM**") on February 11, 2009 ("**CJM**") against BHEL represented by Mr. M.L. Sahu, Executive Director and PCP International Limited, the contractors engaged by BHEL ("**Accused**") under section 23 and section 24 of Contract Labour (Regulation and Abolition) Act, 1970 ("**Act**"). The Accused was engaged in the construction of boiler, erection, testing and commissioning at NCPS, Dadri through contract labour. It was alleged that upon inspection of the worksite of the Accused by the Complainant on November 13, 2008, he noted that the Accused did not provide washing facilities for workers at the worksite and name and address of the inspecting authorities was not displayed at the worksite of the Accused. The Complainant filed the Complaint before the CJM stating that the Accused is in violation of the Act and therefore be summoned to stand trial. The CJM, vide order dated February 11, 2009, issued summons to the Accused to stand trial. Thereafter, the Accused filed a miscellaneous application bearing number 20551 of 2010 before the Allahabad High Court under section 190(1)(a), 203, 204 read with section 245(2) of the CrPC for the dismissal of the Complaint and discharging the Accused of all charges ("Application"). The High Court, vide order dated May 5, 2010, disposed of the Application ("**High Court Order**"). Aggrieved by the High Court Order, BHEL filed a Special Leave Petition ("**SLP**") bearing number 20551 of 2010 before the Supreme Court of India. The Supreme Court, vide order dated November 12, 2010, stayed the proceedings pending before the CJM. The matter is currently pending.

(v) The State of Uttarakhand represented by the Labour Enforcement Officer (Central), Dehradun ("Complainant") filed a complaint bearing number 11135 of 2008 under section 23 and 24 of the Contract Labour (Regulation and Abolition) Act, 1970 ("**Act**") before the Court of the Chief Judicial Magistrate, G.B Nagar on October 21, 2008 ("**CJM**") against BHEL represented by Mr. M.L Sahu, Executive Director and PCP Chandigarh, contractors engaged by BHEL ("**Accused**") ("**Complaint**"). It was alleged that upon inspection of the worksite of the Accused by the Complainant on August 8, 2008, he noted that the Accused had employed more than 19 workers under contract labour without a valid license, did not display notices showing the rates of wages, hours of work, wage periods, name and address of inspector having jurisdiction, date of payment of un-paid wages at the worksite and basic facilities were not being provided to the labourers. Further, the Accused did not issue wage slips to the workers or issue employment card to the workers within three days of their employment and was in violation of various other provisions of the Act. The Complainant, vide letter dated August 8, 2008, directed the Accused to rectify the irregularities mentioned in the inspection report and also show-cause as to why recourse to legal action must not be taken. Thereafter, the Complainant filed the present complaint for prosecution of the Accused under the Act. The Accused has filed a criminal miscellaneous application bearing number 26929 of 2010 before the Allahabad High court challenging the summoning order/the entire proceedings issued by CJM G.B. Nagar ("**Application**"). The High Court, vide order dated February 4, 2011, directed BHEL to appear before the CJM ("**Order**"). Aggrieved by the Order, BHEL filed a special leave petition ("**SLP**") bearing number 18800 of 2011 before the Supreme Court. The matter is currently pending.

(vi) The State of Himachal Pradesh represented by the Labour Enforcement Officer (Central), Shimla ("**Complainant**") filed a complaint bearing number 11/1 of 2010 on December 26, 2009 before the Court of the Chief Judicial Magistrate, Bilaspur against BHEL represented by Mr. R K Gupta, Additional General Manager ("**Accused**") under section 22A of the Minimum Wages Act, 1948 ("**Act**") ("**Complaint**"). The Accused was engaged in erection and commissioning of electric generator at the power house for NTPC, Bilaspur. It was alleged that upon inspection of the worksite of the Accused by the Labour Enforcement Officer on September 11, 2009, he noted that the Accused did not maintain register of overtime, register of wages, register of fine and deductions for damage or loss and a muster roll. Further, minimum rates of wages fixed, the abstract of the Act and name and address of the inspecting authorities was not displayed at the worksite of the Accused. The same was in violation of various other provisions of the Act. The Complainant filed the present complaint for prosecution of the Accused under the Act and stating that the Accused be summoned to stand trial. Thereafter, the Accused filed an application dated July 20, 2011 under section 190(1)(a), 203, 204 read with section 245(2) of the CrPC for the dismissal of the Complaint and discharging the Accused of all charges. The matter is currently pending.

(vii) The State of Uttarakhand, represented by the Additional Director of Factories, Dehradun ("**Complainant**") filed a complaint bearing number 5881 of 2009 before the Court of Chief Judicial Magistrate, Haridwar on October 29, 2009 against BHEL represented by Mr. Prabhat Kumar and Mr. M.M. Lamba (Managers of BHEL, Ranipur) ("**Accused**") under section 92 of the Factories Act, 1948 ("**Act**"). The Complaint was filed in relation to accident of a contract labourer (Late Mr. Abdul Sami) causing his death. The Complainant alleged that the Accused were in non-compliance of the following provisions of the Act read with the Uttar Pradesh Factories Rules, 1950 ("**Rules**") and therefore be summoned to stand trial.

- Section 7A(2)(c) - Providing such information, instructions, training and supervision as are necessary to ensure the health and safety of all workers at work;
- Section 32(c) - Provision should be made as far as reasonably practicable to ensure the safety of a person who has to work at a height from where he is likely to fall;
- Rule 52(c) - No process of work shall be carried on in any factory in such a manner as to cause risk of bodily injury;
- Section 62/Rule78 - Manager of every factory shall maintain a register of adult workers.

The matter is currently pending.

(viii) The State of Tamil Nadu represented by the Inspector of Factories, Thiruvottriyur (TN) ("**Complainant**") filed a complaint bearing number E/133/10 under calendar case no STC 880/11 before the Court of Chief Judicial Magistrate ("**CJM**"), Tiruvallur on March 31, 2011 against Mr. P. Sriram, Executive Director, power sector-southern region, Chennai as employee of BHEL's worksite North Chennai Thermal Power Station, Stage – II, Athipattu ("**Accused**") under Building & Other Construction Labourers (Employment & Job Status Regulation) Act, 1996 and Tamil Nadu Building Act, 2006 ("**Acts**"). BHEL was undertaking construction works at the North Chennai Thermal Power Station, Stage –II, Athipattu, Ponneri Taluk, Thiruvallur District, Chennai. The Complainant alleged that upon inspection of the BHEL's worksite on January 7, 2011 by the Deputy Chief Inspector of Factories, he noted that the Accused did not provide safety arrangements to its workers and that the lifting appliances were not examined by a qualified person etc. The same was in violation of the provisions of section 44 read with rule 5 (5), section 40 rule 56, 73, 74, 81(iv) and 223(a) and 223(c) of the Acts. The CJM issued summons on August 4, 2011 to the Accused to appear and answer the charges in the court on August 18, 2011. The matter is currently pending.

(ix) The State of Tamil Nadu represented by the Inspector of Factories, Thiruvottriyur ("**Complainant**") filed a complaint bearing number E/2899/10 under calendar case no STC 892/11 before the Court of Chief Judicial Magistrate ("**CJM**"), Tiruvallur on January 21, 2011 against Mr. P Sriram, Executive Director, power sector-southern region, Chennai as employee of BHEL, worksite North Chennai Thermal Power Station, Stage – II, Athipattu ("**Accused**") under Building & other Construction Labourers (Employment & Job status Regulation) Act, 1996 and Tamil Nadu Building Act, 2006 ("**Acts**"). BHEL was undertaking construction works at the North Chennai Thermal Power Station, Stage - II, Athipattu, Ponneri Taluk, Thiruvallur District, Chennai. The Complainant alleged that upon inspection of BHEL's worksite on October 30, 2010 by the Deputy Chief Inspector of Factories, he noted that the Accused had not applied for registration in form no 1 under the provisions of section 7(1) Rule 23(1) (2) of the Acts and has also not filed the required report in form IV under the provisions of section 46, rule 26(3) & rule 239(1) of the Acts. The CJM issued summons on August 4, 2011 to the Accused to appear and answer the charges in the court on August 18, 2011. The matter is currently pending.

(x) The State of Tamil Nadu represented by the Inspector of Factories, Thiruvottriyur ("**Complainant**") filed a complaint bearing number E/133/10 under calendar case no STC 894/11 before the Court of Chief Judicial Magistrate ("**CJM**"), Tiruvallur on March 31, 2011 against Mr. P Sriram, Executive Director, power sector-southern region, Chennai as employee of BHEL, work site North Chennai Thermal Power Station, Stage – II, Athipattu ("**Accused**") under Building & other Construction Labourers (Employment & Job status Regulation) Act, 1996 and Tamil Nadu Building Act, 2006 ("**Acts**"). BHEL was undertaking construction works at the North Chennai Thermal Power Station, Stage –II, Athipattu, Ponneri Taluk, Thiruvallur District, Chennai. The Complainant alleged that upon inspection of the worksite on October 30, 2010 and January 7, 2011 by the Deputy Chief Inspector of Factories, he noted that the Accused had not applied for registration in form no 1 under the provisions of section 7(1) rule 23(1) (2) of the Acts and also not filed the required report in form IV under the provisions of section 46, rule 26(3) & rule 239(1) of the Acts. The CJM issued a summons on August 4, 2011 to the Accused to appear and answer the charges in the court on August 18, 2011.

(xi) The State of Tamil Nadu represented by the Inspector of Factories, Thiruvottriyur ("**Complainant**") filed a complaint bearing number E/3148/10 under calendar case no STC 895/11 before the Court of Chief Judicial Magistrate ("**CJM**"), Tiruvallur on February 22, 2011 against Mr. P Sriram, Executive Director, power sector-southern region, Chennai as employee of BHEL, work site NTPC Tamilnadu Energy Company Ltd, work site North Chennai Thermal Power Station, Stage – II, Athipattu ("**Accused**") under Building & other Construction Labourers (Employment & Job status Regulation) Act, 1996 and Tamil Nadu Building Act, 2006 ("**Acts**"). BHEL was undertaking construction works at the NTPC Tamilnadu Energy Company Ltd, work site North Chennai Thermal Power Station, Stage – II, Athipattu, Ponneri Taluk, Thiruvallur District, Chennai. The Complainant alleged that upon inspection of the worksite on November 30, 2010 and September 30, 2010 by the Deputy Chief Inspector of Factories, he noted that the Accused had not applied for registration in form

no 1 under the provisions of section 7(1) rule 23(1) (2) of the Acts and has also not filed the required report in form IV under the provisions of section 46, rule 26(3) & Rule 239(1) and section 47 of the Acts. The CJM issued a summons on August 4, 2011 to the Accused to appear and answer the charges in the court on August 18, 2011. The matter is currently pending.

(xii) The State of Tamil Nadu represented by the Inspector of Factories, Thiruvottriyur ("**Complainant**") filed a complaint bearing number E/3148/10 under calendar case no STC 898/11 before the Court of Chief Judicial Magistrate ("**CJM**"), Tiruvallur on February 22, 2011 against Mr. P Sriram, Executive Director, power sector-southern region, Chennai as employee of BHEL, work site NTPC Tamilnadu Energy Company Ltd, Vallur Thermal Power Project, Vellivoyalchavadi (P.O.) ("**Accused**") under Building & other Construction Labourers (Employment & Job status Regulation) Act, 1996 and Tamil Nadu Building Act, 2006 ("**Acts**"). BHEL was undertaking construction works at the NTPC Tamilnadu Energy Company Ltd, Vallur Thermal Power Project, Vellivoyalchavadi (P.O.), Ponneri Taluk, Thiruvallur District, Chennai. The Complainant alleged that upon inspection of the worksite on November 30, 2010 by the Deputy Chief Inspector of Factories, he noted that the Accused did not provide safety arrangements and that the guard rails were not formed properly etc. The same was in violation of the provisions of section 44 r/w rule 5 (5), section 40 rule 42 of the Acts. The CJM issued a summons on August 4, 2011 to the Accused to appear and answer the charges in the court on August 18, 2011. The matter is currently pending.

(xiii) The State of Tamil Nadu represented by the Inspector of Factories, Thiruvottriyur ("**Complainant**") filed a complaint bearing number E/2587/10 under calendar case no STC 899/11 before the Court of Chief Judicial Magistrate ("**CJM**"), Tiruvallur on December 27, 2010 against Mr. P Sriram, Executive Director, power sector-southern region, Chennai as employee of BHEL, work site NTPC Tamilnadu Energy Company Ltd, work site North Chennai Thermal Power Station, Stage – II, Athipattu ("**Accused**") under Building & other Construction Labourers (Employment & Job status Regulation) Act, 1996 and Tamil Nadu Building Act, 2006 ("**Acts**"). BHEL was undertaking construction works at the NTPC Tamilnadu Energy Company Ltd, work site North Chennai Thermal Power Station, Stage – II, Athipattu, Ponneri Taluk, Thiruvallur District, Chennai. The Complainant alleged that upon inspection of the worksite on September 30, 2010 by the Deputy Chief Inspector of Factories, he noted that the Accused did not provide the necessary safety belts and that the guard rails were not formed properly etc. The same was in violation of the provisions of section 40 rule 42 & 178 of the Acts. The CJM issued a summons on August 4, 2011 to the Accused to appear and answer the charges in the court on August 18, 2011. The matter is currently pending.

(xiv) The State of Tamil Nadu represented by the Inspector of Factories, Thiruvottriyur ("**Complainant**") filed a complaint bearing number E/2587/10 under calendar case no STC 900/11 before the Court of Chief Judicial Magistrate ("**CJM**"), Tiruvallur on December 27, 2010 against Mr. P Sriram, Executive Director, power sector-southern region, Chennai as employee of BHEL, work site NTPC Tamilnadu Energy Company Ltd, Vallur Thermal Power Project, Vellivoyalchavadi (P.O.)("**Accused**") under Building & other Construction Labourers (Employment & Job status Regulation) Act, 1996 and Tamil Nadu Building Act, 2006 ("**Acts**"). BHEL was undertaking construction works at the NTPC Tamilnadu Energy Company Ltd, Vallur Thermal Power Project, Vellivoyalchavadi (P.O.), Ponneri Taluk, Thiruvallur District, Chennai. The Complainant alleged that upon inspection of the worksite on September 30, 2010 by the Deputy Chief Inspector of Factories, he noted that the Accused had not applied for registration in form no 1 under the provisions of Section 7(1) Rule 23(1) (2) of the Acts and has also not filed the required report in form IV and did not provide head protection and other protective apparel under the provisions of section 46, rule 26(3) & rule 239(1) of the Acts. The CJM issued a summons on August 4, 2011 to the Accused to appear and answer the charges in the court on August 18, 2011. The matter is currently pending.

(xv) The State of Tamil Nadu represented by the Inspector of Factories, Thiruvottriyur ("**Complainant**") filed a complaint bearing number E/2587/10 under calendar case no STC 907/11 before the Court of Chief Judicial Magistrate ("**CJM**"), Tiruvallur on December 27, 2010 against Mr. P Sriram, Executive Director, power sector-southern region, Chennai as employee of BHEL, work site NTPC Tamilnadu Energy Company Ltd, Vallur Thermal Power

Project, Vellivoyalchavadi (P.O.)("**Accused**") under Building & other Construction Labourers (Employment & Job status Regulation) Act, 1996 and Tamil Nadu Building Act, 2006 ("**Acts**"). BHEL was undertaking construction works at the NTPC Tamilnadu Energy Company Ltd, Vallur Thermal Power Project, Vellivoyalchavadi (P.O.), Ponneri Taluk, Thiruvallur District, Chennai. The Complainant alleged that upon inspection of the worksite on September 30, 2010 by the Deputy Chief Inspector of Factories, he noted that the Accused did not provide for overhead protection, protection from electrical hazards etc. The same was in violation of the provisions of Section 40, Rule 41(3) and 47 of the Acts. The CJM issued a summons on August 4, 2011 to the Accused to appear and answer the charges in the court on August 18, 2011. The matter is currently pending.

(xvi) Mr. Daniel A. Simon, erstwhile employee of BHEL ("**Complainant**"), filed a criminal complaint bearing number 636/1996 before the court of the Judicial Magistrate, Jhansi ("**JM**") on May 18, 1996 against six executives of BHEL namely Mr. T.S Nanda, General Manager, BHEL and others ("**Accused**") ("**Complaint**") under sections 337, 340, 506 and 323 of the Indian Penal Code, 1860. The JM, vide order dated October 14, 1996, took cognizance of the matter and issued summons to the Accused to stand trial in the court ("**Order**"). Aggrieved by the Order, the Accused filed a criminal miscellaneous application bearing number 471/1997 before the High Court of Allahabad under section 482 of the CrPC for the dismissal of the Complaint and discharging the Accused of all charges. The High Court, vide order dated March 31, 1999, held that the Accused be given reasonable opportunity of being heard before the JM ("**HC Order**"). Since no steps were taken by the Accused within the time frame given by the High Court, the HC Order was not operational. Thereafter, the matter was transferred to the court of the Chief Judicial Magistrate ("**CJM**") on March 26, 2002. The CJM issued arrest warrants against the Accused on October 31, 2002 ("**CJM Order**"). Aggrieved by the CJM Order, BHEL filed a criminal miscellaneous application bearing number 11402/2002 before the High Court of Allahabad for quashing of the CJM Order. The High Court, vide order dated December 13, 2002, stayed the current proceedings pending before the CJM and the CJM Order. The matter is currently pending.

(xvii) The State of Uttarakhand represented by the Labour Enforcement Officer (Central), Dehradun ("**Complainant**") filed a complaint bearing number 373 of 2010 before the Court of Chief Judicial Magistrate ("**CJM**"), Tehri Garhwal against BHEL represented by Mr. S. Biswas, DGM/SCP and Fitwell Constructions, Vadodra, contractors engaged by BHEL ("**Accused**") under section 23 and 24 of the Contract Labour (Regulation and Abolition) Act, 1970 ("**Act**") ("**Complaint**"). The Accused was engaged in the construction of dams (electric work) for machine erection, testing and commissioning of turbine, transformer and switch gear for Tehri Hydro Development Corporation Limited at Koteshwar, Tehri, Garhwal through contract labour. It was alleged that upon inspection of the worksite of the Accused by the Labour Enforcement Officer on December 9, 2009, he noted that the Accused did not provide washing facilities for workers at the worksite and did not submit return of commencement /completion report to the Inspector (labour). The same was in violation of various provisions of the Act ("**Violations**"). The Complainant filed the present complaint for prosecution of the Accused under the Act and be summoned to stand trial. Thereafter, the Accused filed a Criminal Miscellaneous Application bearing number 1140 of 2010 under section 482/483 of the CrPC before the High Court of Uttarkhand at Nainital to quash the CJM's order dated March 8, 2010 and to stay the proceedings under the Complaint. Pursuant to order dated May 12, 2011, the High Court stayed the proceedings initiated under the Complaint. The matter is currently pending.

(xviii) BHEL undertook insulation work at AP Genco, Chelpur. Mr. Ramtripal Singh ("**Deceased**") while working at BHEL's site fell from a height of 15 feet to the ground due to the absence of any safety mechanisms and died. The police, post investigation, filed a charge sheet against Mr. L Neelkanthan, General Manager, BHEL ("**Accused**") for an offence punishable under section 304-A of the Indian Penal Code ("**IPC**"). The First Class Judicial Magistrate at Mulugu, in the present criminal case bearing number 112 of 2010, held on September 27, 2010 that the material on record indicated that the Accused had prima facie knowledge of the lack of safety measures and thus is liable to be tried under section 304 –II of the IPC ("**Order**") and filed a criminal miscellaneous petition number 1022 of 2010 in criminal case number 112 of 2010 in crime number 3 of 2010. The Judicial First Class Magistrate on November 3, 2010

("**Order-1**") passed an order that allegations and material on record discloses accusation under section 304-II and not under 304-A of Indian Penal Code. The Accused filed a criminal petition 2011 before the High Court of Judicature of Andhra Pradesh to quash the Order and Order-1 and also to stay all further proceedings in the matter. The matter is currently pending.

(xix) The State of Uttarakhand represented by the Labour Enforcement Officer (Central), Dehradun ("**Complainant**") filed a complaint bearing number 2260 of 2009 before the Court of the Judicial Magistrate, G.B Nagar ("**CJM**") against BHEL represented by Mr. M L Sahu, Executive Director and PCP, Chandigarh, contractors engaged by BHEL ("**Accused**") under section 24 of the Contract Labour (Regulation and Abolition) Act, 1970 ("**Act**") ("**Complaint**"). The Accused was engaged in material handling, stacking, verification and preservation of Boiler for NCPP-Dadri, through contract labour. It was alleged that upon inspection of the worksite of the Accused by the Labour Enforcement Officer (Central), Bareilly on November 13, 2008, he noted that the Accused employed more than 19 workers under contract labour, did not provide washing facilities for workers at the worksite and did not submit return of commencement /completion report to the Inspector (labour). The same was in violation of the Act ("**Violations**"). The Complainant filed the present complaint for prosecution of the Accused under the Act and be summoned to stand trial. The CJM, vide order dated February 11, 2009, issued summons to the Accused to stand trial. Thereafter, the Accused filed a miscellaneous application bearing number 15908 of 2009 before the Allahabad High Court under section 190(1)(a), 203, 204 read with section 245(2) of the CrPC for the dismissal of the Complaint and discharging the Accused of all charges. The matter is currently pending.

B. Civil Cases

There are 144 civil proceedings against the Company and the aggregate monetary value of these proceedings is approximately ₹ 1,452.32 million. The cases primarily relate to recovery of money, injunction suits, bank guarantees and insurance etc. Of these cases, the details of the Material Cases are mentioned below.

(i) Vishal Malleables Limited ("**VML**"), via a tender floated by G.E Consultants, placed a purchase order of ten wind electric generators ("**WEGs**") with BHEL for a price of ₹ 94.00 million out of which ₹ 78.80 million was paid by VML to BHEL. Owing to non-payment of dues being the balance price of the WEGs and balance due under the contract dated December 13, 1995 and operation and maintenance agreement dated July 8, 1998, BHEL invoked the arbitration clause of the contract entered into with VML and filed a claim petition bearing number OP 1 of 2001 before the Arbitral Tribunal, Chennai ("**Tribunal**"). The Tribunal, vide its order dated June 15, 2003, allowed the claims amounting to ₹ 27.50 million made by BHEL and disallowed the counter claim of VML amounting to ₹ 113.19 million ("**Award**"). Aggrieved by the Award, VML filed a suit bearing number 794 of 2003, before the Madras High Court to set aside the Award and claimed ₹ 113.19 million from the BHEL. VML alleged that the WEGs supplied were not in accordance with the specifications set out in the purchase order and that BHEL failed to take any steps to rectify the same. The matter is currently pending.

(ii) U.B Engineering Limited ("**UBEL**") entered into an agreement with BHEL on September 20, 1989 for erection, testing, commissioning of auxiliary boilers ("**Work Order**"), the total contract value being ₹ 96.80 million. By an amendment of the Work Order dated October 11, 1995, BHEL revised the contract value to ₹ 151.70 million. As per the Work Order, BHEL was required to supply the boiler in 48 months. Owing to BHEL's alleged delay in supplying the same, UBEL invoked the arbitration clause in the Work Order. UBEL claimed compensation for losses incurred on account of overhead and profits, reduced productivity from the equipments and idle labour deployed at the site. The total amount claimed by UBEL was ₹ 314.28 million ("**Damages**"). In order to claim the Damages, UBEL approached the Calcutta High Court for appointment of an independent arbitrator which was rejected by the High Court on September 30, 2002 ("**Order**"). Thereafter, UBEL filed a civil suit bearing number 144 of 2003 to claim the Damages. The matter is currently pending.

(iii) Madhya Pradesh Iron and Steel Company ("**MPISC**") entered into an agreement with BHEL on October 9, 1999 for design, manufacture, procurement, supply, erect and commission with

performance guarantee of static VAR Compensatory System ("**Equipment**") ("**Agreement**"). MPISC alleged that the Equipment was not working as per the designed parameters and invoked the arbitration clause of the Agreement and made a claim of ₹ 13,240.2 million before the arbitral tribunal and BHEL made a counter claim of ₹ 113.88 million against MPISC. The Arbitral Tribunal, vide award dated April 16, 1999, dismissed MPISC's claim and partially allowed BHEL's counter-claim of ₹ 32.3 million with interest from April 23, 1996; ₹ 1.55 million with interest from February 23, 1996 and a payment of ₹ 2.00 million within 3 months of the date of the award ("**Arbitral Award**"). MPISC filed an application before the High Court praying for an order of direction for modification of the Arbitral Award ("**Application**"). During the pendency of the Application, the Arbitral Tribunal ceased to exist. Subsequently, MPISC made an application for appointment of an arbitral tribunal for deciding the Application. The High Court, vide its order dated August 25, 2004 and a corrigendum order dated September 3, 2004, directed the parties to appoint the arbitrators. The arbitral tribunal dismissed MPISC's claim on December 5, 2005 and upheld the Arbitral Award ("**Award**"). MPISC filed an arbitration petition bearing number 155 of 2006 before the High Court of Calcutta for setting aside the Award. Separately, BHEL filed an application before the High Court of Calcutta bearing arbitration proceeding number 329 of 2007 for ad-interim relief for preservation and protection of the assets of MPISC to realize the Award amount ("**Arbitration Application**"). In a separate application, BHEL prayed for winding up of Hindustan Development Corporation Limited ("**HDCL**"), the proprietor of MPISC. The said application was rejected on January 15, 2000 as HDCL was already under BIFR, with the option given to BHEL to take necessary steps before the BIFR. MPSIC and HDCL underwent a scheme of arrangement and after the promulgation of the scheme, MPISC was left with no funds to honour the Award. BHEL prayed for an injunction restraining MPISC and others from disposing and dealing with its assets. The Application and the Arbitration Application is currently pending before the High Court of Calcutta**.**

(iv) BHEL entered into a contract with SNC Power Corporation Private Limited ("**SNC**") for civil and structural works for Bellary Thermal Power Project of Karnataka Power Corporation, Bangalore ("**Contract**") on May 13, 2004. It was alleged by SNC that it could not commence work in time because of failure on part of BHEL to make available certain drawings and work fronts which added additional expenditure and delays in completion of work. SNC further alleged that owing to sudden price hike in steel, cement, sand, etc, there were financial implications on the project which was communicated to BHEL from time to time ("**Issues**"). Owing to the Issues, SNC requested BHEL to release the security deposits recovered from running bills amounting to ₹ 59 million against its matching bank guarantee. BHEL did not agree to the said request and therefore SNC filed the present claim before the Arbitral Tribunal, Chennai against BHEL on May 13, 2006 for total payment ₹ 666.53 million. The sole Arbitrator, vide order dated June 25, 2007, disallowed the claims of SNC ("**Award**"). Aggrieved by the Award, SNC filed a petition bearing number 749 of 2007 before the Madras High Court on July 21, 2007 for appointment of a fresh arbitrator. The High Court, vide order dated September 24, 2010, set aside the Award. Further, the High Court directed the parties to amicably settle the issues. The matter is currently pending.

C. Arbitration Proceedings

There are a total of 64 arbitration related matters pending against the Company before the arbitration tribunals and the courts and the aggregate monetary value of these proceedings is approximately ₹ 5558.95 million and USD 12.29 million. Of these cases, the details of the Material Cases are mentioned below.

(i) BHEL entered into a contract with Simplex Infrastructures Limited, Kolkata ("**SIL**") for civil and structural works for NTPC's Thermal Power Project in Andhra Pradesh ("**Contract**"). SIL was issued 'completion certificates' by BHEL for the work completed by it. It has been claimed by SIL that certain works assigned to it could not be completed due to reasons attributable to BHEL and SIL also sought extension for completion of the work. It was alleged by SIL that bills submitted to BHEL were not paid in full and hence it raised a consolidated claim of ₹ 119.20 million upon BHEL on January 17, 2005. Thereafter, SIL filed the present claim before the Arbitral Tribunal, Chennai against BHEL for non-payment of dues amounting to ₹ 158.70 million. BHEL filed a reply to the claim on May 5, 2006. The matter is currently pending.

(ii) BHEL entered into a contract number 620/2009 with DPC Engineering Projects Private Limited ("**DPC**") for erection, testing and commissioning and trial operation of TG sets at BHEL units at Paricha, Jhansi, UP ("**Contract**"). Upon termination of the Contract by BHEL on account of non-payment of dues to labourers since March 2010 by DPC, DPC invoked the arbitration clause and filed an arbitration petition before a sole arbitrator on April 20, 2011. DPC alleged that it was not able to pay the labourers on time because BHEL withheld the payments due from its side to DPC. It was further alleged by DPC that almost 56% of the Contract work amounting to ₹ 38.00 million was complete. DPC prayed for an interim relief to be granted to it and the sums be released for the following purposes: (i) payment due to creditors amounting to ₹ 27.79 million; (ii) payment of bank guarantee revoked and penal charges therein amounting to ₹ 2.05 million; and (iii) payment towards Contract work completed amounting to ₹ 37.28 million. The total claim of DPC for breach of contract and loss incurred by it amounts to ₹ 328.67 million. The matter is currently pending.

(iii) BHEL was awarded a contract by National Thermal Power Corporation ("**NTPC**") for supply, erection, testing and commissioning of turbines and boilers supply at NTPC's thermal power project at Vindhyachal, Uttar Pradesh for NTPC ("**Project**"). Thereafter, for the execution of the Project, BHEL entered into two contracts numbered 44/96 and 58/97 with U. B. Engineering Limited ("**UBEL**") for erection, testing and commissioning of boilers and rotating machines on June 10, 1996 and on February 17, 1997 respectively ("**Contracts**"). One of the clauses of the Project, that was in turn incorporated in the Contracts, was that UBEL was required to provide employment to persons affected by the Project ("**Clause**"). It was alleged by UBEL that the owing to unproductive and unskilled labour employed as a result of application of the Clause, there was delay in execution of the Contracts and added cost burden on UBEL. Owing to delay in the execution of the Contracts, BHEL did not release the payment under the Contracts to UBEL. Thereafter, UBEL invoked the arbitration clause on July 9, 2002 of the Contracts and submitted a consolidated claim of ₹ 366.35 million before the sole arbitrator on March 15, 2003 ("**Claim**"). It was alleged by UBEL that delay in execution of the Contracts was also due to failure on BHEL's part to provide adequate infrastructure facilities, approach roads and free access to sites. Further, BHEL did not provide certain construction equipments in working condition to UBEL. BHEL filed a counter claim in the matter on July 19, 2003 for a total amount of ₹ 607.48 million. The matter is currently pending.

(iv) BHEL was awarded a contract by Indian Oil Corporation Limited ("**IOC**") in relation to establishment of HRSG boiler at IOC's refinery at Mathura, Uttar Pradesh ("**Project**"). Thereafter, for the execution of the Project, BHEL entered into a contract numbered 242/ 2004 with Kurup Engineering Company Private Limited ("**KECPL**") on January 30, 2004 for supply, erection, testing and commissioning of TPH HRSG Set ("**Equipment**") at IOC's worksite ("**Contract**"). Owing to delay in execution of work under the Contract, BHEL terminated the Contract on September 10, 2004. Thereafter, KECPL invoked the arbitration clause of the Contract on October 18, 2004 and submitted a consolidated claim of ₹ 8.34 million being the dues payable by BHEL, before the sole arbitrator on April 1, 2006 ("Claim"). It was alleged by KEPCL in the Claim that 90 percent of the work was completed at the time BHEL terminated the Contract. Further, the delay was because KECPL was unable to initiate the work on agreed time as BHEL did not make available the infrastructure facilities required for execution of work. It was alleged by KECPL that the work of piping etc could not be initiated as the drawings and designs giving details therein were not provided on time. BHEL filed a counter claim in the matter on March 5, 2008 for a total amount of ₹ 102.73 million. The matter is currently pending.

(v) BHEL entered into a contract with UB Engineering Limited ("**UBEL**") on September 11, 1992, for works to be carried out at the second boiler unit at Talcher super thermal power project for NTPC, Kaniha, Talcher District, Dhankanal, Orissa ("**Contract**"). It was alleged by UBEL that BHEL did not hand over the first set of main boiler foundations on time which led to delay of the work that could be carried out by UBEL. UBEL further alleged that owing to failure on the part of BHEL to provide uninterrupted power supply, there was further delay in work as a result of which UBEL had to incur additional expenses. UBEL filed the present claim before the arbitral tribunal on August 27, 2005 ("**Tribunal**") against BHEL for total payment ₹ 384.40 million. BHEL filed a reply in the matter on November 21, 2005. BHEL contended that UBEL's claims were time barred and that the works carried out were covered under the Contract and extension of time and the compensation payable were pre-determined. The matter is currently pending.

(vi) BHEL and Harji Engineering Works Private Limited ("**HEWPL**") entered into a contract bearing number 2/97/1991 on May 27, 1991 for erection, testing and commissioning of two electrostatic precipitators ("**Equipment**") at Anpara Thermal Power Project, Anpara, Uttar Pradesh ("**Contract**"). HEWPL alleged non-fulfillment of contractual obligations and breach of Contract by BHEL and filed a claim before the sole arbitrator against BHEL on December 20, 1996 for a consolidated sum of ₹ 184.00 million. HEWPL alleged that as a result of breach of Contract by BHEL, it suffered manpower loss due to breakdown of machinery, had to incur additional labour cost and overrun charges etc. BHEL filed a counter claim of ₹ 78.33 million before the sole arbitrator on December 20, 1996. BHEL contended that owing to paucity of funds, HEWPL did not complete the work stipulated under the Contract in the agreed time. Further, the quality of work delivered by HEWPL was poor which affected the entire execution of the Contract resulting in huge losses to BHEL. The matter is currently pending.

(vii) BHEL entered into a contract bearing number 578/2009 with DPC Engineering Projects Private Limited ("**DPC**") for erection, testing and commissioning of turbines, generators and auxiliaries at Shrinagar Hydro Power Project, Uttarakhand ("**Contract**"). DPC alleged non-payment of dues payable by BHEL since March 2010, DPC invoked the arbitration clause under the Contract and filed an arbitration petition before the sole arbitrator on March 16, 2011. DPC alleged that since BHEL failed to make requisite payments on time, it was unable to pay the labourers on time which led to labour strikes at the worksite. DPC prayed for an interim relief to be granted pending settlement of the claim and direction to BHEL to release payment for the following purposes: (i) payment due to creditors amounting to ₹ 20.48 million; (ii) payment of bank guarantee revoked and penal charges therein amounting to ₹ 2.83 million; and (iii) payment towards Contract work completed amounting to ₹ 12.96 million. The total claim of DPC for breach of contract and loss incurred by it amounts to ₹ 267.88 million. The matter is currently pending.

(viii) AlBilal Group for General Contracts Limited ("**AGCL**") entered into a contract with BHEL for civil, mechanical, electrical and instrumentation construction of the 600 MW gas turbine power plant at Chamchamal, Sulaymaniyah, Iraq on March 10, 2009 ("**Contract**"). AGCL alleged non payment of dues by BHEL, AGCL invoked the arbitration clause of the Contract and submitted a consolidated claim of USD 12.29 million being the amount unpaid by BHEL which was registered as arbitration case number 17024/MLK, before Secretariat of the International Court of Arbitration on March 26, 2010 at London ("**Claim**"). It was alleged by AGCL that in addition to the non payment of dues, BHEL assisted the owner of the site of the project, Mass Jordan for Investment ("**MJI**") which subsequently changed its name to Mass Global Investment in not allowing AGCL to enter the worksite and prevented it from carrying on the work and from demobilising its personal equipment. BHEL filed counter claim of USD 5.80 million in the matter on August 16, 2010. The matter is currently pending.

(ix) Petron Engineering Construction Limited ("**PECL**") entered into two contracts dated May 20, 2004 and September 2, 2004 with BHEL for handling stores/storage yard, transportation, pre-assembly, erection, testing and commissioning of boiler unit of 3 x 500 MW at National Thermal Power Corporation, Kahalgaon ("**Contracts**"). BHEL was required to perform several obligations under the Contract such as to provide unobstructed and exclusive possession of work, to provide necessary designs, drawings and detailed engineering and approvals, to provide materials, to arrange construction power, to provide free cost high capacity cranes and to provide space/land for temporary works such as duct assembly. PECL alleged that BHEL failed to perform its obligations under the Contract due to which it suffered losses and was unable to complete its work as per the schedule. PECL also alleged that BHEL not only failed to make proper and timely payments against the bills raised, but also made wrongful deduction including wrongful encashment of bank guarantees furnished by PECL and finally terminated the Contract on February 25, 2009. PECL served a notice to BHEL on March 5, 2009 referring the dispute to Arbitration and filed its statement of claim before the sole arbitrator for ₹ 294.84 million for the losses suffered by it. BHEL filed a counter claim of ₹ 410.51 million in the matter. The matter is currently pending.

(x) BHEL was awarded a contract dated July 18, 2005 by Petroleum Development Oman LLC for construction of two gas turbine power stations located in the Sultanate of Oman ("**Project**"). Thereafter, for the execution of the Project, BHEL entered into a contract dated December 27,

2005 with Al Hassan Engg Co ("**AHEC**") for a total contract price of USD 80.50 million ("**Contract**"). It was alleged by AHEC that after five months of initiation of work by AHEC, BHEL issued a work order on January 7, 2006 containing several terms and conditions different from those forming part of the Contract, which were unacceptable to AHEC. AHEC had already commenced work, mobilized resources, made arrangements, placed orders and incurred and committed huge expenses for execution of the Contract. AHEC further alleged that BHEL wrongfully and illegally failed/neglected in carrying out its obligations under the Contract inter alia, in providing various inputs, drawings, approvals of drawings, specifications, delivery of equipment, etc. Owing to disparity in the agreed drawings and the drawings provided by BHEL, there was considerable delay and increased costs for AHEC. AHEC raised the arbitration clause under the Contract and filed a total claim of USD 58.72 million being the dues payable by BHEL and losses suffered by it, before the sole arbitrator on July 26, 2011 which was allowed to be submitted by the sole arbitrator on August 27, 2011. The matter is currently pending.

D. Indirect Tax Disputes

There are 387 proceedings relating to indirect tax and statutory charges against the Company and the aggregate monetary value of these proceedings is approximately ₹ 59,835.77 million. Of these cases, the details of the Material Cases are mentioned below

(i) BHEL sought clarification on the Central Excise Tariff Act on the treatment of excisable goods manufactured in its factory from the officers of the central excise. The clarification was regarding classification of Turbo Generating Sets ("**TGS**") manufactured by BHEL as Turbo Generators Set in CKD condition or parts of TGS. The excise department classified the TGS as parts of the machinery and demanded payment of the differential rate of duty, as the duty on parts of the machinery was higher than that applicable on main machinery. The Jurisdictional Assistant Commissioner issued orders pertaining to assessment years 1991 to 1997 and demanded a total duty of ₹ 186.19 million from BHEL ("**Orders**"). Aggrieved by the Orders, BHEL filed appeals before the Commissioner (Appeals), who upheld the Orders ("**Appeal Order**"). Subsequently, BHEL filed appeals before CESTAT, Bangalore against the Appeal Order. CESTAT, vide its common order dated January 20, 2010 for all the appeals, held that the TGS is to be considered as complete machinery and not as parts ("**CESTAT Order**"). The Commissioner of Central Excise, Hyderabad filed appeals bearing number 6151-6159 of 2010 against the CESTAT Order before the Supreme Court of India on March 25, 2010. The matter is currently pending.

(ii) BHEL entered into an agreement with the Ministry of Railways, on February 15, 1997 for providing 20 engines on lease for a period of 10 years ("**Railway Contract**"). BHEL imported various parts of locomotive engines from outside the State of Uttar Pradesh which was used in manufacture of locomotive engines meant for sale. 'Form C' as contemplated under section 8 of the Central Sales Tax Act was issued by BHEL for the said purchases. The Assessing Officer initiated penalty proceedings against BHEL on the ground of misuse of 'Form C' for purchase of goods which were used in manufacture of the locomotive engines. The Assessing Officer considered the Railway Contract as a lease and not sale as contended by BHEL and vide order dated May 8, 2000, levied a penalty of ₹ 249.02 million on BHEL which was upheld by the Deputy Commissioner (Appeals), Trade tax, Jhansi on March 30, 2001 ("**Order**"). Aggrieved by the Order, BHEL appealed to the Trade Tax Tribunal ("**Tribunal**") for relief and contended that as per the definition of 'sale' as given in Article 366 (29-A) of the Constitution of India and amendment made in the UP Trade Tax Act, the transfer of engines to the Ministry of Railways amounts to sale. It was further contended by BHEL that since the Railway Contract was a sale and not lease, there was no violation of the Central Sales Tax and hence no penalty could be legally imposed on it. The Tribunal, vide order dated March 15, 2005, rejected the appeal and upheld the Order ("**Tribunal Order**"). BHEL filed a revision petition bearing number Trade Tax Revision No. 329 of 2005 before the High Court of Allahabad to set aside the Tribunal Order and quash the penalty levied therein. The High Court, vide interim order dated April 29, 2005, stayed the penalty imposed by the Trade Tax Authorities, Jhansi for the assessment year 1996-97 and 1997-98 provided BHEL on the condition that BHEL deposits 25% of the disputed tax amount with the tax authorities. The matter is currently pending.

(iii) BHEL supplies power generators and transmission and distribution equipments ("**Equipments**") to Indian Railways under contract and such supplies are subject to price variation clause. The

Equipments at the time of dispatch are billed provisionally on the previously approved price and the excise duty is accordingly paid. On receipt of Railway Board's approval of the final price, the adjustment bills are paid and differential excise duty, if any, is paid. In relation to the period between 2002-06, the Deputy Commissioner CE, Bhopal, vide order dated October 30, 2008, finalized the assessment of duty under rule 6 and 7 of the Central Excise Rules, 2002, payable by BHEL and directed BHEL to pay an interest amounting to ₹ 134.90 million which was upheld by the Commissioner CE, Bhopal, on February 4, 2009 ("**Order**"). Aggrieved by the Order, BHEL filed an appeal before the CESTAT praying for stay on the interest levied. CESTAT, vide order dated June 28, 2010, rejected the stay application and directed BHEL to pay the entire amount of demand of interest. Subsequently, BHEL filed a writ petition bearing number 11005/2010 before the Jabalpur High Court. The High Court, on November 9, 2010, while dismissing the writ petition, directed BHEL to pay 25% of demand of interest (₹ 33.7 million) and directed BHEL to approach CESTAT, New Delhi. CESTAT, vide its final order bearing number 477/2011 dated June 13, 2011, dismissed BHEL case and upheld the Order ("**CESTAT Order**"). Aggrieved by the CESTAT Order, BHEL filed an appeal dated August 3, 2011, before the Jabalpur High Court and prayed for quashing of the interest levied on the ground that assessment finalization order was passed by the Deputy Commissioner CE, Bhopal without issuance of a show cause notice and without affording an opportunity of hearing to BHEL. It was further contended by BHEL that the differential duty that was not levied could not be termed as 'duty not levied' and no interest could be levied on the same. The matter is currently pending before the Jabalpur High Court.

(iv) BHEL was awarded a contract on March 3, 2007 on a turnkey basis by Bharat Oman Refineries Limited ("**BORL**") valued at ₹ 9,500 million, wherein almost 80% of the scope of contract was required to be executed outside BORL's plant premises. This case pertains to applicability of Building and Other Constructions Workers Welfare Cess Act, 1996 ("**Act**") and quantification of cess on BHEL. Pursuant to the Act, the Deputy Labour Commissioner cum Cess Officer, Bhopal ("**Cess Authority**") passed an assessment order dated January 23, 2008 apportioning liability of cess amounting to ₹ 117.80 million on BHEL ("**Cess Order**"). Aggrieved by the Cess Order and the applicability of the Act on BHEL, BHEL filed a Writ Petition bearing number 1077/2009 before the Jabalpur High Court contending that only a small portion of the project relates to the activities at BORL's plant premises and that it has been wrongly assessed for payment of cess under the Act for the entire contract value on a presumptive assessment by the by the Cess Authority. The said appeal was disposed of by the Court on November 23, 2009 issuing specific directions to the Additional Labour Commissioner cum Appellate Authority, Indore ("**Appellate Authority**") to dispose of the appeal on merits ("**High Court Order**"). Pursuant to the High Court Order, BHEL filed an appeal bearing number 15/2009 before the Appellate Authority ("**Appeal**"). The Appellate Authority, vide its order dated March 8, 2010, dismissed the appeal and upheld the tax demand of ₹ 117.80 million ("**AA Order**"). Aggrieved by the AA Order, BHEL filed a Writ Petition bearing number 6104 /2010 before the Jabalpur High Court. The matter is currently pending.

(v) The Commissioner of Service Tax ("**Commissioner**") issued show cause notices bearing number 124 of 2009 and 127 of 2009 dated April 7, 2009 and April 9, 2009 respectively to BHEL, Nandanam, Chennai for non-payment of service tax payable by it ("**SCNs**"). Under the SCNs, BHEL was asked to show cause as to why service tax amounting to ₹ 318.65 million and ₹ 62.32 million and penalty should not be levied on it under the proviso to sections 73(1), 76 and 78 of the Finance Act, 1994 ("**Act**") read with Rule 15(4) of Cenvat Credit Rules, 2004 along with interest at applicable rates under section 75 of the Act. Further, BHEL was asked to show cause as to how it is eligible to avail the credit of service tax on insurance services. It was also stated in the SCN that the services rendered by BHEL would be classified under 'erection, commissioning or installation service' falling under section 65(105)(zzd) of the Act. The Commissioner of Central Excise, Chennai, vide order dated October 21, 2010, upheld the SCNs except that BHEL was allowed to claim credit on insurance services thus the demand of ₹ 23.55 million and ₹ 22.41 under the SCNs was dropped and the Commissioner did not impose any penalty on BHEL ("**Order**"). Aggrieved by the Order, BHEL filed an appeal before the CESTAT on December 13, 2010. The matter is currently pending.

(vi) The Commissioner of Service Tax ("**Commissioner**") issued a show cause notice bearing number 190/2011 dated April 12, 2011 to BHEL, Nandanam, Chennai for non-payment of service tax payable by it ("**SCN**"). Under the SCN, BHEL was asked to show cause as to why service tax

amounting to ₹ 746.44 million and penalty should not be levied on it under the proviso to sections 73(1), 76 and 78 of the Finance Act, 1994 ("**Act**") along with interest at applicable rates under section 75 of the Act. The Commissioner stated in the SCN that the amount which was received in advance before the commencement of the provision of payment of service tax, also has to be computed for the purpose of value of taxable services as provided under section 67(3) of the Act. A reply to this show cause notice has been filed by BHEL on August 12, 2011. The matter is currently pending.

(vii) As per the annual returns filed by BHEL for the Assessment Years 1997-98, 1998-99 and 1999-00 ("Assessment **Years**"), BHEL did not offer to pay any sales tax and claimed exemption from paying sales tax on the entire turnover. However, the Assessing Officer during verification of the statement of accounts including the profit and loss account filed by BHEL, held that there are certain goods that BHEL purchased which are taxable under the Kerala General Sales Surcharge Tax Act, 1963 ("**KGST Act**"). The Assessing Officer, vide order dated April 05, 2010, ("**Orders**") passed for the assessment years 1997-98, 1998-99 and 1999-00, held that BHEL is liable to pay the following taxes:

1. Assessment Year 1997-98

(i) ₹ 91.70 million as sales tax payable under the KGST Act;
(ii) ₹ 9.17 million as surcharge payable under the Kerala Surcharge on Tax Act, 1957 ("**KST Act**"); and
(iii) ₹ 206.32 million as interest payable under the KST Act.

2. Assessment Year 1998-99

(i) ₹ 212.44 million as sales tax payable under the KGST Act;
(ii) ₹ 21.24 million as surcharge payable under the KST Act; and
(iii) ₹ 427.01 million as interest payable under the KST Act.

3. Assessment Year 1999-00

(i) ₹ 36.53 million as sales tax payable under the KGST Act;
(ii) ₹ 2.88 million as surcharge payable under the KST Act; and
(iii) ₹ 64.66 million as interest payable under the KST Act.

Aggrieved by the total tax demand of ₹ 1071.95 million in the Orders, BHEL filed appeals bearing numbers 9/11, 10/11 and 11/11 before the Kerala Agricultural, Income Tax & Sales Tax Appellate Tribunal, Ernakulum ("**Tribunal**"). The Tribunal, vide order dated July 6, 2011 ("**Tribunal Order**"), granted interim stay in proceedings of the Assessment Years on the condition that BHEL furnishes security for the amounts specified in the applications to the tax authorities within a period of one month from the date of the Tribunal Order. The matter is currently pending.

(viii) BHEL was engaged in providing comprehensive and diverse services in different states and various project sites. It was required to register each project centre separately, as an independent assessee, with the territorial jurisdictional Superintendent C.E, Service Tax. BHEL, in respect of the erection, commissioning and installation services, was paying service tax under Notification number 12/2003 –ST dated June 20, 2003 ("**Notification-1**") excluding the value of plant, machinery or equipment being installed, erected and commissioned. BHEL, with respect to commercial and industrial construction services, availed CENVAT credit abatement benefit of 67% value of gross billing on input services under Notification number 15/2004–ST dated September 10, 2004 ("**Notification-2**") till February 28, 2006. Subsequently, Notification number 1/2006–ST dated March 1, 2006 ("**Notification-3**") discontinued the benefit on input services. In the year 2006-07, in respect of two new projects, BHEL availed benefits under Notification-2 by paying service tax on commercial and industrial construction service at 100% value. The tax department issued show cause notice dated October 20, 2008 ("**SCN**") to BHEL to show cause as to why an amount of ₹ 268.02 million along with interest should not be demanded from it. It was stated in the SCN that BHEL availed CENVAT credit of input and input services for the years 2005-2008 under Notification-2 and violated the provisions of Notification-2 and Notification-3. BHEL replied to the show cause notice on November 24, 2008 but its contentions were not taken into consideration by the Commissioner Central Excise Nagpur in his order numbered 22 of 2008 dated December 30, 2008. BHEL filed an appeal bearing number ST/65/09 on March 23, 2009

before the CESTAT, Mumbai and also filed an application for seeking waiver of pre-deposit and stay of recovery of service tax amounting to over ₹ 268.01 million for October 2005 to March 2008. CESTAT, vide its order number S/145/10/CST B/C-II dated June 2, 2010, allowed the application for waiver of pre-deposit and stay of recovery of service tax. The matter is currently pending.

(ix) BHEL was engaged in the manufacture and supply of goods to various companies like Damodar Valley Corporation, NTPC, Maha Genco, Pragathi Power Corporation etc. ("**Companies**"). BHEL provided boilers, gas turbines and centrifugal pumps ("**Equipments**") for setting up power plants to the Companies without payment of applicable excise duty. As per customs notification no 21/2002-CUS dated March 1, 2002, the exemption from paying customs duty is available for a certain capacity threshold of thermal power plant i.e. 700 MW or more. However, all the goods cleared by BHEL were for thermal plants having a capacity less than 700 MW. The Commissioner of Customs and Central Excise ("**CCE**") issued show cause notice bearing number 12/2011 dated April 7, 2011 to BHEL asking it to show cause as to why an amount of ₹ 1705.80 million along with interest and penalty under section 11AC of Central Excise Act, 1944 and rule 25 of Central Excise Rules, 2002, should not be demanded from it in terms section 11A(1) of the Central Excise Act for non-payment of customs duty and contravention of Notification No. 6/2006-CE dated March 1, 2006. The matter is currently pending.

(x) BHEL was engaged in the manufacture and supply of goods to various Customers. BHEL provided boilers, gas turbines and centrifugal pumps ("**Equipments**") for setting up power plants to the Companies without payment of applicable excise duty. As per customs notification no 21/2002-CUS dated March 1, 2002, the exemption from paying customs duty is available for a certain capacity threshold of thermal power plant i.e. 700 MW or more. However, all the goods cleared by BHEL were for thermal plants having a capacity less than 700 MW. The Commissioner of Customs and Central Excise, Hyderabad-I and Service Tax Bhopal ("**CCE**") issued show cause notice dated April 27, 2011 to BHEL asking it to show cause as to why an amount of ₹ 1578.16 million along with interest and penalty, should not be demanded from it in terms section 11A(1) of the Central Excise Act and rule 25(a) and (d) of the Central Excise Rules 2002 for non-payment of customs duty. The matter is currently pending.

(xi) BHEL purchased certain goods and claimed exemption under section 6(2) of the Central Sales Tax Act, 1956 ("**CST Act**"). BHEL failed to produce the requisite document evidencing the sale for examination before the Senior Joint Commissioner, Sale Tax Corporate Division, West Bengal ("**Commissioner**"). The Commissioner issued a notice of demand under the West Bengal Value Added Tax Rules, 2005 dated August 5, 2010 to BHEL directing BHEL to pay central sales tax amounting to pay ₹ 3.93 million and ₹ 248.69 million as Value Added Tax on or before September 28, 2010 for the Assessment period 2007-2008. The matter is currently pending.

(xii) BHEL purchased certain goods and claimed exemption under section 6(2) of the Central Sales Tax Act, 1956 ("**CST Act**"). BHEL failed to produce the requisite document evidencing the sale for examination before the Deputy Commissioner/ Assistant Commissioner/ Commercial Taxes Officer, Commercial Taxes Department, Government of Jharkhand ("**Commissioner**"). The Commissioner issued a notice of demand dated June 14, 2011 to BHEL ordering BHEL to pay the amount of ₹ 357.19 million in connection with the Tax assessment or other order for the period 2008 – 09. The Commissioner held that sale in transit must take place only after commencement of the movement. If there is a pre-existing order with the sale, such sale does not qualify for exemption under section 6(2) of the Act ("**Order**"). BHEL filed an appeal against the Order on July 25, 2011 before the Commissioner, Commercial Tax Department. The matter is currently pending.

(xiii) BHEL imported certain goods and claimed exemption from paying sales tax amounting to ₹ 122.69 million for sales in the course of import under section 5(2) of the Central Sales Tax, 1956 ("**CST**"). The Assistant Commissioner of Sales Tax, Mumbai ("**Assistant Commissioner**"), vide assessment order numbered XI-76/80/97-98 dated March 16, 1998, disallowed the exemption claimed by BHEL for the year 1994-95. The Assistant Commissioner observed that BHEL did not furnish documents evidencing sale in the course of import and also rejected the common C-form (used for concession from paying sales tax) submitted by BHEL ("**Order**"). Aggrieved by the Order, BHEL filed an appeal bearing number BA 505/070 before the Joint Commissioner of Sales

Tax praying for exemption from paying sales tax amounting to ₹ 122.69 million. The matter is currently pending.

(xiv) BHEL imported certain goods and claimed exemption from paying sales tax amounting to ₹ 113.06 million for sales in the course of import under section 5(2) of the Central Sales Tax, 1956 ("**CST**"). The Assistant Commissioner of Sales Tax, Mumbai ("**Assistant Commissioner**"), vide assessment order dated July 4, 2000, disallowed the exemption claimed by BHEL for the year 1998-99. The Assistant Commissioner observed that BHEL did not furnish documents evidencing sale in the course of import and also rejected the common C-form (used for concession from paying sales tax) submitted by BHEL ("**Order**"). Aggrieved by the Order, BHEL filed an appeal dated February 2, 2002 before the Joint Commissioner of Sales Tax praying for exemption from paying sales tax amounting to ₹ 113.06 million. The matter is currently pending.

(xv) BHEL entered into a sale agreement with various customers for sale of certain equipments. BHEL claimed exemption from paying applicable sales tax owing to transfer of the said equipments to special economic zones, inter-state sale and penultimate exports. Due to non-submission of concessional sales tax declaration forms (I/C/H forms respectively) by BHEL for the assessment year 2008-09, the Deputy Commissioner of Commercial Taxes, Division – 1, Bhopal, vide order dated April 25, 2011, rejected BHEL's claim directing BHEL to pay tax amounting to ₹ 256.15 million ("**Order**"). Aggrieved by the Order, BHEL filed an appeal before the Additional Commissioner of Commercial Taxes, Bhopal. The matter is currently pending.

(xvi) BHEL entered into a sale agreement with various customers for sale of certain equipments. BHEL claimed exemption from paying applicable sales tax owing to transfer of the said equipments to special economic zones, inter-state sale and penultimate exports. Due to non-submission of concessional sales tax declaration forms (E-I/C/H forms respectively) by BHEL in respect of sales made in accordance with section 6(2) of the Central Sales Tax Act, 1956, for the assessment year 2007-08, the Additional Commissioner of Commercial Taxes, Bhopal, vide order dated March 3, 2011, rejected BHEL's claim directing BHEL to pay tax amounting to ₹ 130.64 million ("**Order**"). Aggrieved by the Order, BHEL filed an appeal on May 24, 2011, before the Chairman, M.P Commercial Tax Appellate Board, Bhopal. The matter is currently pending.

(xvii) BHEL imported certain goods and claimed exemption from paying sales tax amounting to ₹ 130.87 million for sales in the course of import under section 5(2) of the Central Sales Tax, 1956 ("**CST**"). The Senior Deputy Commissioner of Sales Tax, Mumbai ("**Assistant Commissioner**"), vide assessment order dated January 12, 2005, disallowed the exemption claimed by BHEL for the year 2001-02. The Senior Deputy Commissioner observed that BHEL did not furnish documents evidencing sale in the course of import and also rejected the common C-form (used for concession from paying sales tax) submitted by BHEL ("**Order**"). Aggrieved by the Order, BHEL filed an appeal bearing number CA 327/070 before the Joint Commissioner of Sales Tax praying for exemption from paying sales tax amounting to ₹ 130.87 million. The matter is currently pending.

(xviii) BHEL imported certain goods and claimed exemption from paying sales tax amounting to ₹ 168.61 million for sales in the course of import under section 5(2) of the Central Sales Tax, 1956 ("**CST**"). The Assistant Commissioner of Sales Tax, Mumbai ("**Assistant Commissioner**"), vide assessment order dated February 28, 2008, disallowed the exemption claimed by BHEL for the year 2002-03 and 2003-04. The Assistant Commissioner observed that BHEL did not furnish documents evidencing sale in the course of import and also rejected the common C-form (used for concession from paying sales tax) submitted by BHEL ("**Order**"). Aggrieved by the Order, BHEL filed an appeal dated March 4, 2008 before the Joint Commissioner of Sales Tax praying for exemption from paying sales tax amounting to ₹ 168.61 million. The matter is currently pending.

(xix) BHEL imported certain goods and claimed exemption from paying sales tax amounting to ₹ 127.21 million for sales in the course of import under section 5(2) of the Central Sales Tax, 1956 ("**CST**"). The Assistant Commissioner of Sales Tax, Mumbai ("**Assistant Commissioner**"), vide assessment order dated January 30, 2010, disallowed the exemption claimed by BHEL for the year 2004-05. The Assistant Commissioner observed that BHEL did not furnish documents evidencing sale in the course of import and also rejected the common C-form (used for concession

from paying sales tax) submitted by BHEL ("**Order**"). Aggrieved by the Order, BHEL filed an appeal bearing number Jt. Comm/App-1/BA-504/CA-505/VAT dated March 19, 2010 before the Joint Commissioner of Sales Tax ("**Joint Commissioner**") praying for exemption from paying sales tax amounting to ₹ 127.21 million. The Joint Commissioner passed an order on April 28, 2010, granting an interim stay in the matter till May 15, 2010. The matter is currently pending.

(xx) BHEL entered into a sale agreement with various customers for sale of certain equipments. BHEL claimed exemption from paying applicable sales tax owing to transfer of the said equipments to special economic zones, inter-state sale and penultimate exports. Due to non-submission of concessional sales tax declaration forms (E-I/E-II, C/D/H forms respectively) by BHEL in respect of sales made in accordance with section 6(2) of the Central Sales Tax Act, 1956 for the assessment year 2006-07, the Deputy Commissioner of Commercial Taxes, Division – 1, Bhopal, vide order dated August 13, 2010, rejected BHEL's claim directing BHEL to pay tax amounting to ₹ 187.94 million ("**Order**"). Aggrieved by the Order, BHEL filed an appeal on November 10, 2010 before the Chairman, M.P Commercial Tax Appellate Board, Bhopal. The matter is currently pending.

(xxi) BHEL (Seamless Steel Tube Plant) ("**SSTP**") cleared its products namely, stainless steel tubes and welded tubes ("**Products**") on payment of central excise duty to BHEL (High Pressure Boiler Plant) ("**HPBP**"). Subsequently, both these units were merged to form BHEL (HPBPSSTP) (the "**Assessee**"). Post the merger, the Assessee did not pay any duty on the Products on the ground that it was exempted under the Notification No. 67/95-CE dated March 16, 1995, whereby the Central Government had exempted certain products from the entire leviable duty of excise. Thereafter, the final products in the manufacture of which the Products were used, were also removed by the Assessee without payment of duty availing the whole exemption under Notification No. 6/2006-CE dated March 1, 2006 (the "**Notifications**") as per which all the goods supplied against international competitive bidding are exempted from payment of the entire central excise duty. The Commissioner of Central Excise, Tiruchchirapalli ("**CCE**") issued a show cause notice dated April 25, 2011 to the Assessee, demanding a duty of ₹ 102.09 million being the entire central excise duty payable on the Products along with interest under section 11A(1) and 11AB of the Central Excise Act, 1944 ("**Act**") imposing a penalty under rule 25 of the Central Excise Rules, 2002 ("**SCN**"). The Assessee replied to the SCN on May 23, 2011 contending that it comes within the purview of the exemptions as per the Notifications. The CCE, vide order dated July 20, 2011, held that the Assessee did not fall within the ambit of the exemptions laid down in the Notifications and therefore the Assessee is liable to pay ₹ 102.09 million towards the entire central excise duty payable and levied a penalty of ₹ 13.00 million ("**Order**"). The matter is currently pending.

(xxii) BHEL classified certain goods such as tubes, pipes, valves, etc under the category of 'boilers' and certain other boiler components under the category of 'parts of boiler' ("**Goods**") and was paying applicable duty accordingly. Basis this classification, 50 show cause notices were issued to BHEL during May 1995 to December 1999, alleging that the Goods were wrongly classified and that they should be classified under specific tariff headings applicable to each of the Goods and applicable duty amounting to ₹ 100.79 be paid accordingly ("**SCNs**"). BHEL replied to the SCNs contending that classification was on the basis that the Goods are manufactured for exclusive use as parts of the boiler and are integral to the manufacturing of the boiler as a whole, thus they cannot be segregated in different headings and with different rates of duty being payable on them. The Commissioner of Central Excise, Trichirapalli ("**CCE**"), vide order dated December 31, 2004, upheld BHEL's contention and dropped all further proceedings initiated against it. The matter is currently pending ("**Order**"). Aggrieved by the Order, the tax authorities filed an appeal bearing number 390/314/05/JC before CESTAT. The matter is currently pending.

(xxiii) BHEL entered into certain contracts with its customers for the supply and manufacture of turbo generating sets ("**TG Sets**"). BHEL classified parts of the TG Sets as falling under 'TG Sets', basis the requirement under chapters 84 and 85 of the Central Excise Tarfiff Act, 1985 ("**Act**") and paid duty as applicable to TG Sets. The Commissioner of Customs and Central Excise (Appeals), Hyderabad ("**CCE**") did not accept the said classification and vide different orders bearing numbers OIA No 03/2006, OIA No. 49/2006, OIA No. 50/2006 and OIA 73/2004, held that the parts of the TG Sets could not be clubbed with TG Sets for payment of duty and accordingly levied additional duty amounting to ₹ 125.09 million on the same ("**Orders**"). BHEL

filed four appeals bearing numbers E/597/2006, E/1040/2006, E/1041/2006 and E/1264/2004 ("**Appeals**") against the Orders before CESTAT, Bangalore ("**CESTAT**"). CESTAT, vide orders bearing numbers 264/2009 to 267/ 2009 dated March 25, 2009, set aside the Orders and held that TG Sets cannot be manufactured without the parts and thus BHEL rightly classified the parts under the same category as 'TG Sets'. Thus the Appellant was right in classifying it under the same category and not under separate categories and that the assessment was correctly done. Thus the Appeals were allowed and the Orders were set aside ("**CESTAT Order**"). Aggrieved by the CESTAT Order, the tax authorities filed an appeal before the Supreme Court of India praying that BHEL be directed to pay ₹ 125.09 million as the tax payable by it. The matter is currently pending.

(xxiv) BHEL entered into 41 sale orders/contracts with various entities for manufacture of certain excisable goods ("**Goods**"). Taking recourse to rule 9B of Central Excise Rules, 1944, BHEL provisionally assessed the Goods and without paying the entire duty leviable on the Goods, it cleared the Goods. The Superintendent of Central Excise, Ramachandrapuram Range ("**Assessing Officer**") on February 25, 2008 demanded that a verification of the assessment be done by BHEL and required all documents to be submitted to the department in respect of the sale orders for finalisation of the assessments. The Assistant Commissioner of Central Excise, Hyderabad ("**Assistant Commissioner**"), vide order bearing number 16/2008-CE dated February 28, 2008, finalized the provisional assessment and demanded payment of duty amounting to ₹ 293.29 million from BHEL being the balance amount due towards the assessment. The matter is currently pending.

(xxv) BHEL manufactured certain intermediate goods like exhaust fans, rotors, shafts, wheels etc. ("**Intermediate Goods**") which were used in the course of manufacturing other final goods such as bowl mill, turbines, etc. ("**Final Goods**"). BHEL cleared the Final Goods without payment of any duty, seeking benefit of exemption under rule 6 of CENVAT Credit Rules 2004 and Notification No. 67/95-CE dated March 16, 1995 and also cleared the final goods without payment of duty under Notification No. 6/2002-CE dated March 1, 2002 and 6/2006-CE dated March 1, 2006 ("**Notification**"), which exempts certain final goods and their respective intermediate goods from payment of any duty. The Commissioner of Customs and Central Excise, Hyderabad ("**Commissioner**") issued a show cause notice bearing number O.R.No.50/2008-Hyd-I Adjn on April 23, 2009 asking BHEL to show cause why central excise duty amounting to ₹ 442.74 million payable on the Intermediate Goods for a period from June 2005 to December 2008 should not be demanded and recovered from it in terms of Section 11A(1) of the Central Excise Act, 1944 along with interest under section 11AB and penalty under section 11AC of the Central Excise Act, 1944 and rule 25 of Central Excise Rules, 2002 ("**SCN**"). The Commissioner further stated in the SCN that the Final Goods did not fall within the exempted category as mentioned in the Notification thus both the Final Goods and the Intermediate Goods attracted duty. The matter is currently pending.

(xxvi) BHEL manufactured certain intermediate goods like exhaust fans, rotors, shafts, wheels etc. ("**Intermediate Goods**") which were used in the course of manufacturing other final goods such as bowl mill, turbines, etc. ("**Final Goods**"). BHEL cleared the Final Goods without payment of any duty, seeking benefit of exemption under rule 6 of CENVAT Credit Rules 2004 and Notification No. 67/95-CE dated March 16, 1995 and also cleared the final goods without payment of duty under Notification No. 6/2002-CE dated March 1, 2002 and 6/2006-CE dated March 1, 2006 ("**Notification**"), which exempts certain final goods and their respective intermediate goods from payment of any duty. The Commissioner of Customs and Central Excise, Hyderabad ("**Commissioner**") issued a show cause notice bearing number O.R.No.82/2010-Hyd-I Adjn dated November 1, 2010, asking BHEL to show cause why central excise duty amounting to ₹ 284.36 million payable on the Intermediate Goods for a period from October 2009 to March 2010 should not be demanded and recovered from it in terms of Section 11A(1) of the Central Excise Act, 1944 along with interest under section 11AB and penalty under section 11AC of the Central Excise Act, 1944 and rule 25 of Central Excise Rules, 2002 ("**SCN**"). The Commissioner further stated in the SCN that the Final Goods did not fall within the exempted category as mentioned in the Notification thus both the Final Goods and the Intermediate Goods attracted duty. The matter is currently pending.

(xxvii) BHEL manufactured certain intermediate goods like exhaust fans, rotors, shafts, wheels etc. ("**Intermediate Goods**") which were used in the course of manufacturing other final goods such as bowl mill, turbines, etc. ("**Final Goods**"). BHEL cleared the Final Goods without payment of any duty, seeking benefit of exemption under rule 6 of CENVAT Credit Rules 2004 and Notification No. 67/95-CE dated March 16, 1995 and also cleared the final goods without payment of duty under Notification No. 6/2002-CE dated March 1, 2002 and 6/2006-CE dated March 1, 2006 ("**Notification**"), which exempts certain final goods and their respective intermediate goods from payment of any duty. The Commissioner of Customs and Central Excise, Hyderabad ("**Commissioner**") issued a show cause notice bearing number O.R.No.11/2011-Hyd-I Adjn dated April 15, 2011, asking BHEL to show cause why central excise duty amounting to ₹ 203.16 million payable on the Intermediate Goods for a period from April 2010 to October 2010 should not be demanded and recovered from it in terms of Section 11A(1) of the Central Excise Act, 1944 along with interest under section 11AB and penalty under section 11AC of the Central Excise Act, 1944 and rule 25 of Central Excise Rules, 2002 ("**SCN**"). The Commissioner further stated in the SCN that the Final Goods did not fall within the exempted category as mentioned in the Notification thus both the Final Goods and the Intermediate Goods attracted duty. The matter is currently pending.

(xxviii) BHEL was engaged in manufacture and supply of certain equipments under turnkey contracts entered into with various customers ("**Contracts**") and received advance towards the Contracts. Being registered with the Service Tax Range, Hyderabad Division, BHEL was required to pay service tax as soon as advance was received by it. BHEL did not pay any service tax amounting to ₹ 324.07 million payable on the advances of ₹ 2819.55 million received by it for the period June 16, 2005 to March 31, 2010. The Commissioner of Customs and Central Excise, Hyderabad ("**Commissioner**") issued a show cause notice bearing number O.R.No. 9/2010-Hyd-I Adjn dated October 22, 2010 to BHEL to show cause why service tax amounting to ₹ 324.07 million along with interest should not be demanded and recovered from it as per section 73(1) of the Finance Act, 1994 ("**Act**") along with interest under section 75 of the Act and penalty under sections 75, 77 and 78 of the Act for the non-payment of service tax on the advances received by it ("**SCN**"). The matter is currently pending.

(xxix) BHEL cleared certain goods during the period March 2005 to March 2009 without payment of duty amounting to ₹ 1380.73 million as it claimed exemption under rules 6(6)(vii) and rule 6(3)(i) of the Cenvat Credit Rules ("**Rules**"). The Commissioner of Central Excise, Chennai ("**Commissioner**") issued a show cause notice bearing number 75/2009 dated November 25, 2009 to BHEL for wrongly availing exemption from payment of duty ("**SCN**"). Under the SCN, BHEL was asked to show cause as to why ₹ 1380.73 million being 10% of value of the exempted goods cleared for the period March 2005 to March 2009 along with interest should not be demanded under rule 14 of the Rules read with section 11A(1) of the Central Excise Act, 1944 and rule 6(3A) of Cenvat Credit Rules along with penalty under section 11AC of the Act and rule 15(2) of Cenvat Credit Rules and rule 8 of Central Excise Rules, 2002. BHEL filed a reply in the matter on March 9, 2010. The matter is currently pending.

(xxx) BHEL cleared certain goods during the period April 2009 to December 2009 without payment of duty amounting to ₹ 367.18 million as it claimed exemption under rules 6(2), 6(3)(i) and 6(6)(vii) of the Cenvat Credit Rules ("**Rules**"). The Commissioner of Central Excise, Chennai ("**Commissioner**") issued a show cause notice bearing number 28/2010 dated April 7, 2010 to BHEL for wrongly availing exemption from payment of duty ("**SCN**"). Under the SCN, BHEL was asked to show cause as to why ₹ 367.18 million being 10% of value of the exempted goods cleared from April 2009 to December 2009 along with interest should not be demanded under rule 14 of the Rules read with section 11A(1) of the Central Excise Act, 1944 ("**Act**") along with interest under rule 14 of the Cenvat Credit Rules and section 11AB of the Act as well as penalty under rule 15(1) of the Cenvat Credit Rules and rule 25(1) of the Central Excise Rules, 2002. BHEL filed a reply in the matter on June 6, 2010. The matter is currently pending.

(xxxi) BHEL cleared certain goods during the period January 2010 to September 2010 without payment of duty amounting to ₹ 415.37 million as it claimed exemption under rules 6(2), 6(3)(i) and 6(6)(vii) of the Cenvat Credit Rules ("**Rules**"). The Commissioner of Central Excise, Chennai ("**Commissioner**") issued a show cause notice bearing number 04/2011 dated February 4, 2011 to BHEL for wrongly availing exemption from payment of duty ("**SCN**"). Under the SCN, BHEL

was asked to show cause as to why ₹ 415.37 million being 10% of value of the exempted goods cleared along with interest should not be demanded under rule 14 of the Rules read with section 11A(1) of the Central Excise Act, 1944 and rule 6(3A) of the Cenvat Credit Rules, 2004. BHEL filed a reply in the matter on March 7, 2011. The matter is currently pending.

(xxxii) BHEL, engaged in developing power projects, claimed exemption from paying applicable duty under Notification nos 6/2002 CE dated March 1, 2002 and 6/2006/CE read with rules 4,6 and 8 of the Central Excise Rules, 2002 ("**Rules**") for two 500 MW projects as 'Mega Power Project' ("**Exemption**"). The Commissioner of Central Excise, Chennai ("**Commissioner**") issued a show cause notice bearing number 06/2011 dated February 8, 2011 to BHEL for wrongly availing the Exemption for goods cleared from January 2006 to June 2010 and was asked to show cause as to why ₹ 2,531.69 million should not be demanded under section 11A(1) of the Central Excise Act, 1944 ("**Act**") along with interest under section 11AB of the Act and a penalty not to be imposed under section 11AC of the Act. BHEL filed a reply in the matter on May 4, 2011. The matter is currently pending.

(xxxiii) BHEL, engaged in developing power projects, claimed exemption from paying applicable duty under Notification no 6/2006/CE read with rules 4,6 & 8 of the Central Excise Rules, 2002 ("**Rules**") for Maha Genco, Chandrapur unit (two 500 MW projects) ("**Unit**") ("**Exemption**"). The Commissioner of Central Excise, Chennai ("**Commissioner**") issued a show cause notice bearing number 62/2010 dated December 7, 2010 to BHEL for wrongly availing the Exemption as the Unit was only an extension of an existing 'Maha Power Project' and was asked to show cause as to why ₹ 101.83 million along with interest should not be demanded under rule 14 of the Rules read with section 11A(1) of the Central Excise Act, 1944 along with interest under section 11AB of the Central Excise Act, 1944 ("**Act**") and penalty under section 11AC of the Act and rule 25 of the Central Excise Rules, 2002 for violation of the Rules. BHEL filed a reply in the matter on February 18, 2011. The matter is currently pending.

(xxxiv) BHEL, engaged in developing power projects, claimed exemption from paying applicable duty under Notification No. 6/2002 CE dated March 1, 2002 and Notification No. 6/2006 dated March 1, 2006 as amended ("**Rules**") for two Mega Power Projects' of less than 1000 MW capacity ("**Exemption**"). The Commissioner of Central Excise, Chennai ("**Commissioner**") issued a show cause notice bearing number 29/2011 dated August 2, 2011 to BHEL for non-payment of duty payable by it on goods cleared from July 2010 to June 2011 as it was not entitled to claim the Exemption ("**SCN**"). Under the SCN, BHEL was asked to show cause as to why duty amounting to ₹ 1087.76 million along with interest under section 11AB of the Central Excise Act, 1944 ("**Act**") and penalty under section 11AC of the Act should not be demanded from it under section 11A of the Act for contravention of rule 6 of CENVAT Credit Rules, 2004. The Commissioner stated in the SCN that multiple units constituting 1000 MW cannot be considered as 'Mega Power Project' to claim the Exemption as the threshold capacity of 1000MW should be constituted by a single unit. The matter is currently pending.

(xxxv) BHEL, engaged in developing power projects, claimed exemption under Notification No. 6/2006 dated March 1, 2006 ("**Notification**") for clearances of goods to Chandrapur Expansion STPS and Bhusawal Expansion TPP for the period January 2010 to February 2011 ("**Exemption**"). The Commissioner of Central Excise and Service, Tiruchchirappalli ("**Commissioner**") issued a show cause notice bearing number 14/2011(CX) dated July 7, 2011 to BHEL for non-payment of central excise duty payable by it as it was not entitled to the Exemption ("**SCN**"). Under the SCN, BHEL was asked to show cause as to why duty amounting to ₹ 365.80 million along with interest should not be demanded from it under section 11A(1) of the Central Excise Act, 1944 and Rule 25 of Central Excise Rules, 2002 for contravention of rules 4, 6, 7 and 8 of Central Excise Rules, 2002 . The matter is currently pending.

(xxxvi) BHEL cleared its products namely SS tubes and SFW tubes used in its factories and claimed exemption under notification number 67/95-CE dated March 16, 1995 for the period April 2008 to March 2009 ("**Exemption**"). Three show cause notices were issued on May 7, 2009, August 4, 2009 and August 31, 2009 calling BHEL to show cause as to why duty should not be demanded under section 11(A)(1) of the Central Excise Act, 1944 along with interest under section 11AB, and penalty under rule 25 of the Central Excise Rules 2002. The Commissioner of Central Excise,

Tiruchirapalli ("**CCE**") vide its order bearing number OIO No. 02/2010 dated April 28, 2010, held that BHEL is not entitled to claim the Exemption as while clearing the final products cleared from the factory for supplying against international competition bidding under notification number 6/2002-CE or 6/2006-CE, it has an option of claiming credit under Cenvat Rule 6 and directed BHEL to pay duty amounting to ₹ 120.22 including penalty of ₹ 5.00 million levied in the matter ("**Order**"). Aggrieved by the Order, BHEL filed an appeal before CESTAT, Chennai on July 9, 2010. The matter is currently pending.

(xxxvii) BHEL purchased certain goods and claimed exemption from paying applicable sales tax in respect of purchases made by it directly in the name of Haryana Power Generation Corporation, Panipat, under section 6(2)(b) of the Central Sales Tax Act, 1956 ("**Act**") for the assessment year 2003-04 ("**Exemption**"). The assessing officer, Panipat, vide order dated March 12, 2007, granted refund of ₹ 61.18 million claimed by BHEL ("**AO Order**"). Aggrieved by the AO Order, the tax authorities filed an appeal before the Joint Excise and Taxation Commissioner-cum-Revisional Authority, Faridabad ("**Commissioner**"). The Commissioner, vide order dated June 24, 2011, held that BHEL was not entitled to claim the Exemption and the same was wrongly allowed by the assessment officer. Additionally, the Commissioner observed that BHEL did not disclose the labour and service charges for the assessment year 2003-04 and the same remained un-assessed in the AO Order and directed BHEL to pay ₹ 182.90 million towards total tax payable by it. The matter is currently pending.

(xxxviii) BHEL purchased certain goods and claimed exemption from paying applicable sales tax in respect of purchases made by it directly in the name of Haryana Power Generation Corporation, Panipat, under section 6(2)(b) of the Central Sales Tax Act, 1956 ("**Act**") for the assessment year 2004-05 ("**Exemption**"). The assessing officer, Panipat, vide order dated March 25, 2008 granted refund of ₹ 35.06 million claimed by BHEL ("**AO Order**"). Aggrieved by the AO Order, the tax authorities filed an appeal before the Joint Excise and Taxation Commissioner-cum-Revisional Authority, Faridabad ("**Commissioner**"). The Commissioner, vide order dated June 24, 2011, held that BHEL was not entitled to claim the Exemption and the same was wrongly allowed by the assessment officer. Additionally, the Commissioner observed that the assessing officer erroneously levied tax on labour and service charges at the rate of 4% instead of the correct rate of tax at 10% for the assessment year 2004-05 and directed BHEL to pay ₹ 129.50 million towards total tax payable by it. The matter is currently pending.

(xxxix) BHEL made certain inter-state supplies of equipments to various customers ("**Customers**"). The Customers deducted works contract tax ("**WCT**") amounting to ₹ 584.55 million in the assessment year 2007-08. The assessing officer, vide order dated September 29, 2010, disallowed credit of WCT. The assessing officer, Kota, observed that BHEL's customers deducted extra WCT due to wrong calculation of BHEL's turnover which was more than what was evident from books of BHEL. Hence, the assessing officer raised a tax demand of the differential WCT amounting to ₹ 584.55 million ("**Order**"). Aggrieved by the Order, BHEL filed an appeal before the Deputy Commissioner (Appeals), commercial taxes, Ajmer (Raj) on December 23, 2010. The matter is currently pending.

E. Direct Tax Disputes

There are 11 income tax proceedings pending against the Company where the disputed amount is approximately ₹ 5,331.48 million of which ₹ 5,331.48 million has been paid. Of these cases, the details of the Material Cases are mentioned below.

(i) BHEL filed its return of income for the assessment year 2007-08 on October 26, 2007 declaring net taxable income of ₹ 40,911.18 million. Subsequently, the case was selected for scrutiny and certain additions amounting to ₹ 1093.60 million were made by the Additional Commissioner of Income Tax ("**ACIT**") and the ACIT, vide order dated December 17, 2009, disallowed certain deductions claimed by BHEL increasing it to ₹ 42,004.78 million ("**Order**"). Penalty proceedings under section 271(1)(c) of the Income Tax Act, 1961 ("**Act**"), were also been initiated against BHEL separately. Aggrieved by the Order, BHEL filed an appeal bearing number 106/09-10 dated January 6, 2010 before the Commissioner of Income Tax (Appeals), New Delhi ("**CIT**"). The CIT, vide its order dated March 31, 2011, partially allowed certain additions made by the ACIT in the Order. The CIT Order also disallowed initiation of penalty proceedings under

section 271(1)(c) of the Act. The matter is currently pending. While the tax demand in the present proceeding is ₹ 2172.75 million, there is no outstanding demand as BHEL has paid the tax demand in full. Further, outcome of the present proceeding will not result in any additional tax demand from the tax authorities. The matter is currently pending.

(ii) BHEL filed its return of income for the assessment year 2006-07 on November 27, 2006 declaring net taxable income of ₹ 30,114.50 million. Subsequently, the case was selected for scrutiny and the Additional Commissioner of Income Tax ("**ACIT**"), vide order dated December 26, 2008, disallowed certain allowances and made additions to the net taxable income increasing it to ₹ 30,377.14 million ("**Order**"). Penalty proceedings under section 271(1)(c) of the Income Tax Act, 1961 ("**Act**"), were also been initiated against BHEL separately. Aggrieved by the Order, BHEL filed an appeal bearing number 93/08-09 dated January 21, 2009 before the Commissioner of Income Tax (Appeals), New Delhi ("**CIT**"). The CIT, vide its order dated December 30, 2009, partially allowed certain additions made by the ACIT in the Order ("**CIT Order**"). The CIT Order also disallowed initiation of penalty proceedings under section 271(1)(c) of the Act. The matter is currently pending. While the tax demand in the present proceeding is ₹ 1620.73 million, there is no outstanding demand as BHEL has paid the tax demand in full. Further, outcome of the present proceeding will not result in any additional tax demand from the tax authorities. The matter is currently pending.

(iii) BHEL filed its return of income for the assessment year 2005-06 on October 30, 2005 declaring net taxable income of ₹ 17,473.40 million. Subsequently, the case was selected for scrutiny and the Additional Commissioner of Income Tax ("**ACIT**"), vide order dated December 17, 2007, disallowed certain allowances and made additions to the net taxable income increasing it to ₹ 17,684.80 million ("**Order**"). Penalty proceedings under section 271(1)(c) of the Income Tax Act, 1961 ("**Act**"), were also been initiated against BHEL separately. Aggrieved by the Order, BHEL filed an appeal bearing number 94/07-08 dated January 7, 2008 before the Commissioner of Income Tax (Appeals), New Delhi ("**CIT**"). The CIT, vide its order dated December 30, 2009, partially allowed certain additions made by the ACIT in the Order ("**CIT Order**"). The CIT Order also disallowed initiation of penalty proceedings under section 271(1)(c) of the Act. The matter is currently pending. While the tax demand in the present proceeding is ₹ 1324.28 million, there is no outstanding demand as BHEL has paid the tax demand in full. Further, outcome of the present proceeding will not result in any additional tax demand from the tax authorities. The matter is currently pending.

F. Public Interest Litigation

There is one public interest litigation pending against the Company. The details are given below.

(i) BHEL Bhumi Visthapit Kisan Evam Sthaniya Berojgar Samiti ("**Petitioner**") filed a public interest litigation bearing number W.P. No. 23/2011 in the High Court of Uttarakhand at Nainital against Union of India, State of Uttarakhand, State Industrial Development Corporation Limited ("**SIDCL**"), BHEL and others ("**PIL**"). The Petitioner is a society formed by the aggrieved persons of about 8 villages. The Petitioner stated that out of the 8,000 acres of land acquired for BHEL in the year 1962 for construction of dwelling houses and setting up a factory to manufacture heavy equipment, only 3,000 acres has been occupied by BHEL and the balance 5,000 acres is lying idle. Despite repeated representations made by the Petitioner and its members to the State Government to either pay them compensation and concessions under the acquisition agreement entered into with them or return the land lying idle to them. However, no effective steps were taken by the State Government in this regard. The Petitioner contended that since the year 1971, land out of the balance 5000 acres was released at various instances to various public and private bodies by the State Government. The Petitioner further stated in the PIL that SIDCL illegally encroached upon the land of the Petitioner without any authority thereof. The Petitioners raised the question of law as to whether the State Government can allot land acquired by it to person or persons for whom the land was not acquired and also for such purposes for which the land was not acquired under the Land Acquisition Act, 1894. The Petitioner prayed for quashing of all the illegal allotments made by the State Government and to release the remaining land to Petitioner. The matter is currently pending.

G. Legal/Statutory Notices

The Company has received a total of 166 legal/statutory notices. The total value of the disputes/claims raised in such legal notices is approximately ₹ 215.55 million.

H. Land Related Cases

There are 75 proceedings filed against the Company relating to property and land matters in various forums relating to various units of the Company. The aggregate of claim amounts filed against the Company is approximately ₹ 6.46 million.

I. Consumer Cases

There are 5 consumer proceeding filed against the Company. The aggregate of the claim amount in the consumer cases filed against the Company is approximately ₹ 18.23 million.

J. Labour/Employment Matters

There are 263 labour/employment matters pending against the Company in various forums. These cases primarily relate to recruitment, promotion, transfer, reinstatement, allegations of default in payment of pension, failure to make payment of employees provident fund and regularization matters. The aggregate amount involved is approximately ₹ 44.50 million.

2. Litigation by the Company

A. Criminal Complaints

There are 3 criminal cases initiated by the Company. The details of these are given below.

(i) BHEL lodged a First Information Report ("**FIR**") on September 31, 2002 against its employee named Mr. Niraj Donde in the Cuffe Parade police station in Mumbai for misappropriation of BHEL's funds amounting to ₹ 0.35 million received by him on account of cancellation of travel bookings. It was stated in the FIR that Mr. Donde is liable to be prosecuted under section 420 of the Indian Penal Code, 1860. The matter is currently pending.

(ii) BHEL, through its employee, Mr. J.B Singh, deputy manager, human resources, BHEL, PS Ranipur, Haridwar, lodged a first information report on January 13, 2007 ("**FIR**") against certain police personnel who have been transferred in UP from Uttarakhand ("**Accused**") and are in unauthorized occupation of BHEL's residential premises and have not made payment towards license fee charged by BHEL. The FIR was filed for non-payment of dues and eviction of property under sections 406 and 447 of the IPC. However, police, post investigation submitted a final report on March 10, 2007, stating that there is no valid basis of filing the charge sheet against the Accused.

(iii) Mr. Champak Choudhary and Mr. K.K Khatri, two officials of BHEL, collaborated with four workers namely Mr. Shiv Charan and others of BHEL Mahila Kalyan Samiti, society running the management of the petrol pump owned by BHEL ("**Accused**") and misappropriated funds amounting to ₹ 0.47 million. Thereafter, BHEL lodged a first information report on September 16, 2001 ("**FIR**") against the Accused for misappropriation of funds under section 420, 467, 468, and 471 of the Indian Penal Code, 1860 ("**IPC**"). BHEL filed a criminal complaint bearing number 1686/2003 before the Judicial Magistrate, Jhansi. Thereafter, the matter was transferred to the court of Chief Judicial Magistrate, Jhansi. The matter is at the stage of cross examination of the witnesses. The matter is currently pending.

B. Civil Cases

There are 125 civil proceedings by the Company and the aggregate monetary value of these proceedings is approximately ₹ 1,883.91 million. The cases primarily relate to recovery of money, injunction suits, bank guarantees and insurance etc. Of these cases, the details of the Material Cases are mentioned below

(i) Bayer ABS Limited ("**BAL**") placed a purchase order with BHEL on June 13, 1995 for designing, engineering, manufacturing, transporting, erecting and commissioning certain equipment at BAL's plant ("**Equipment**"). As per the purchase order, the amount payable for the Equipment by BAL was ₹ 13.26 million. BHEL filed a civil suit bearing number 722/98 before the court of civil judge, Baroda for recovery of outstanding amount along with interest at the rate of 18% amounting to ₹ 20.35 million. BAL filed a counter claim of ₹ 163.12 million alleging loss of power owing to deficiency in the Equipment. The matter is currently pending.

(ii) SPIC Petrochemicals Limited ("**SPIC**") entered into a supply contract with BHEL for supply and erection, testing and commissioning ("**ETC**") of certain equipments at SPIC's plant on August 8, 1995. BHEL supplied material for a total value of ₹ 142.50 million as per the terms of the supply contract against which SPIC made a payment of ₹ 52.50 million and ₹ 3.05 million out of ₹ 3.38 million raised for ETC. Owing to SPIC's inability to pay ₹ 133.40 million being the amount due from the supply contract, BHEL filed a petition bearing number 120 of 2003 dated February 27, 2003, before the Madras High Court praying that SPIC be wound up under the orders of the High Court and that the official liquidator attached to the High Court be appointed liquidator for SPIC. The High Court, vide order dated April 17, 2009, ordered winding up of SPIC which was upheld in appeal on April 26, 2010. The matter is currently pending.

(iii) BHEL entered into an agreement with Mass Global Investment Company ("**MGIC**") on March 4, 2007 for execution of a turnkey project ("**Agreement**"). As per the terms of the Agreement, BHEL was required to provide 3 (three) bank guarantees issued by State Bank of India ("**Bank Guarantee**"). As per the terms of the Bank Guarantee, its value would automatically decrease on a pro rata basis with the payments made by BHEL to MGIC. While the project was underway, MGIC wrote a letter to the bank on March 21, 2010 seeking encashment of the Bank Guarantees. BHEL filed a suit in the Delhi High Court bearing CS (OS) number 583 of 2010 for an order of permanent injunction retraining MGIC from seeking to extend or encash the Bank Guarantees. BHEL has contended that since December 27, 2008, time and again, MGIC sought extension of the Bank Guarantees from BHEL or else threatened to encash the same. The total amount involved in the matter is USD 15.7 million/₹ 706.5 million. The matter is currently pending.

C. Arbitration Proceedings

There are a total of 9 arbitration related matters initiated by the Company before the arbitration tribunals and the courts and the aggregate monetary value of these proceedings is approximately ₹ 474.36 million. Of these cases, the details of the Material Cases are mentioned below.

(i) South Eastern Roadways Limited ("**SERL**"), a company on the approved list of transporters for All India Mechanical Trucks of BHEL entered into a contract with BHEL on March 26, 2008 whereby SERL was required to transport a generator shaft ("**Equipment**") from works of BHEL, Haridwar to Koteshwar ("**Contract**"). On April 1, 2008 the trailer carrying the Equipment to Koteshwar met with an accident whereby the Equipment was damaged. BHEL alleged that the accident occurred due to the negligence of the SERL's employees. Thereafter, as per the terms of the Contract, SERL was liable to retrieve the Equipment and deliver the same for further action to the works of BHEL or have it delivered to Koteshwar at its own cost. However, SERL failed to deliver the Equipment. Thereafter, BHEL bought another shaft. BHEL filed the present statement of claim before the Hon'ble Arbitrator, Mr. M K Sharma for ₹ 121.30 million, along with interest, being the cost of the shaft, financial loss due to the late delivery of the shaft and cost of the proceedings. SERL filed its reply to BHEL's claim statement on October 19, 2009. The matter is currently pending.

(ii) IND Synergy Limited ("**ISL**") placed an order dated December 29, 2006 to BHEL for design, manufacture and supply of TPH BFBC Boiler for a total consideration of ₹ 399.00 million. ISL also issued a separate work order for supervision of erection and commissioning of BFBC Boiler for a total consideration of ₹ 10.00 million incorporated into a contract dated March 8, 2007. ISL issued a letter dated April 14, 2007 to HSBC Bank to invoke the bank guarantee of ₹ 399.00 million. BHEL filed an arbitration petition bearing number MCA 736/2007 before the High Court of Judicature at Bombay, Nagpur Bench claiming that ISL illegally and unlawfully invoked the bank guarantee with the object of committing fraud and causing direct financial loss to BHEL ("**Petition**"). The total claim of BHEL in the Petition filed before the sole arbitrator at New Delhi

was for ₹ 31.93 million for loss of man hours (both engineering and commercial), equipment and materials procured etc. ISL filed a counter claim before the sole arbitrator appointed on April 15, 2009 for a sum of ₹ 153.54 million on April 20, 2010. The matter is currently pending.

(iii) ISL placed an order dated December 29, 2006 to BHEL for design, manufacture and supply of 1 x 50 MW STG for a total consideration of ₹ 366.00 million. ISL issued a letter dated April 14, 2007 to Standard Chartered Bank to invoke the bank guarantee of ₹ 366.00 million. BHEL filed an arbitration petition bearing number MCA 734/2007 on July 7, 2007 before the High Court of Judicature at Bombay, Nagpur Bench claiming that ISL illegally and unlawfully invoked the bank guarantee with the object of committing fraud and causing direct financial loss to BHEL ("**Petition**"). The total claim of BHEL in the Petition is for ₹ 51.03 million for loss of man hours (both engineering and commercial), equipment and materials procured etc. Before the Sole Arbitrator at New Delhi, appointed vide order dated April 15, 2009 ISL filed a counter claim for a sum of ₹ 151.07 million on April 20, 2010. The matter is currently pending.

(iv) BHEL and Shree Papers Limited ("**SPL**") entered into a contract on March 3, 2001 for the supply and supervision of erection and commissioning of a 4/4.5 MW STG Set ("**Equipment**") for SPL's proposed power generating unit at Samalkot, East Godavari District, Andhra Pradesh ("**Contract**"). The total Contract price was fixed at ₹ 35.80 million which was to be paid in instalments as per the payment conditions mentioned in the Contract. After the payment of the first instalment, SPL failed to pay the second instalment on time which compelled BHEL to withhold further supply and services to SPL. Owing to the delay in payment of the outstanding amount despite sufficient notice being given to SPL and adequate communication, BHEL invoked the arbitration clause and submitted a consolidated claim of ₹ 18. 57 million against SPL before the Arbitral Tribunal on August 26, 2009 ("**Claim**"). It was alleged by BHEL that as agreed in the Contract, BHEL had supplied the Equipment on the stipulated date and SPL did not make payments towards it. Further, SPL without adhering to the warranty conditions or payment of dues had unilaterally and illegally invoked the performance bank guarantee provided by BHEL which caused BHEL to suffer a huge loss. SPL filed a counter claim in the matter on November 12, 2009 for a total amount of ₹ 168.45 million. The matter is currently pending.

D. Land Related Cases

There are 24 proceedings filed by the Company relating to property and land matters in various forums relating to the various units of the Company. The aggregate of claim amounts filed by the Company is approximately ₹ 72.70 million.

E. Consumer Cases

There are 3 consumer proceeding filed by the Company. The aggregate of the claim amount in the consumer cases filed by the Company is approximately ₹ 0.70 million.

F. Labour/Employment Matters

The Company has filed 110 labour/employment matters in various forums. These cases primarily relate to recruitment, promotion, transfer, reinstatement, allegations of default in payment of pension, failure to make payment of employees provident fund and regularization matters. The aggregate amount involved is approximately ₹ 12.03 million.

3. Investor grievances involving the Company

Presently, there are 10 pending investor grievances involving the Company.

4. Details of proceedings initiated/pending against the Company for economic offences

There are no proceedings pending against the Company for any economic offences.

5. Details of past penalties imposed on the Company

There are no past penalties imposed on the Company, by any statutory/regulatory authority.

6. Details of potential material litigation/notices received

Except as stated above, there are no potential material litigation or notices received by the Company.

7. Details of adverse findings, in respect of the Company as regards compliance with the Securities laws

There are no adverse findings in respect of the Company, as regards compliance with the securities laws.

8. Cases against other companies whose outcome could have an effect on the Company.

There is no pending litigation against another company whose outcome could have an effect on the Company.

9. Material developments since the date of the last balance sheet

Except as stated in the section "Management's Discussions and Analysis of Financial Condition and Results of Operations" on page 324 of this Draft Red Herring Prospectus, in the opinion of the Board, there have not arisen, since the date of the last financial statements disclosed in this Draft Red Herring Prospectus, any circumstances which materially and adversely affect or are likely to affect our profitability taken as a whole or the value of our consolidated assets or our ability to pay our liabilities within the next 12 months.

10. Outstanding dues to Small Scale Undertakings or any other Creditors

As required by Section 22 of the Micro, Small and Medium enterprises Development Act, 2006, as amended, following are the details of the amount that the Company owes to micro, small and medium enterprises as on March 31, 2011:

Particulars	₹ Million
The principal amount remaining unpaid to supplier as at the end of the accounting year	3,028
The interest due thereon remaining unpaid to supplier as at the end of accounting year.	98
The amount of interest paid, along with the amounts of the payment made to the supplier beyond appointed day during the year.	-
The amount of interest paid in terms of section 18 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amounts of the payment made to the supplier beyond the appointed day during the year.	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding interest specified under this Micro, Small and Medium Enterprises Development Act, 2006.	8
The amount of interest accrued during the year and remaining unpaid at the end of year.	41
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises, for the purpose of disallowance as a deductible expenditure.	26

II. Litigation involving the Subsidiaries as on September 15, 2011

a. Litigation against Bharat Heavy Plate and Vessels Limited

A. Criminal Complaints

There is one criminal case against Bharat Heavy Plate and Vessels Limited. The details are given below.

(i) Mr. Ajay Kapoor ("**Complainant**") filed a complaint bearing number 97 of 2001 dated March 12, 2001 against BHPV and Mr. Dhan Shekhar, Managing Director ("**Accused**") before the Chief Judicial Magistrate, Jammu ("**CJM**") under section 138 of Negotiable Instruments Act and section 420 of The Jammu And Kashmir State Ranbir Penal Code, 1989 ("**RPC**") ("**Complaint**"). The Complainant alleged in the Complaint that the Accused defrauded him by issuing a cheque bearing number 016952 dated September 21, 2000 of ₹ 3 million ("**Cheque-1**"). Owing to insufficient funds in accounts of the Accused, the cheques was returned unpaid by the bank. The Complainant filed a similar complaint bearing number 100 of 2001 dated March 16, 2001 against the Accused alleging defraud for issue of cheque no 016953 dated September 21, 2000 for ₹ 3.87 million ("**Cheque-2**"). Owing to insufficient funds in accounts of the Accused, the Cheque was returned unpaid by the bank. The CJM issued an arrest warrant against the Accused on August 26, 2003. The matter is currently pending.

(ii) BHPV filed an application before the Court of City Judge, Jammu in relation to the two complaints mentioned wherein it was stated by BHPV that Mr. Dhan Shekhar was appointed as the Managing Director on February 1, 2002 and the cheques in question were alleged to have been issued on September 21, 2000. Thus, Mr. Dhan Shekhar was neither the signatory of the cheques nor in control of BHPV at the time of the alleged incident. BHPV further stated that on cancellation of the contract of the Complainant on October 23, 2000, he had presented BHPV with a bill of ₹ 6.88 million while the actual amount for which work had been done was ₹ 0.14 million. BHPV, vide demand draft bearing number 416028 dated November 30, 2000, paid ₹ 0.12 million as full and final settlement. Further, the Complainant, despite the receipt of the final payment of the work executed by him, tried to illegally encash amounts from the bank by presenting cheques which he had forcibly taken from the site-in-charge in Jammu. The matter is currently pending.

B. Civil Cases

There are 25 civil proceedings against Bharat Heavy Plate and Vessels Limited and the aggregate monetary value of these proceedings is approximately ₹ 183.57 million. The cases primarily relate to recovery of money, injunction suits, bank guarantees and insurance etc. of these cases.

C. Arbitration Proceedings

There are 7 arbitration related matters pending against Bharat Heavy Plate and Vessels Limited and the aggregate monetary value of these proceedings is approximately ₹ 210.28 million. Of these proceedings, the details of the Material Cases are mentioned below.

(i) Bharat Heavy Plate and Vessels Limited ("**BHPV**") entered into a contract for the period February 2000 – 2004 with T.P.S. Builders Limited ("**TPS**") for execution of 4 (four) works on behalf of BHPV for Indian Oil Corporation Limited ("**Contract**"). TPS successfully completed the works assigned to it and was issued "Work Completion Certificates" acknowledging the same. Due to the non-payment of outstanding dues payable by BHPV to TPS, TPS invoked the arbitration clause of the Contract and filed a statement of claim before the sole arbitrator against BHPV for non-payment of dues amounting to ₹ 129.70 million. TPS has further submitted that 2 (two) joint meetings on February 15, 2004 and July 15, 2004 have been held between the representatives of BHPV and TPS wherein BHPV made certain promises, which have not been fulfilled. BHPV has filed a counter claim of ₹ 7.5 million in the matter. The matter is currently pending.

D. Indirect Tax Disputes

There are 100 proceedings relating to indirect tax and statutory charges against Bharat Heavy Plate and Vessels Limited and the aggregate monetary value of these proceedings is approximately ₹ 1,237.35 million. Of these cases, the details of the Material Cases are mentioned below

(i) BHPV is engaged in the business of manufacturing electrical equipments and enters into sale contracts with various industrial consumers for the supply of goods in ordinary course of its business ("**Contracts**"). The supply of goods under the Contracts is over a period of time and the final value of the Contracts is not known until receipt of the goods. On completion of the Contracts, BHPV submits the sale orders for finalization of the assessment under the Central Excise Act, 1944 ("**Act**"). On scrutiny of one of the sale orders of the completed work, it was noticed by the Assessing Officer that the sale price charged to the buyers was inclusive of the transportation charges, value of bought out parts, inspection charges, engineering, fabrication, erection and commissioning, packing and forwarding charges etc. A number of show cause notices were issued to BHPV demanding the short payments and asking it to show cause to the Assistant Commissioner of Central Excise, Division – II, Visakhapatnam ("**ACCE**") as to why differential duty should not be collected from it and penalty levied under the erstwhile Rule 9(2) of the Central Excise Rules, 1914 read with Rule 9B and section 11 of the Act for failure to pay the duty at the time of clearance of the goods from the factory. The ACCE, vide order dated September 11, 2009, directed BHPV to pay a duty of ₹ 121.34 million under section 11 of the Act read with Rule 9B of the Central Excise Rules, 1914 ("**Order**"). Aggrieved by the Order, BHPV filed several appeals along with stay applications to which an order-in-appeal dated May 27, 2008 was passed by the Commissioner, Central Excise and Service Tax (Appeals), Visakhapatnam – IV whereby the appeals were disposed (**"Commissioner Order**"). BHPV filed an appeal before CESTAT, Bangalore challenging the Commissioner Order. The matter is currently pending.

(ii) BHPV is engaged in the business of manufacturing electrical equipments and enters into sale contracts with various industrial consumers for the supply of goods in ordinary course of its business ("**Contracts**"). The supply of goods under the Contracts is over a period of time and the final value of the Contracts is not known until receipt of the goods. On completion of the Contracts, BHPV submits the sale orders for finalization of the assessment under the Central Excise Act, 1944 ("**Act**"). On scrutiny of one of the sale orders of the completed work, it was noticed by the Assessing Officer that the sale price charged to the buyers was inclusive of the transportation charges, value of bought out parts, inspection charges, engineering, fabrication, erection and commissioning, packing and forwarding charges etc. A number of show cause notices were issued to BHPV demanding the short payments and asking it to show cause to the Assistant Commissioner of Central Excise, Division – II, Visakhapatnam ("**ACCE**") as to why differential duty should not be collected from it and penalty levied under the erstwhile Rule 9(2) of the Central Excise Rules, 1914 read with Rule 9B and section 11A(1) of the Act for failure to pay the duty at the time of clearance of the goods from the factory. The ACCE, vide orders dated August 31, 2007, September 3, 2007, September 4, 2007 and September 10, 2007, directed BHPV to pay a duty of ₹ 245.40 million under section 11A(1) of the Act read with Rule 9B of the Central Excise Rules, 1914 ("**Order**"). Aggrieved by the Order, BHPV filed several appeals along with stay applications to which an order-in-appeal dated June 13, 2008, was passed by the Commissioner, Customs, Central Excise and Service Tax (Appeals), Visakhapatnam – IV whereby the appeals were disposed and BHPV was asked to substantiate it's claim regarding bought out components with documentary evidence before the Assessing Officer (**"Commissioner Order**"). BHPV filed an appeal on August 20, 2008 before CESTAT, Bangalore challenging the Commissioner Order. The matter is currently pending.

(iii) BHPV is engaged in the business of manufacturing goods falling under various chapters of the first schedule to the Central Excise Tariff Act**,** 1985 ("**Act**"). Further, BHPV also provides various services such as erection, commissioning, repairs, consultancy services, designing for turnkey projects etc ("**Services**"). On examination of the balance sheets of BHPV for assessment years 2000-01 to 2004-05, it was noticed by the Assessing Officer that BHPV rendered the Services for which it is liable to pay service tax and that BHPV was rendering the Services without obtaining registration with the Excise Department. BHPV received ` 9510.02 million on account of rendering the Services and the service tax payable thereon amounts to ` 890.67 million. The

Commissioner of Central Excise and Customs and Service Tax, Visakhapatnam – I ("**Commissioner**") issued a show cause notice on April 20, 2006 to BHPV to show cause as to why an amount of ` 890.67 million along with interest and penalty of an equal amount be levied on it for non-payment of the service tax payable on the Services under section 73, 75 and 78 of the Finance Act 1994. The Commissioner, vide order dated January 29, 2010, directed BHPV to pay ` 890.67 million along with interest as service tax payable on the Services and levied penalty on BHPV ("**Order**"). Aggrieved by the Order, BHPV filed an appeal on June 17, 2010 before CESTAT, Bangalore to set aside the Order ("**Appeal**"). Further, BHPV filed a petition on June 18, 2010 praying for condonation of delay of 30 days in filing the Appeal. The matter is currently pending before CESTAT, Bangalore.

(iv) BHPV was issued 9 show cause notices from the period 1996 to 2000 demanding payment of differential duty on the grounds of wrong classification of goods and clearance thereof, transportation charges, short payment, escalation charges, packaging and forwarding charges, inspection charges, interest on advance and erection and commissioning charges amounting to a total of ` 166.24 million. Pursuant to a personal hearing and the reply filed by BHPV, the Commissioner of Central Excise and Customs, Visakhapatnam ("**Commissioner**") passed an order being Order-In-Original No. 06/2005-06 dated May 31, 2005, demanding a sum of ` 22.91 million from BHPV as the total tax payable by them rejecting the demand made for classification of goods, transportation charges, inspection charges, spares and erection and commissioning ("**Order**"). Aggrieved by the Order, the tax authorities filed an appeal before the CESTAT for non payment of duty amounting to ` 143.30 million by BHEL. The matter is currently pending.

E. Direct Tax Disputes

There are 3 income tax proceedings pending against BHPV where the disputed amount is approximately ₹ 184.49million.

F. Labour/Employment Matters

There is 1 labour/employment matter pending against BHPV. The aggregate amount involved in this matter cannot be ascertained.

2. Litigation by Bharat Heavy Plate and Vessels Limited

A. Civil Cases

There are 2 civil proceedings by Bharat Heavy Plate and Vessels Limited and the aggregate monetary value of these proceedings is approximately ₹ 3.40 million.

B. Arbitration Proceedings

There is one arbitration related matters initiated by Bharat Heavy Plate and Vessels Limited. The details are given below.

(i) BHPV entered into a contract with Madhya Pradesh Iron & Steel Company ("**MPISC**") on May 8, 1990 for the work of design, manufacture, assembly, testing, supply, erection, start up and commissioning of air separation plant with storage and compressor system ("**Equipment**") at MPISC's worksite located at Malanpur, near Gwalior, Madhya Pradesh ("Contract"). As per the Contract, the entire work was to be completed by BHPV within 17 months from the date of the Contract for ₹ 195 million. MPISC issued three purchase orders apportioning the work into three categories namely: (i) Design and engineering; (ii) Manufacturing, assembly, testing and supply; and (iii) Erection, start up, testing and commissioning and the contract price was agreed to be paid in tranches as specified in the Contract and the purchase orders with adherence to the terms and conditions of the different categories of work. The commissioning work of the Equipment was delayed on account of failure on the part of MPISC to provide continuous power supply at its worksite. Post completion of the work, MPISC did not release the payment of ₹ 145 million encashed under the bank guarantee furnished by BHPV. BHPV, as per the terms of the Contact, issued a notice dated February 9, 2000 informing MPISC of its nominee arbitrator and requesting MPISC to appoint its arbitrator for adjudicating the disputes arising out of the claims set forth in

the notice. However, MPISC did not nominate an arbitrator. Thereafter, BHPV filed the present arbitration application bearing number 29 of 2000 before the Arbitral Tribunal at Hyderabad. BHPV has claimed the outstanding payments amounting to ₹ 62.75 million along with interest from MPISC. MPISC filed counter claim of ₹ 367.9 million on April 6, 2010 to which BHPV filed the reply on May 25, 2010. The matter is currently pending.

III. Litigation involving the Directors of the Company as on September 15, 2011

A. Outstanding Litigation and Material Developments/Proceedings against the Directors of the Company

There is no outstanding litigation involving the Directors including criminal prosecutions or civil proceedings involving the Directors, and there are no material defaults, non-payment of statutory dues, over dues to banks/financial institutions or defaults against banks/financial institutions by our Directors (including disputed tax liabilities, past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act). However, incidental to the business of the Company, parties may from time to time file suits impleading the Company through or along its respective officers and Directors in their official capacity.

1. **Mr. B. Prasada Rao**

   NIL

2. **Mr. Anil Sachdev**

   NIL

3. **Mr. Atul Saraya**

   NIL

4. **Mr. O. P. Bhutani**

   NIL

5. **Mr. M. K. Dube**

   NIL

6. **Mr. P. K. Bajpai**

   NIL

7. **Mr. Saurabh Chandra**

   NIL

8. **Mr. Ambuj Sharma**

   NIL

9. **Mr. Ashok Kumar Basu**

   NIL

10. **Mr. M. A. Pathan**

    NIL

11. Ms. Reva Nayyar

NIL

12. Mr. V. K. Jairath

NIL

13. Mr. S. Ravi

NIL

B. Outstanding Litigation and Material Developments/Proceedings filed by the Directors

There are no pending litigations, including disputed outstanding litigations and material developments/proceeding filed by the Directors.

C. Proceedings initiated against the Directors for economic offences

There are no proceedings initiated against the Directors for any economic offences.

D. Details of past penalties imposed on our Directors by the authorities concerned

There are no past penalties imposed on the Directors by the authorities concerned.

E. Litigations against the Directors involving violation of statutory regulations or alleging criminal offence

There are no litigations against the Directors involving violation of statutory regulations or alleging criminal offence.

F. Criminal/ civil cases against the Directors towards tax liabilities

There are no criminal/ civil cases against the Directors towards tax liabilities.

GOVERNMENT AND OTHER APPROVALS

Except as stated below, the Company has received the necessary consents, licenses, permissions and approvals from the Government of India and various governmental agencies required for the present business of the Company and to undertake the Offer and no further material approvals are required for carrying on the present business of the Company. In addition, except as mentioned in this section titled "Government and Other Approvals", as on the date of the DRHP, there are no pending regulatory and government approvals and no pending material renewals of licenses or approvals in relation to the activities undertaken by the Company or in relation to the Offer.

I. APPROVALS FOR THE OFFER:

1. The Board recommended the disinvestment of 5% from Government of India's shareholding by its resolution dated May 23, 2011 and has approved the Draft Red Herring Prospects by its resolution dated September 28, 2011.

2. The Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, through its letter No. 3(9)/2009-PE.XI dated September 09, 2011, has authorized the Offer.

3. RBI's letter FED.CO.FID.No.7353/10.21.261/2011-12 dated September 23, 2011 approving the transfer of Equity Shares of the Company under Offer in favour of residents outside India.

II. APPROVALS FOR THE BUSINESS:

We have received the following government and other approvals pertaining to the business:

Income Tax

Sr. No	Description / Name of Unit	Issuing Authority	Reference / License No.	Issue / Renewal Date	Expiry Date
1.	Permanent Account Number	Income Tax department	AAACB4146P	November 13, 1964	This certificate is valid until cancelled.

Import Export Licenses

Sr. No	Description	Issuing Authority / Act	Reference / License No. / Registration No,	Issue / Renewal Date	Expiry Date
1.	Certificate of Importer Exporter Code	Foreign Trade Development Officer, Office of Zonal Director General of Foreign Trade, Ministry of Commerce and Industry	0588138690	April 1, 1988	This certificate is valid until cancelled.
2.	Certificate of Recognition as Premier Trading House	Zonal Joint Director General of Foreign Trade, Office of Zonal Joint Director General of Foreign Trade, Ministry	E-0026	July 31, 2009 wef. April 1, 2008	March 31, 2013

Sr. No	Description	Issuing Authority / Act	Reference / License No. / Registration No,	Issue / Renewal Date	Expiry Date
		of Commerce and Industry			

Central Sales Tax and Tax Identification Number

Sr. No	Description	Issuing Authority / Act	Reference / License No. / Registration No,	Issue / Renewal Date	Expiry Date
Andhra Pradesh					
1.	Central Sales Tax Number	Assistant Commercial tax officer, The Central Sales Tax (Registration and Turnover) Rules 1957	NZB/07/02/1016/1976-77 (Ramchandhara Puram)	December 2, 1964	This certificate is valid until cancelled.
2.	General Sales Tax Number	The Andhra Pradesh General Sales Tax Act	NZB/07/02/1024/1976-77 (Hyderabad)	May 9, 1997	This certificate is valid until cancelled.
3.	Taxpayer Identification Number (VAT)	Commercial tax officer, Government of Andhra Pradesh Commercial Taxes Department	28360151179 28761852578 (Nellore) 28832714550 (Khammam) 28500187808 (Visakhapatnam) 28800297602 (Cuddapah)	April 1, 2005 August 1, 2011	This certificate is valid until cancelled.
Arunachal Pradesh					
1.	Taxpayer Identification Number	Superintendent of Tax and Excise, Arunachal Pradesh Goods Tax Act, 2005	12020122182 (West Kameng)	June 1, 2007	This certificate is valid until cancelled.
Assam					
1.	Taxpayer Identification Number	Superintendent of Taxes, Digboi	18790101415 (Digboi)	April 1, 2008	This certificate is valid until cancelled.
2.	Central Sales Tax Number	Superintendent of Taxes, Digboi	18179903204	April 21, 2009	This certificate is valid until cancelled.
Bihar					
1.	Taxpayer Identification Number	Deputy Commissioner, Bihar Value Added Tax	10362488079 (Begusarai) 10021304069 (Barh, Patna)	July 14, 2005 August 31, 2008	

Sr. No	Description	Issuing Authority / Act	Reference / License No. / Registration No,	Issue / Renewal Date	Expiry Date
				July 13, 2005	
			10300404064		
2.	Central Sales Tax Number	Commercial Tax Officer, Central Sales Tax Act 1956	10021269193 (Barh, Patna)	September 18, 2009	This certificate is valid until cancelled.
Chattisgarh					
1.	Central Sales Tax Number	Commercial Tax Officer, Central Sales Tax Act 1956	22541505319 (Raipur)	November 4, 2008	This certificate is valid until cancelled.
			22173202974 (Bhilai)	May 18, 2006	
			1103 / 2301 - C (Korba)	December 17, 2004	
2.	Taxpayer Identification Number	Commercial Tax Officer, Chhattisgarh Value Added Sales Tax Act, 2005	22173202974 (Bhilai)	May 18, 2006	This certificate is valid until cancelled.
			22541505319	November 4, 2008	
			22204202882	October 30, 2004	
Delhi					
1.	Central Sales Tax Number and Tax Payer's Identification Number	Sales Tax Officer, The Central Sales Tax (Registration and Turnover) Rules 1957	07472001760	July 1, 2007	This certificate is valid until cancelled.
Gujarat					
1.	Central Sales Tax Number	Commissioner Sales Tax, Vadodra	24690101571 (Vadodara)	March 15, 1979	This certificate is valid until cancelled.
2.	Taxpayer Identification Number	Sales Tax Officer, Vadodra	24190101571(Baroda)	June 25, 2002	This certificate is valid until cancelled.
Haryana					
1.	Central Sales Tax Number	The Central Sales Tax Act 1956, Excise and Taxation Officer	PNP 6884 (Central) (Panipat)	August 19, 1992	This certificate is valid until cancelled.
2.	Taxpayer Identification Number	Excise and Taxation Officer, Haryana Value Added Tax Act, 2003	06962606884 (Assandh Road)	April 1, 2003	This certificate is valid until cancelled.
Himachal Pradesh					
1.	Central Sales Tax Number	Assessing Authority, The Central Sales Tax Act 1956	02011000622	September 26, 1998	This certificate is valid until cancelled.

Sr. No	Description	Issuing Authority / Act	Reference / License No. / Registration No,	Issue / Renewal Date	Expiry Date
2.	Taxpayer Identification Number	Assessing Authority, Himachal Pradesh Value Added Tax Act 2005	02011000622 (Jakhri Rampur)	October 17, 1998	This certificate is valid until cancelled.
Jammu and Kashmir					
1.	Central Sales Tax Number	Sales Tax Officer, The Central Sales Tax (Registration and Turnover) Rules 1957	01291101313 **(Maskha)**	May 14, 2005	This certificate is valid until cancelled.
2.	General Sales Tax Act	Jammu and Kashmir General Sales Tax Act 1962, Officer	GST – 1101357	May 14, 2005	This certificate is valid until cancelled.
Jharkhand					
1.	Central Sales Tax Number	Commercial Tax Department	20832205431	September 13, 2007	This certificate is valid until cancelled.
2.	Taxpayer Identification Number	Commissioner of Commercial Tax	20832205431 (Chandrapura, Bokaro) 20082005255 (Maithon) 20512405410 (Koderma) 20832205431	March 31, 2004 August 22, 2008 July 13, 2007 September 13, 2007	This certificate is valid until cancelled.
Karnataka					
1.	Central Sales Tax Number	Deputy Commissioner of Commercial Taxes, Bangalore	00850070	March 6, 1999	This certificate is valid until cancelled.
2.	Sales Tax Number	Deputy Commissioner of Commercial Taxes, Bangalore	00800077	March 6, 1999	This certificate is valid until cancelled.
3.	Taxpayer Identification Number	Deputy Commissioner of Commercial Taxes, Bangalore	29470052861 (EPD, Banglore) 29630078284 (ISG, Bangalore) 29290476462 (Kaiga)	April 1, 2003 July 1, 2005	This certificate is valid until cancelled.

Sr. No	Description	Issuing Authority / Act	Reference / License No. / Registration No,	Issue / Renewal Date	Expiry Date
			29270307111 (Billeri) 29960394177 (Raichur)	November 22, 2007	
Kerala					
1.	Taxpayer Identification Number	Department of Commercial Taxes, Sales Tax Officer	32072043622 (Kochi Refinery, Ambalamugal)	March 11, 2005	This certificate is valid until cancelled.
2.	Central Sales Tax Number	Department of Commercial Taxes, Sales Tax Officer	0720C004362 (Kochi Refinery, Ambalamugal)	March 11, 2005	This certificate is valid until cancelled.
Madhya Pradesh					
1.	Taxpayer Identification Number	Commissioner of Commercial Taxes	23573600001 (Govindpura, Bhopal) 23595808680 (Jabalpur)	July 1, 2003	This certificate is valid until surrender.
2.	Central Sales Tax Number	The Central Sales Tax (Registration and Turnover) Rules 1957	HEL/05/01/004/C	September 9, 1961	This certificate is valid until cancelled.
Maharashtra					
1.	Central Sales Tax Number	Registration officer, Sales Tax Department, Government of Maharashtra, The Central Sales Tax (Registration and Turnover) Rules 1957	27060300130 C (ROD, Mumbai)	April 1, 2006	This certificate is valid until cancelled.
2.	Value Added Tax Number	Sales Tax Department , Government of Maharashtra, Maharashtra Value Added Tax Act 2002	27060300130 V (ROD, Mumbai)	April 1, 2006	This certificate is valid until cancelled.
Orissa					
1.	Sales Tax Number	Sales Tax Officer, Orissa Sales Tax Act 1947	RI-I-3877 (Rourkela, Sundargarh)	December 20, 2004	This certificate is valid until cancelled.
2.	Taxpayer Identification Number (Value Added Tax)	Assistant Commissioner of Sales Tax, Orissa Value Added Tax 2004	21031301916 (Talcher, Angul) 21273500483 21351114724	April 1, 2005 July 22, 2005	This certificate is valid until cancelled.
Punjab					
1.	Registration Number (VRN / TRN)	Punjab VAT Act 2005	03451148722 (Lehra Mohabbat,	April 1, 2005	This certificate is

Sr. No	Description	Issuing Authority / Act	Reference / License No. / Registration No,	Issue / Renewal Date	Expiry Date
			Bathinda)		valid until cancelled.
2.	Central Sales Tax Number	The Central Sales Tax (Registration and Turnover) Rules 1957, Assessing Authority cum Notified Authority	86603911 (Lehra Mohabbat, Bathinda)	January 12, 2005	This certificate is valid until cancelled.
Rajasthan					
1.	Sales Tax Number – Works Contractor	Assistant Commercial Tax Officer, Rajasthan Sales Tax Act 1994	08871103837 (Chittorgarh) 08692556220	April 1, 2004 August 16, 2003	This certificate is valid until cancelled.
2.	Central Sales Tax Number	Assistant Commercial Tax Officer, Central Sales Tax Act 1956	08692556220 08232903345 (KTPS, Kota)	September 9, 2003 September 30, 1995	This certificate is valid until cancelled.
Tamil Nadu					
1.	Central Sales Tax Number	Assistant Commissioner, Tax officer, Trichy	239383 (Trichy)	July 28, 1964	This certificate is valid until cancelled.
2.	Taxpayer Identification Number	Commercial Tax Officer	33243560005 (Trichy)	January 2, 2007	This certificate is valid until cancelled.
3.	Service Tax Number	Service Tax Officer	AAACB4146PST036	-	This certificate is valid until cancelled.
Tripura					
1.	Central Sales Tax Number	Superintendent of Taxes, The Central Sales Tax (Registration and Turnover) Rules 1957	16060947273 (Palatana)	October 20, 2008	This certificate is valid until cancelled.
2.	Taxpayer Identification Number	Superintendent of Taxes, Tripura Value Added Tax Act, 2004	16060947071 (Palatana)	October 20, 2008	This certificate is valid until cancelled.
Uttar Pradesh					
1.	Central Sales Tax Number	Assistant Commissioner Trade Tax	ND 5131182 (Kribco Bhavan) 5050232	August 22, 2003 April 1, 1987	This certificate is valid until cancelled.
2.	Taxpayer Identification Number	Assistant Commissioner Trade Tax	ND 0091747 (Kribco Bhavan)	June 3, 1999	This certificate is valid until

Sr. No	Description	Issuing Authority / Act	Reference / License No. / Registration No,	Issue / Renewal Date	Expiry Date
			09822004580 (FP, Jagdishpur)	July 24, 2008	cancelled.
3.	Trade Tax Number for the Centralised Stamping Unit	Assistant Commissioner, Sultanpur	Serial No. SL0116726 TIN No. 09522102290 (CSU, Jagdishpur) Register No. B112	January 1, 2007	This certificate is valid until cancelled.
4.	Tax deduction Account Number (TAN) for the Centralized Stamping Unit	Income Tax Department	LKNB07060E	December 27, 2008	This certificate is valid until cancelled.
Uttaranchal					
1.	Tax Identification Number	Assistant Commissioner Trade Tax	05003580586 (Uttarkashi) 05001757277 (Ranipur, Haridwar)	September 30, 2005	This certificate is valid until cancelled.
	Tax Deduction Account Number	Assistant Commissioner Commercial Tax	06022100007 (HEEP, Haridwar)	January 31, 2011	
2.	Central Sales Tax Number	Assistant Commissioner Commercial Taxes	RK-1132/3 (Haridwar)	April 23, 1965	This certificate is valid until cancelled.
West Bengal					
1.	Central Sales Tax Number	Commissioner Commercial taxes, The Central Sales Tax (Registration and Turnover) Rules 1957	19431309273 (Kolkata) 19673354246 (Kolkata)	April 1, 2003 March 31, 2005	This certificate is valid until cancelled.
2.	Taxpayer Identification Number	The West Bengal Sales Tax Rules 1995	19431309079 (Kolkata) 19673354149	April 1, 2003 March 29, 2005	This certificate is valid until cancelled.

Central Excise Registration

Sr. No	Description / Name of Unit	Issuing Authority	Reference / License No.	Issue / Renewal Date	Expiry Date
1.	BHEL Commercialisation Centre (COTT), Hyderabad	Superintendent of Central Excise, Balanagar	22/92	September 9, 1992	The certificate will remain valid till the holder carried on the activity for which a

					certificate has been issued or surrenders the certificate whichever is earlier.
2.	Boiler Auxillaries Plant, Ranipet	Assistant Commissioner of Central Excise, Ranipet	AAACB4146PXM008	February 12, 2003	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
3.	Centralised Stamping Unit, Jagdishpur, Uttar Pradesh	Deputy commissioner / Assistant Commissioner of Central Excise	AAACB4146PXM021	August 21, 2007	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
4.	Component Fabrication Plant, Rudrapur, Meerut	Superintendent Customs and Central Excise, Range – I	1/RDR-I/RMP/73/2000	May 11, 2000	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
5.	Electrical Machine Repair Plant, Mumbai	Superintendent of Central Excise, Mumbai	AAACB4146PXM002	April 17, 2002	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
6.	Electro Porcelain Division, Bangalore	Assistant Commissioner of Central Excise, Bangalore	AAACB4146PXM019	April 20, 2006	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
7.	Electronics Division, Bangalore	Assistant Director, Directorate General of Inspection Customs and Central Excise	AAACB4146PXM011	June 30, 2000	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
8.	Fabrication Plant, Jagdishpur, Uttar Pradesh	Deputy Commissioner of Central Excise, Raebareli	AAACB4146PXM022	December 31, 2008	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
9.	Heavy Electrical Equipment Plant, Ranipur Hardwar, Uttranchal	Superintendent Central Excise, Hard	AAACB4146PXM006	December 24, 2001	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
10.	Heavy Electrical Plant, Piplani, Bhopal	Assistant Director, Directorate General of Inspection Customs and Central Excise	AAACB4146PXM009	June 30, 2000	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended

11.	Heavy Equipment Repair Plant, Varanasi	Superintendent of Central Excise, Varanasi	AAACB4146PXM004	December 7, 2001	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
12.	Heavy Power Equipment Plant, Ramachandrapuram, Andhra Pradesh	Superintendent of Central Excise	AAACB4146PXM014	May 31, 2002	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
13.	High Pressure Boiler Plant, Trichy	Superintendent of Central Excise, Trichy	AAACB4146PXM012	November 29, 2001	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
14.	Industrial Values Plant, Goindwal Sahib, Amritsar	Assistant Commissioner, Central Excise Division, Amritsar	AAACB4146PXM005	June 30, 2000	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
15.	Insulator Plant, Jagdishpur, Uttar Pradesh	Assistant Commissioner of Central Excise, Raebareli	AAACB4146PXM018	February 10, 2003	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
16.	Power Plant Piping Unit, Thirumayam, Tamil Nadu	Deputy Commissioner of Central Excise, Central Excise Division, Thanjavur	AAACB4146PEM025	November 16, 2010	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
17.	Transformer Plant, Jhansi, Uttar Pradesh	Assistant Commissioner of Central Excise, Jhansi	AAACB4146PXM001	January 13, 2005	Certificate valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.

Factories Related Licenses

Sr. No	Description / Name of Unit	Issuing Authority / Act	Reference / License No.	Issue / Renewal Date	Expiry Date
Electro Porcelain Division, Bangalore					
1.	Factories License	Director of Factories and Boilers, Government of Karnataka - Department of Factories and Boilers	45541/456 MYB – 250	January 1, 2010	December 31, 2012
2.	Certificate of registration – Contract Labour	Ministry of Labour and Employment	46(15) 1997- C3 / B3	April 1, 2010	-
3.	Consent Order (Air and Water) from Karnataka	Karnataka State Pollution Board	KSPCB/WPC&APC/LR/08/2010-11	July 1, 2010	June 30, 2012

Sr. No	Description / Name of Unit	Issuing Authority / Act	Reference / License No.	Issue / Renewal Date	Expiry Date
	State Pollution Board				
4.	Authorization for handling hazardous waste under Rule 5 of the Hazardous Wastes (Management, Handling & Transboundary Movement) Rules, 2008	Senior Environmental Officer, Karnataka State Pollution Control Board	KSPCB/HWM/H,772	January 19, 2009	June 30, 2013
5.	Certificate to use a Boiler	Karnataka State Boiler Inspection Department, Chief Inspector	MYS1649 Certificate No. SADBI/BLR/MYS/1649/CFN-08/11-12	April 13, 2011	April 12, 2012
6.	Certificate to use a Boiler	Karnataka State Boiler Inspection Department, Chief Inspector	MYS1229 Certificate No. SADBI/BLR/MYS/1229/CFN-270/10-11	February 18, 2011	February 17, 2012
7.	Authorization for generating, collection, reception, storage, transportation, treatment, disposal and handling of bio-medical waste	Environmental Officer, Karnataka State Pollution Board	KSPCB/BMW/BNG-CITY-3/EO/DEO/AEO-2/2010-11/R-5845	February 1, 2011 wef. January 1, 2011	December 12, 2011
8.	License for LPG storage	Deputy Controller of Explosives, Petroleum and Explosive Safety Organisation, Ministry of Commerce and Industry,	S/HO/KA/03/260 (S27037)	September 14, 2009	March 31, 2012
9.	License to store petroleum in tanks in connection with pump outfit for fueling motor conveyances	Deputy Chief Controller of Explosives, Mangalore	P/SC/KA/14/1601 (P156305)	January 19, 2011	December 31, 2013
10.	License to import and store petroleum in installation	Chief Controller of Explosives, Mangalore	P/HQ/KA/15/29 (P10920)	January 31, 2011	December 31, 2013
11.	Weight and Measures License	Asst. Controller of Legal Metrology Department, Government of Karnataka	No. 716057	March 29, 2011	March 29, 2012
12.	Weight and Measures	Asst. Controller of Legal Metrology Department,	Ref. No. 37130	April 19, 2011	April 18, 2012

Sr. No	Description / Name of Unit	Issuing Authority / Act	Reference / License No.	Issue / Renewal Date	Expiry Date
	License	Government of Karnataka	716138		
Electronic Division, Bangalore					
1.	Factory License	Director of Factories, Directorate of Factories and Boilers, Government of Karnataka	MYB-01	January 1, 2010	December 31, 2012
2.	Contract Labour Certificate	Registering Officer, Ministry of Labour and Employment	12/97	November 13, 1997	-
3.	License for handling hazardous waste under rule 5(4) of Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2008	Member Secretary, Karnataka State Pollution Control Board	KSPCB/HWM/H,229	May 28, 2011 wef. July 1, 2010	June 30, 2015
4.	License to import and store petroleum in installation	Deputy Chief Controller of Explosives, Petroleum and Explosives Safety Organisation, Mangalore	P/HQ/AP/15/195(P11201)	September 30, 1978 and last renewed on January 19, 2011	December 31, 2013
5.	Standard Weights and Measures	Asst. Controller Inspector of Legal Metrology, Standards, Weights and Measures Enforcement Act, 1985	286690	November 17, 2008	November 16, 2013
Electronic Systems Division, Bangalore					
1.	Factory License	Senior Assistant Director, Directorate of Factories and Boilers, Government of Karnataka	MYB-9479	May 18, 2011	December 31, 2012
2.	Consent under Section 25/26 of the Water (Prevention and Control of Pollution) Act, 1974 and Section 21 of the Air (Prevention and Control of Pollution) Act, 1981	Environmental Officer, Karnataka State Pollution Control Board, Bangalore	KSPCB/153/BNG-SR-1/EO/DEO/AEO-1/R.NO.10034/WPC & APC/2009-10 R-2057	December 14, 2009 wef. January 1, 2010	December 31, 2011
3.	Authorization under Rule 5(4) of Hazardous Waste (Management,	Senior Environmental Officer, Karnataka State Pollution Control Board, Bangalore	KSPCB/HWM/H 1987	July 1, 2010	June 30, 2015

Sr. No	Description / Name of Unit	Issuing Authority / Act	Reference / License No.	Issue / Renewal Date	Expiry Date
	Handling and Transboundary Movement) Rules, 2008 for handling hazardous waste				
4.	Certificate of Registration under sub-section (2) of Section 7 of the Contract Labour (Regulation & Abolition) Act, 1970	Assistant Labour Commissioner (Central), Bangalore, Office of Registering Officer & Assistant Labour Commissioner, Ministry of Labour & Employment	4/2011-B3	February 9, 2011	-
5.	Certificate of Registration under sub-section (2) of Section 7 of the Contract Labour (Regulation & Abolition) Act, 1970	Assistant Labour Commissioner, Bangalore Division II, Office of the Asst. Labour CommissionerBangalore Division -2 Department of Labour	ALC-2/CLA/P-28/10-11	June 15, 2010	-
6.	License to import and store petroleum Class B in Installation	Deputy Chief Controller of Explosives, Mangalore	P/SC/KA/15/346(P46178)	February 17, 2010	December 31, 2012
7.	Standard Weights and Measures License	Asst. Controller, Legal Metrology Department, Government of Karnataka	421214 Ref No: 1153961	October 30, 2010	October 29, 2011
Industrial Systems Group, Bangalore					
1.	Shop and Establishment License, Bangalore	Karnataka Shops and Commercial Establishment Act 1961	61/CE/0233	June 28, 2008	December 31, 2012
Heavy Electrical Plant, Bhopal					
1.	Contract Labour License	Asst Labour Commissioner and Registering Officer, Office of the Asst. Labour Commissioner (Central), Ministry of Labour	ALC-46/1(7)/98	December 4, 1998	-
2.	License to import and store petroleum in installation (Petroleum Class B in bulk – 50 Kilolitre)	Chief Controller of Explosives	P/HQ/MP/15/38(P13005)	June 17, 1977 Last renewed on January 19, 2011	December 31, 2011
3.	License to import and store petroleum in	Chief Controller of Explosives	P/HQ/MP/15/706(P14497)	March 27, 1998	December 31, 2013

Sr. No	Description / Name of Unit	Issuing Authority / Act	Reference / License No.	Issue / Renewal Date	Expiry Date
	installation (Petroleum Class B in bulk – 50 Kilolitre Petroleum Class C in bulk – 664 Kilolitre)			Last renewed on January 19, 2011	
4.	License to store petroleum in tanks in connection with pump outfit for fueling motor conveyances	Deputy Chief Controller of Explosives, Bhopal	P/CC/MP/14/4666(P166741)	June 19, 2006 Last renewed on January 20, 2011	December 31, 2011
5.	License to import and store otherwise than in bulk petroleum Class A in quantities exceeding 300 litres or petroleum Class B in quantities exceeding 25000 litres or Petroleum Class C in quantities exceeding 45000 litres or petroleum Class A, together with any other class of petroleum in quantities exceeding 300 litres in all	Deputy Chief Controller of Explosives, Bhopal	P/CC/MP/16/2(P139364)	August 5, 1961 Last renewed on January 19, 2011	December 31, 2011
6.	License to store petroleum in tanks in connection with pump outfit for fueling motor conveyances	Deputy Chief Controller of Explosives, Bhopal	P/CC/MP/14/605(P42863)	March 7, 1967 Last renewed on January 19, 2011	December 31, 2011
7.	License to store compressed gas in pressure vessel or vessels (LPG)	Jt. Chief Controller of Explosives, Agra	S/HO/MP/03/8 (S3183) Ref. No. 75991	November 7, 1983 Last renewed on July 26, 2010	March 31, 2013
8.	License to store compressed gas in cylinders	Deputy Chief Controller of Explosives, Bhopal	G/CC/MP/06/645(G15679)	September 6, 2007	September 30, 2012

Sr. No	Description / Name of Unit	Issuing Authority / Act	Reference / License No.	Issue / Renewal Date	Expiry Date
	(Argon – 200, Carbon Dioxide – 150, Hydrogen – 50 and DA - 20)				
9.	License for Weights and Measurement	Inspector, Office of Controller Scientific Weights and Measure, Madhya Pradesh	Book No. 11566	March 29, 2011	March 28, 2012
10.	Boiler License	Inspector, Madhya Pradesh Boiler Inspection Department	MP/3128	January 27, 2011	December 1, 2011
11.	Boiler License	Inspector, Madhya Pradesh Boiler Inspection Department	MP/3199	July 5, 2011	May 10, 2012
Industrial Valves Plant, Goindwal					
1.	Factory License	Chief Inspector of Factories, Punjab	ASR/B-155/396	January 1, 2011	December 31, 2011
2.	Contractor's License	Government of Punjab, Office of the Registering Officer	L.C.O ASR -2 /1	January 1, 1995	-
3.	Consent under Air (Prevention and Control of Pollution) Act 1981 for discharge of emissions from Industrial Complex, Goindwal Sahib.	Punjab Pollution Control Board, Amritsar, Environmental Engineer	ZO-ASR / ASR / MISC / CTO / APC / 2011 / F-254	May 18, 2011	March 31, 2014
4.	Authorisation under Rule 5 of the Hazardous Wastes (Management, Handling & Transboundary Movement) Rules, 2008 for operation of a facility for collection, storage and disposal of hazardous wastes generated	Environmental Engineer, Punjab Pollution Control Board, Patiala	EE(HWM)/2010/50210 Authorisation number: HMC/ASR/2010-15/F(New)-703	December 13, 2010	December 12, 2015
5.	Standard Weights and Measures	Standards, Weights and Measures Enforcement Act, 1985	110905	November 10, 2010	November 9, 2011
6.	Standard Weights and Measures	Standards, Weights and Measures Enforcement Act, 1985	110005	November 10, 2010	November 9, 2011
7.	Standard Weights and Measures	Standards, Weights and Measures Enforcement Act, 1985	110904	November 10, 2010	November 9, 2011

Sr. No	Description / Name of Unit	Issuing Authority / Act	Reference / License No.	Issue / Renewal Date	Expiry Date
Central Foundry Forge Plant, Haridwar					
1.	Factory License	Director of Factories, Uttranchal	SPR – 217	January 1, 2011	December 31, 2011
2.	Contract Labour License	Assistant Labour Commissioner	07/98	February 20, 1998	-
3.	Boiler License	Deputy Director of Factories / Boilers, Uttarakhand	UP/4996	May 16, 2011	April 12, 2012
4.	Boiler License	Deputy Director of Factories / Boilers, Uttarakhand	UP/3660	April 28, 2011	April 27, 2012
5.	Certificate of Approval for Well Known Forge	Secretary, Central Boilers Board	FORGE/09/004	April 20, 2009	January 4, 2014
6.	License to Store Compressed Gas in Cylinders	Chief Controller of Explosives, Agra, Petroleum and Explosives Safety Organisation, Ministry of Commerce and Industry, GoI	S/HO/UC/03191(S33433)	August 5, 2009	March 31, 2012
7.	License to Import and Store Petroleum in Installation	Joint Chief Controller of Explosives, Agra, Petroleum and Explosives Safety Organisation, Ministry of Commerce and Industry, GoI	P/HQ/UC/15/168 (P182037)	November 13, 2009	December 31, 2011
8.	License to storage of liquid oxygen/oxygen, gas in pressure vessels	Joint Chief Controller of Explosives, Agra, Petroleum and Explosives Safety Organisation, Ministry of Commerce and Industry, GoI	S/HO-UC/03/15(S4064)	June 2, 2011	March 31, 2012
Heavy Electrical Equipment Plant, Ranipur, Haridwar					
1.	Factory License (Heavy Electrical Equipment Plant)	Director of Factories, Uttranchal	SPR – 169	January 1, 2011	December 31, 2011
2.	Contract Labour Registration Certificate	Registering Officer and Assistant Labour Comissioner, Dehradun	03/98	January 27, 1998	The Company has made an application dated January 10, 2011 for amendment in the certificate
3.	License for the Possession and	District Magistrate, Haridwar	39 of 1971	April 25, 2011 wef.	December 31, 2011

Sr. No	Description / Name of Unit	Issuing Authority / Act	Reference / License No.	Issue / Renewal Date	Expiry Date
	Sale of Poisons			January 1, 2011	
4.	License to Import and Store Petroleum in Installation	Deputy Chief Controller of Explosives	P/CC/UC/15/217(P162911)	December 11, 2009	December 31, 2012
5.	License to Store Compressed Gas in Cylinders	Joint Chief Controller of Explosives, Agra	G/CC/UC/06/116 (G17240)	October 12, 2010	September 30, 2013
6.	License to Store Dangerous Petroleum	District Authority	18/1968	April 25, 2011	December 31, 2011
7.	License to Store Non - Dangerous Petroleum	District Authority	30 of 1960	August 20, 2002	December 31, 2011
8.	License to Store Petroleum in Tanks in connection with pump outsit for fueling motor conveyances	Deputy Chief Controller of Explosives	P/CC/UC/14/198(P140968)	December 3, 2012	December 31, 2012
Heavy Power Equipment Plant, Ramachandrapuram, Hyderabad					
1.	Factory License	Inspector of Factories, Sangareddy	41066	June 03, 2000	The License shall be valid until it has been duly cancelled.
2.	Contract Labour License	Assistant Labour Commissioner	58(16)/2010-E3/E5	March 31, 2011	-
3.	Certificate of verification	District Inspector, Office of the Controller of Legal Metrology	065034	March 22, 2011	March 21, 2012
4.	Certificate of verification	District Inspector, Office of the Controller of Legal Metrology	065035	March 22, 2011	March 21, 2012
5.	Certificate of verification	District Inspector, Office of the Controller of Legal Metrology	065036	March 22, 2011	March 21, 2012
6.	License to import and store petroleum in installation (Petroleum Class C in bulk)	Deputy Controller of Explosives, Petroleum and Explosive Safety Organisation, Ministry of Commerce and Industry, GoI	P/HQ/AP/15/1344(P4799)	November 2, 2000 Last renewed on April 2, 2009	December 31, 2011
7.	License to import and store petroleum in installation (Petroleum Class B in bulk)	Deputy Chief Controller of Explosives, Ministry of Commerce & Industry, Petroleum and Explosives Safety Organisation	P/HQ/AP/15/3471(P183000)	May 21, 2007	December 31, 2013

Sr. No	Description / Name of Unit	Issuing Authority / Act	Reference / License No.	Issue / Renewal Date	Expiry Date
8.	License for filling and storage of Oxygen and Nitrogen	Deputy Controller of Explosives, Ministry of Commerce & Industry, Petroleum and Explosives Safety Organisation	G/HO/AP/05/31 & G G/HO/AP/06/25 (G379)	April 24, 1985 Last Renewed on February 17, 2009	September 30, 2011
9.	License for filling and storage of Oxygen and Nitrogen	Deputy Controller of Explosives, Ministry of Commerce & Industry, Petroleum and Explosives Safety Organisation	G/HO/AP/06/25 (G379)	April 24, 1985 Last Renewed on February 17, 2009	September 30, 2011
10.	License for storage of Liquid Oxygen and Liquid Nitrogen in pressure vessels	Deputy Controller of Explosives, Ministry of Commerce & Industry, Petroleum and Explosives Safety Organisation	S/HO/AP/03/681 (S33274)	February 3, 2011	March 31, 2012
11.	Consent order under Section 25/26 of Water (Prevention & Control of Pollution) Act, 1974; Section 21 of Air (Prevention & Control of Pollution) Act, 1981; and Rule 5 of Hazardous Wastes (Management & Handling) Rules 1989	Joint Chief Environmental Engineer, Andhra Pradesh Pollution Control Board	APPCB/ZO/RCP/SANG/43/W&A/2011-15	August 22, 2011	November 30, 2012
Division, Hyderabad					
1.	Factory License	Inspector of Factories	48234	December 22, 2000	The License shall be valid until it has been duly cancelled.
2.	Contract Labour License	Assistant Labour Commissioner, Hyderabad	7/98	June 16, 1998	-
3.	Renewal of Contract Labour License	Licensing Officer Under the Contract Labour (Regulation and Abolition) Act, 1970	02/2011	January 5, 2011	January 4, 2012

Sr. No	Description / Name of Unit	Issuing Authority / Act	Reference / License No.	Issue / Renewal Date	Expiry Date
Central Stampings Unit, Jagdishpur					
1.	Factory License	Factory Inspector, Lucknow under the Factories Act, 1948	Registration No. SUL -173 License No. 035180	January 1, 2011	December 31, 2011
Insulator Plant, Jagdishpur					
1.	Factories License	Director of Factories, Factories Act, 1948	SUL-8	January 1, 2011	December 31, 2011
2.	Contract Labour Certificate	Assistant Labour Commissioner, Ministry of Labour	A-55(8) /98	September 22, 1998	-
3.	Consent order under Water (Prevention and Control of Pollution) Act, 1974	Member Secretary, Uttar Pradesh Pollution Control Board	31/C-5/approval/water order 1/11	April 26 2011 wef. January 1, 2011	December 21, 2011
4.	Consent order under Section 21/22 of Air (Prevention and Control of Pollution) Act, 1981	Member Secretary, Uttar Pradesh Pollution Control Board	Order No. 26 01/11dated 26.04.11 F85251/C-5/Air-1/11	April 26, 2011 wef. January 1, 2011	December 31, 2011
5.	Authorisation under Rule 5 of Hazardous Waste (management and Handling) Rules, 1989	Member Secretary, Uttar Pradesh Pollution Control Board	Ref. No. F85241/C-5/Haz-15/RBL/2011/8	May 4, 2011	May 3, 2012
6.	Boiler Registration Certificate	Chief Inspector, Kanpur	UP-6445	June 28, 2011	June 27, 2012
7.	Boiler Registration Certificate	Chief Inspector, Kanpur	UP-6446	April 8, 2011	April 7, 2012
8.	License for Weights and Measurement	Inspector, Standard Weights and Measures, Amethi	0117142	June 15. 2011	June 15, 2012
9.	License for Weights and Measurement	Inspector, Standard Weights and Measures, Amethi	0806786	January 13, 2011	January 13, 2012
10.	License to import and store Class B petroleum in installation	Deputy Chief Controller of Explosives, Petroleum & Explosive Safety Organisation, Ministry of Commerce & Industry, GoI	P/HQ/UP/15/390(P7790)	December 14, 2010	December 31, 2013
Transformer Plant, Jhansi					
1.	Factory License	Director of Factories	JHI 79	January 1, 2011	December 31, 2011
2.	Authorisation to operate a facility for collection, reception,	Member Secretary, Uttar Pradesh Pollution Control Board	Ref: F82440/C-2/HAZ/01/2011 Authorisation No. 46/C-2/HAZ/01/2011	March 14, 2011	March 13, 2012

Sr. No	Description / Name of Unit	Issuing Authority / Act	Reference / License No.	Issue / Renewal Date	Expiry Date
	treatment, storage, transport and disposal of hazardous wastes on the premises				
3.	Grant of Authorisation under Bio-Medical Waste (Management & Handling) Rules, 1998	Regional Officer, Regional Office, Uttar Pradesh Pollution Control Board	Ref. No. 1600/JBB-62/10	November 30, 2010	November 29, 2011
4.	Boiler License	Chief Inspector, Kanpur	UP-4395	March 10, 2011	March 9, 2012
5.	Storage of liquid oxygen gas in pressure vessels	Joint Chief Controller of Explosives, Central Circle Office, Petroleum and Explosives Safety Organisation, Ministry of Commerce & Industry	S/HO/UP/03/252 (S13526)	May 14, 2009	March 31, 2012
6.	License to store compressed gas in cylinders	Joint Chief Controller of Explosives, Central Circle Office, Petroleum and Explosives Safety Organisation, Ministry of Commerce & Industry	G/CC/UP/06/1133(G19601)	March 6, 2009	September 30, 2013
7.	License to import and store petroleum in installation (Petroleum Class B in bulk – 15 Kilolitre)	Chief Controller of Explosives, Central Circle Office, Petroleum and Explosives Safety Organisation, Ministry of Commerce & Industry	P/HQ/UP/15/300(P7695)	January 22, 2010	December 31, 2012
8.	License to import and store petroleum in installation (Petroleum Class B in bulk – 15 Kilolitre)	Chief Controller of Explosives, Central Circle Office, Petroleum and Explosives Safety Organisation, Ministry of Commerce & Industry	P/HQ/UP/15/4297(P59104)	January 19, 2009	December 31, 2011
9.	Consent order under Air (Prevention and Control of Pollution) Act, 1981	Uttar Pradesh Pollution Control Board	Ref No. 2518/JB-12/Air Pollution/11	March 18. 2011 wef. March 10, 2011	December 31, 2011
10.	Consent order under Water (Prevention and Control of	Uttar Pradesh Pollution Control Board	Ref No. 2518/JB-12/Water Pollution/11	March 18. 2011 wef. March 10, 2011	December 31, 2011

Sr. No	Description / Name of Unit	Issuing Authority / Act	Reference / License No.	Issue / Renewal Date	Expiry Date
	Pollution) Act, 1974				
11.	Standard Weights and Measures	Asst. Controller Inspector of Legal Metrology, Standards, Weights and Measures Enforcement Act, 1985	0138002	December 18, 2010	December 18, 2011
12.	Boiler License	Chief Inspector, Jhansi	UP-3820	May 26, 2011	May 25, 2012
Electrical Machine Repair Plant, Mumbai					
1.	Factory License	Factories Inspector, Factory Registration and License Department, Factory Act, 1948	Mumbai Upnagar / 979/356/52609/B-879	August 17, 2011	December 31, 2011
Project Engineering Management BHEL, Noida					
1.	Contract Labour Certificate	Ministry of Labour and Employment, Office of Regional Labour Commissioner (Central), Dehradun	5/2011	March 17, 2011	-
Boiler Auxiliaries Plant, Ranipet					
1.	Factory License	Chief Inspector of Factories, Tamil Nadu Factories Rules 1950	24068 Registration Number VR-1794	January 27, 2011	December 31, 2011
2.	Contract Labour Certificates for 20 contractors procured by the Company for Boiler Auxilaries Plant	Ministry of Labour and Employment	R.I/4/2011	June 7, 2011	-
3.	Authorization for collection / storage / transport and disposal of Hazardous Wastes	Member Secretary, Tamilnadu Pollution Control Board	3038	August 22, 2007	August 21, 2012
4.	Standard Weights and Measures	Asst. Controller Inspector of Legal Metrology, Inspector Office of the Stamping / Asst./Deputy Inspector of Labour, Standards, Weights and Measures Enforcement Act, 1985	1083079	November 20, 2010	November 20, 2011
5.	Standard Weights and Measures	Asst. Controller Inspector of Legal Metrology, Inspector Office of the Stamping / Asst./Deputy Inspector of Labour, Standards, Weights and Measures Enforcement Act, 1985	1083080	November 20, 2010	November 20, 2012

Sr. No	Description / Name of Unit	Issuing Authority / Act	Reference / License No.	Issue / Renewal Date	Expiry Date
6.	Standard Weights and Measures	Asst. Controller Inspector of Legal Metrology, Inspector Office of the Stamping / Asst./Deputy Inspector of Labour, Standards, Weights and Measures Enforcement Act, 1985	1146726	March 16, 2011	March 16, 2012
7.	Standard Weights and Measures	Asst. Controller Inspector of Legal Metrology, Inspector Office of the Stamping / Asst./Deputy Inspector of Labour, Standards, Weights and Measures Enforcement Act, 1985	4245068	March 22, 2011	March 22, 2012
8.	License to store propane gas in pressure vessels	Deputy Chief Controller of Explosives, Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation	S/HO/TN/03/100 (S2498)	January 31, 2011	March 31, 2014
9.	License to store petroleum in tanks in connection with pump outfit for fuelling motor conveyance	Chief Controller of Explosives South Circle, Government of India	P/SC/TN/14/2980 (P142436)	August 11, 2009	December 31, 2011
10.	Thinner License	Additional Judge and District Revenue Officer, Vellore	WLJ 67/98 NK.C2/37974/2009	July 20, 2010 wef. January 1, 2010	December 31, 2012
Component Fabrication Plant, Rudrapur					
1.	Factory License	Factories Act 1948	USM-186	January 01, 2011	December 12, 2011
2.	Contract Labour Certificates	Assistant Labour Commissioner (Central) Dehradun	03/2011	February 15, 2010	March 31, 2012
3.	License relating to weight & measurement	Office of Controller of Weights & Measures, Udham Singh Nagar, Uttarakhand	002874	March 7, 2011	March 6, 2012
High Pressure Boiler Plant, Tiruchirappalli					
1.	Contract Labour Registration Certificate	Ministry of Labour and Employment, Registering Officer	R.II(2)2011 – B4	February 9, 2011	-
2.	Certificate to use Boiler	Deputy Director of Boilers, Tamil Nadu Boiler Inspection Department	T-5937	May 3, 2011	November 2, 2011
3.	License for Weights and Measures	Office of the Stamping / Asst./ Deputy Inspector of Labour Standards,	467 / TRY Ref No. 2457956	February 23, 2011	February 23, 2012

Sr. No	Description / Name of Unit	Issuing Authority / Act	Reference / License No.	Issue / Renewal Date	Expiry Date
		Weights and Measures Enforcement Act, 1985			
4.	License to store compressed gas in cylinders	Joint Chief Controller of Explosives, Chennai	G/SC/TN/06/17 (G2608)	November 30, 1987 and last renewed on September 14, 2007	September 30, 2013
5.	License to import and store petroleum in installation	Chief Controller of Explosives	P/HQ/TN/15/80 (P12767)	January 1, 1977 and last renewed on December 1, 2010	December 31, 2013
6.	License to store petroleum in tanks in connection with the pump outfit for fueling motor conveyances	Joint Chief Controller of Explosives	P/SC/TN/14/2054 (P36055)	July 18, 1985 and last renewed on April 7, 2010	December 31, 2012
7.	Authorisation for occupier or operator handling hazardous wastes	Member Secretary, Tamil Nadu Pollution Control Board	Authorisation No 2934	July 3, 2007	July 2, 2012
8.	License to store petroleum in tanks in connection with the pump outfit for fueling motor conveyances	Joint Chief Controller of Explosives	P/SC/TN/14/1757 (P35109)	March 31, 1999 and last renewed on December 24, 2010	December 31, 2013
9.	Factories License for Boiler Plant	Inspectorate of Factories under Rule 4(6) of the Tamil Nadu Factories Rules, 1950	16181 / TPL – 1142	January 1, 2011	December 31, 2011
10.	Factories License for HRD workshop	Inspectorate of Factories under Rule 4(6) of the Tamil Nadu Factories Rules, 1950	18843 / TPL - 1153	January 1, 2011	December 31, 2011
11.	Factories License for Welding Research Institute	Inspectorate of Factories under Rule 4(6) of the Tamil Nadu Factories Rules, 1950	18845 / TPL - 1467	January 1, 2011	December 31, 2011
12.	Factories License for ESG Group Complex (workshop)	Inspectorate of Factories under Rule 4(6) of the Tamil Nadu Factories Rules, 1950	18846 / TPL - 1507	January 1, 2011	December 31, 2011

Sr. No	Description / Name of Unit	Issuing Authority / Act	Reference / License No.	Issue / Renewal Date	Expiry Date
13.	Factories License for ESG Group Complex	Inspectorate of Factories under Rule 4(6) of the Tamil Nadu Factories Rules, 1950	18847 / TPL -1468	January 1, 2011	December 31, 2011
14.	Factories License for M H D Research Project	Inspectorate of Factories under Rule 4(6) of the Tamil Nadu Factories Rules, 1950	18848 / TPL - 1661	January 1, 2011	December 31, 2011
15.	Factories License for CCDP	Inspectorate of Factories under Rule 4(6) of the Tamil Nadu Factories Rules, 1950	18849 / TPL - 1698	January 1, 2011	December 31, 2011
Seamless Steel Tube Plant, Tiruchirappalli					
1.	Factory License	Inspectorate of Factories under Rule 4(6) of the Tamil Nadu Factories Rules, 1950	16166 / TPL - 1402	January 1, 2011	December 31, 2011
2.	Contract Labour Registration Certificate	Ministry of Labour and Employment, Registering Officer	R.II(2)2011 – B4	February 9, 2011	-
Heavy Equipment Repair Plant, Varanasi					
1.	Factory License	Department of Factories	BRS – 576	January 4, 2011	December 31, 2011
2.	License to import and store petroleum in installation, Varanasi	Deputy Chief Controller of Explosives	P/CC/UP/15/1799 (P166116)	December 30, 2008	December 31, 2011
3.	License from Petroleum and Explosives Safety Organisation, Allahabad	Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation , Deputy Chief Controller of Explosives	P/CC/UP/15/1799 (P166116)	December 21, 2006	December 31, 2011
4.	Weight and Measures License	Sr. Inspector, Office of the Controller of Weight and Measures, Varanasi	739284	September 29, 2010	September 29, 2011

Industrial Licenses for Defence Business

The Ministry of Defence, GoI has issued a circular No 1(18) 2007D (S-III) dated July 7, 2011 exempting industrial undertakings owned by the Central Government from the requirement of obtaining defence industrial license. The only requirement on PSUs who wish to enter into defence business is that such PSUs need to inform the Department of Defence Production through their administrative ministry and submit half-yearly returns regarding manufacture of defence items and follow security arrangements / restrictions as applicable to defence companies. The Company has sought necessary clarification in this regard from the Department of Industrial Policy & Promotion, Ministry of Industry and Commerce, GoI

Other Licenses

Sr. No	Description / Name of Unit	Issuing Authority	Reference / License No.	Issue / Renewal	Expiry Date

				Date	
1.	Grant of exemption under ESI Act, 1948	Ministry of Labour and Employment	S-38014/9/2010-SS.I	November 15, 2010	September 9, 2011

III. APPROVALS APPLIED FOR BUT NOT YET RECEIVED

1. The Company has applied on August 26, 2010 for registering its new factory for Power Plant Piping Unit at Thirumayam.

2. The Company has applied on May 17, 2011 for renewing the consent order number KSPCB/CFO/LR/2009-10/H 2466 dated March 26, 2010 under Air Act,1981 for the year 2011-13 for their Electronic Division, Bengaluru.

3. The Company has applied on May 17, 2011 for renewing the consent order number KSPCB/CFO/LR/2009-10/H 2466 dated March 26, 2010 under Water Act, 1974 for the year 2011-13 for their Electronic Division, Bengaluru.

4. The Company has made an application dated November 22, 2010 to the Director, Industrial Health and Safety, Government of Madhya Pradesh, for renewal for the year 2011 of factory license being license no. 7/829/BPL 2mi for the Bhopal unit of the Company.

5. The Company has made an application dated May 21, 2011 to the Member Secretary, Madhya Pradesh Pollution Control Board, for renewal of consent for emission/ continuation of emission under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for the year 2011-12 for the Bhopal unit of the Company.

6. The Company has made an application dated May 21, 2011 to the Member Secretary, Madhya Pradesh Pollution Control Board, for renewal of consent for discharge/ continuation of discharge under Section 25/26 of the Water (Prevention and Control of Pollution) Act, 1974 for the year 2011-12 for the Bhopal unit of the Company.

7. The Company has made an application dated January 23, 2008 to the Member Secretary, Madhya Pradesh Pollution Control Board, for renewal of hazardous waste authorization under Hazardous Waste (Management, Handling & Transboundary Movement) Rules 2008 for the Bhopal unit of the Company.

8. The Company has made an application for boiler license dated July 12, 2011 for Heavy Electrical Plant, Bhopal unit. The license for boiler license bearing number MP/3127 expired on August 6, 2011.

9. The Company has supplied the Director of Boilers, Andhra Pradesh, with the details of the inspection of the 20 Tph boiler bearing registration number AP 699 and the boiler steam connected lines bearing registration number AP01, conducted on their facility located at Ramachandrapuram, Hyderabad, through its letter dated April 18, 2011, bearing reference number HY/M&S/ GS/BH/2011-12/01. The Director of Boilers, Andhra Pradesh, through a letter dated April 23, 2011 has intimated the Company that the aforementioned boiler and its connected steam line would be inspected on 16 May 2011. The Company has confirmed that the inspection is completed and the certificate is awaited.

10. The Company has supplied the Director of Boilers, Andhra Pradesh, with the details of the inspection of the 30 Tph boiler bearing registration number AP 3975, conducted on their facility loctated at Ramachandrapuram, Hyderabad, through its letter dated April 18, 2011, bearing reference number HY/M&S/GS/BH/2011-12/01. The Director of Boilers, Andhra Pradesh, through a letter dated April 20, 2011 has intimated the Company that the aforementioned boiler would be inspected on 30 May 2011. The Company has confirmed that the inspection is completed and the certificate is awaited.

11. The Company has supplied the Director of Boilers, Andhra Pradesh, with the details of the inspection of the Boiler Steam Connected lines bearing registration number AP 01, conducted on their facility loctated at Ramachandrapuram, Hyderabad, through its letter dated April 18, 2011, bearing reference number HY/M&S/GS/BH/2011-12/01. The Director of Boilers, Andhra Pradesh, through a letter dated April 20,

2011 has intimated the Company that the aforementioned boiler would be inspected on 30 May 2011. The Company has confirmed that the inspection is completed and the certificate is awaited.

12. The Company has made an application dated May 21, 2011 bearing reference number BAP:CP&S:34.1/4357 to the District Enironmental Engineer, Tamil Nadu Pollution Control Board, for the renewal of the consent under the Consent under Water (Prevention and Control) of Pollution Act, 1974 and the Air (Prevention and Control) of Pollution Act, 1981 for the year 2011-2012 for their Boiler Auxiliary Plant, Ranipat.

13. The Company has made a request dated March 23, 2011 bearing reference number HSE/UEPPCB/2009-10/1296 to the Member Secretary of the Uttarakhand Environment Protection and Pollution Control Board to renew the grant of authorization under the Hazardous Waste (Management, Handling and Transboundry Movement) Rules, 2008 bearing reference number UEPPCB/HO/Haz-06/09/10/139 for their plant at Ranipur, Haridwar.

14. The Company has applied on September 27, 2010 for renewing the consent order number 3242 under Air Prevention and Control of Pollution Act, 1981 for their High Pressure Boiler Plant, Tiruchirappalli.

15. The Company has applied on September 27, 2010 for renewing the consent order number 5336 under Water (Prevention and Control of Pollution Act), 1974 for their High Pressure Boiler Plant, Tiruchirappalli.

16. The Company has made an application for renewal of boiler license number M-3968 on May 31, 2011 for their High Pressure Boiler Plant, Tiruchirappalli.

17. The Company has applied on August 9, 2010 for registering its new factory for High Pressure Boiler Plant at Tiruchirapalli.

18. The Company has made an application for factories license on August 9, 2010 for their HPBP-Unit II at Tiruchirappalli.

19. The Company has applied for air and water pollution certificate on August 11, 2011 to the Member Secretary, Uttarakhand Environment Protection and Pollution Control Board for their Component Fabrication Plant, Rudrapur.

20. The Company has made an application on July 7, 2011 for collection/reception/ treatment / storage / disposal of hazardous waste of license number UEPPCB/HO/Haz-196/58-912 for their Component Fabrication Plant, Rudrapur.

21. The Company has applied for consent order under Section 25/26 of Water (Prevention & Control of Pollution) Act, 1974 on September 9, 2011 to Uttarakhand Environment Protection and Pollution Control Board for renewal of license number UEPPCB/HO/Consent/B-19/09/1389 for their Heavy Electrical Equipment Plant, Ranipur

22. The Company has applied for consent order under and Section 21 of Air (Prevention & Control of Pollution) Act, 1981 on September 9, 2011 to Uttarakhand Environment Protection and Pollution Control Board for renewal of license number UEPPCB/HO/Consent/B-19/09/1389 for their Heavy Electrical Equipment Plant, Ranipur

23. The Company has applied for consent order under Section 25/26 of Water (Prevention & Control of Pollution) Act, 1974 to Member Secretary, Punjab Pollution Control Board for renewal of license number ASR/WPC/96-11/F-227 for their Industrial Valves Plant, Goindwal

IV. INTELLECTUAL PROPERTY OWNED BY THE COMPANY

The Company has 26 registered trademarks in its name out of which four are in registered in class 6, five in class 7, four each in class 9, class 11, class 12 and class 16 and one in class 35. The Company has also applied for a trademark under class 7 that is pending registration.

As on June 30, 2011, the Company owns 271 patents and 16 designs are registered in favour of the Company. Further, 3 patents are ready for grant to the Company whereas 644 patents are under examination and 17 patents are under process.

As on June 30, 2011, the Company has 604 copyrights out of which 284 copyrights are registered in favour of the Company and 320 copyrights are pending registration.

OTHER REGULATORY AND STATUTORY DISCLOSURES

AUTHORITY FOR THE OFFER

The Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, through its letter No. 3(9)/2009-PE.XI dated September 09, 2011, has authorized the Offer.

The Board recommended the disinvestment of 5% from Government of India's shareholding by its resolution dated May 23, 2011and has approved the Draft Red Herring Prospects by its resolution dated September 28, 2011.

RBI's letter FED.CO.FID.No.7353/10.21.261/2011-12 dated September 23, 2011 approving the transfer of Equity Shares of the Company under Offer in favour of residents outside India.

PROHIBITION BY SEBI, RBI OR GOVERNMENTAL AUTHORITIES

The Company, the Promoter and the Directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any other authorities. Neither the Promoter nor any of the Directors has been or is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by SEBI.

Except for Mr. S. Ravi and Mr. V. K. Jairath, no other Director is in any manner associated with the securities market and there has been no action taken by SEBI against the Directors or any entity in which any of the Directors is involved as a promoter or director.

Neither the Company, the Promoter nor the Directors, have been detained as willful defaulters by the RBI or any other government authorities. There are no violations of securities laws committed by any of them in the past, or pending against them.

ELIGIBILITY FOR THE OFFER

The Company is eligible for the Offer in accordance with Regulation 27 read with Regulation 26(1)(d) and (e) of the SEBI Regulations, as described below:

(a) The aggregate of the proposed Offer and all previous issues made in the same Financial Year in terms of Offer size is not expected to exceed five times the pre-Offer net worth of the Company as per the audited balance sheet of the preceding Financial Year; and

(b) The Company has not changed its name within the last one year. Accordingly, the Company is eligible to undertake the Offer under Regulation 27 read with Regulation 26(1) (d) and (e) of the SEBI Regulations.

In addition, in accordance with Regulation 26(4) of the SEBI Regulations, the Company will ensure that the number of Bidders to whom Equity Shares are allotted in the Offer will be not less than 1,000; otherwise, the entire application money will be refunded forthwith. If such money is not repaid within eight days after the Selling Shareholder becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Offer Closing Date, whichever is earlier), then the Selling Shareholder shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

COMPLIANCE WITH PART A OF SCHEDULE VIII OF THE SEBI REGULATIONS

The Company is in compliance with the provisions specified in Part A of Schedule VIII of the SEBI Regulations. The Company has not been formed by the conversion of a partnership firm into a company. The Selling Shareholder has sought exemption from eligibility norms under Regulation 109 of the SEBI Regulations, with respect to the Offer for the following:

(a) The disclosure of the change in capital structure of the Company in view of the sub-division of the share capital of the Company after the filing of the Draft Red Herring Prospectus; and

(b) Disclosure of change in the composition of the Board of Directors and it committees, in view of the appointment of independent directors as required under clause 49 of the Listing Agreement. The Board presently has five independent directors thereby rendering the Company non compliant with Clause 49(I) (A) of the Listing Agreement.

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THIS DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THIS DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, DSP MERRILL LYNCH LIMITED, ICICI SECURITIES LIMITED, KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND MORGAN STANLEY INDIA COMPANY PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS, DSP MERRILL LYNCH LIMITED, ICICI SECURITIES LIMITED, KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND MORGAN STANLEY INDIA COMPANY PRIVATE LIMITED ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY AND THE SELLING SHAREHOLDER DISCHARGE THEIR RESPONSIBILITIES ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 28, 2011, WHICH READS AS FOLLOWS:

1. "WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THIS DRAFT RED HERRING PROSPECTUS ("DRHP") PERTAINING TO THE SAID OFFER;

2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE COMPANY;

WE CONFIRM THAT:

(A) THE DRHP FILED WITH SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE OFFER;

(B) ALL THE LEGAL REQUIREMENTS RELATING TO THE OFFER AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE SEBI, THE GOVERNMENT OF INDIA AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE DRHP ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED OFFER AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE

SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

3. **WE CONFIRM THAT ALL THE INTERMEDIARIES NAMED IN THE DRHP ARE REGISTERED WITH THE SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.**

4. **WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS – NOTED FOR COMPLIANCE**

5. **WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, SHALL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRHP WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRHP – COMPLIED WITH TO THE EXTENT APPLICABLE.**

6. **WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTER'S CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRHP – NOT APPLICABLE.**

7. **WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE OFFER. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC OFFER. – NOT APPLICABLE**

8. **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT OFFER FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECTS CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE COMPANY – NOT APPLICABLE AS IT IS AN OFFER FOR SALE AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECTS CLAUSE OF ITS MEMORANDUM OF ASSOCIATION. – NOT APPLICABLE;**

9. **WE CONFIRM THAT NECESSARY ARRANGEMENTS WILL BE MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THIS OFFER ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT TO BE ENTERED INTO BETWEEN THE BANKERS TO THE OFFER AND THE COMPANY SPECIFICALLY CONTAINS THIS CONDITION. – NOTED FOR COMPLIANCE**

10. **WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THIS DRHP THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. – NOT APPLICABLE AS THE OFFER SIZE IS MORE THAN ₹ 100**

MILLION, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, 1956, THE EQUITY SHARES ARE TO BE OFFERED IN DEMAT ONLY;

11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.

12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THIS DRHP:

(A) AN UNDERTAKING FROM THE COMPANY THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE COMPANY; AND

(B) AN UNDERTAKING FROM THE COMPANY THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY SEBI FROM TIME TO TIME.

13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE OFFER.

14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE COMPANY, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTER'S EXPERIENCE, ETC.

15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRHP WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY."

All legal requirements pertaining to this Offer has been complied with at the time of filing of the Draft Red Herring Prospectus to be filed with SEBI and the Stock Exchanges. All legal requirements pertaining to this Offer will be complied with at the time of registration of the Red Herring Prospectus and the Prospectus with the RoC in terms of Sections 56, 60 and 60B of the Companies Act.

The filing of this Draft Red Herring Prospectus does not, however, absolve the Company from any liabilities under Section 63 and Section 68 of the Companies Act or from the requirement of obtaining such statutory and/or other clearances as may be required for the purpose of the proposed Offer. SEBI further reserves the right to take up at any point of time, with the Book Running Lead Managers, any irregularities or lapses in this Draft Red Herring Prospectus.

DISCLAIMER FROM THE COMPANY, THE SELLING SHAREHOLDER, THE DIRECTORS AND THE SYNDICATE

The Company, the Selling Shareholder, the Directors and the Syndicate accept no responsibility for statements made otherwise than those contained in this Draft Red Herring Prospectus or in any advertisements or any other material issued by or at the Company's instance and anyone placing reliance on any other source of information, including the Company's website at www.bhel.com or website of any affiliate or associate of the Company or its Subsidiaries or Joint Ventures, would be doing so at his or her own risk. The Selling Shareholder and its officers accept no responsibility for any statements made other than those made in relation to the Equity Shares offered through the Offer for Sale.

CAUTION

The BRLMs accept no responsibility, save to the limited extent as provided in the Offer Agreement entered into among the BRLMs, the Selling Shareholder and the Company dated September 28, 2011, and the Underwriting Agreement to be entered into among the Underwriters, the Selling Shareholder and the Company.

All information shall be made available by the Company, the Selling Shareholder and BRLMs to the public and investors at large and no selective or additional information would be available for a section of the Bidders in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres, etc.

The Company, the Selling Shareholder, the BRLMs or any member of the Syndicate, shall not be liable to the Bidders for any failure in uploading the Bids due to faults in any software/hardware system or otherwise. Investors that bid in the Offer will be required to confirm and will be deemed to have represented to the Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not offer, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any Bidder on whether such Bidder is eligible to acquire the Equity Shares.

Each of the BRLMs and their respective affiliates may engage in transactions with, and perform services for, the Company, Subsidiaries or affiliates in the ordinary course of business and have engaged, or may in the future engage, in transactions with the Company, Subsidiaries, Joint Ventures or affiliates, for which they have received, and may in the future receive, compensation.

DISCLAIMER IN RESPECT OF JURISDICTION

This Offer is being made in India to persons resident in India, including Indian nationals resident in India who are not minors, HUFs, companies, corporate bodies and societies registered under applicable laws in India and are authorized to invest in shares, Mutual Funds, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorized under their respective constitutions to hold and invest in shares, public financial institutions as specified in Section 4A of the Companies Act, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the IRDA, provident funds (subject to applicable law) with minimum corpus of ₹ 250 million and pension funds with minimum corpus of ₹ 250 million, National Investment Fund, insurance funds set up and managed by army, navy or air force of Union of India, insurance funds setup and managed by Department of Posts, GoI and permitted Non-Residents including FIIs and Eligible NRIs and other eligible foreign investors, if any, provided that they are eligible under all applicable laws and regulations to purchase the Equity Shares.

This Draft Red Herring Prospectus will not, however, constitute an offer to sell or an invitation to subscribe for Equity Shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action will be required for that purpose. Accordingly, the Equity Shares represented hereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Company from the date hereof or that the information contained here is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold within the United States except

pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws in the United States.

Accordingly, the Equity Shares are being offered and sold (i) in the United States only to "qualified institutional buyers" (as defined in Rule 144A and referred to in the Red Herring Prospectus as "U.S. QIBs"; which, for the avoidance of doubt, does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs"), acting for its own account or for the account of another U.S. QIB (and meets the other requirements set forth herein), reliance on the exemption from registration under the U.S. Securities Act provided by Rule 144A or other available exemption; and (ii) outside the United States in reliance on, Regulation S under the U. S. Securities Act.

Until the expiry of 40 days after the commencement of the Offer, an offer or sale of Equity Shares within the United States by a dealer (whether or not it is participating in the Offer) may violate the registration requirements of the U. S. Securities Act.

Equity Shares Offered and Sold within the United States

Each purchaser of Equity Shares inside the United States will be required to represent and agree, among other things, that such purchaser (i) is a U.S. QIB; and (ii) will only reoffer, resell, pledge or otherwise transfer the Equity Shares in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S.

Each purchaser of Equity Shares outside the United States that will be required to represent and agree, among other things, that such purchaser acquiring the Equity Shares in an "offshore transaction" in accordance with Regulation S.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Further, each Bidder where required must agree in terms of the Allotment advice, that such Bidder will not sell or transfer any Equity Shares or any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The delivery of this Draft Red Herring Prospectus will not under any circumstances create any implication that there has been no change in the affairs of the Company from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

DISCLAIMER CLAUSE OF THE BSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to the BSE. The disclaimer clause as intimated by the BSE to us, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to filing the same with the RoC.

DISCLAIMER CLAUSE OF THE NSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to the NSE. The disclaimer clause as intimated by the NSE to us, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to filing the same with the RoC.

FILING

A copy of this Draft Red Herring Prospectus has been filed with SEBI at the Securities and Exchange Board of India, SEBI Bhavan, G Block, 3rd Floor, Bandra Kurla Complex, Bandra (E), Mumbai 400 051, Maharashtra, India.

A copy of the Red Herring Prospectus, along with the other documents required to be filed under Section 60B of the Companies Act, will be delivered for registration with the RoC at the office of the RoC and a copy of the

Prospectus to be filed under Section 60 of the Companies Act will be registered with the RoC electronically and delivered for registration at its office situated at the address mentioned below.

REGISTRAR OF COMPANIES

National Capital Territory of Delhi and Haryana
4th Floor, IFCI Tower,
61, Nehru Place,
New Delhi - 110 019,
India.
Tel: +91 (11) 2623 5704
Fax: +91 (11) 2623 5702

LISTING

The Equity Shares of the Company are listed on the NSE and the BSE. Applications had been made to the NSE and BSE for the use of their respective names in this Prospectus. NSE through its letter bearing number [●] dated [●] and BSE through its letter bearing number [●] dated [●] granted approval for the use of their respective names in the Draft Red Herring Prospectus, Red Herring Prospectus and the Prospectus. [●] is the Designated Stock Exchange with which the basis of allocation will be finalised for the Offer.

The Company filed necessary application with Calcutta Stock Exchange Association Limited (CSE) as far back as on 3rd November 2004. Communication regarding delisting from CSE is still awaited, however, "BHEL" Scrip has not been shown in the list of securities listed on the CSE. At present, the equity shares are listed on BSE and NSE.

If the trading permission of the Equity Shares is not granted by any of the Stock Exchanges, the Selling Shareholder shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after the Selling Shareholder become liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Offer Closing Date, whichever is earlier), then the Selling Shareholder shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

IMPERSONATION

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

CONSENTS

Consents in writing of: (a) The Selling Shareholder, the Directors, the Company Secretary and Compliance Officer, the domestic legal counsel to the Company, the domestic legal counsel to the underwriters, the international legal counsel to the Company, the international legal counsel to the DSP Merrill Lynch Limited and Morgan Stanley India Company Private Limited, the Bankers to the Company, the Auditors, the Bankers to the Offer and the Registrar to the Offer have been obtained; and (b) the Syndicate Members, the Bankers to the Offer, in their respective capacities will be obtained, and would be filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents will not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

The Auditors have consented to the inclusion of their names as the statutory auditors and of their report on the audited restated financial information and the statement of tax benefits in the form and context in which they appear in this Draft Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus for registration to the RoC.

EXPERT OPINION

Except for the report of the Auditors on the standalone and consolidated financial statements and the statement of tax benefits on page 92, included in the Draft Red Herring Prospectus, the Company has not obtained any expert opinions.

OFFER RELATED EXPENSES

The estimated Offer expenses are as under:

Activity	Amount (₹ million)	% of the Offer Expenses	% of total Offer Size
BRLM fees*	[●]	[●]	[●]
Underwriting commission and selling commission (including commission to SCSBs for ASBA applications)*	[●]	[●]	[●]
Registrar's fees*	[●]	[●]	[●]
Publication of advertisements *	[●]	[●]	[●]
Advisors*	[●]	[●]	[●]
Bankers to the Offer*	[●]	[●]	[●]
Others (listing fees, etc.) *	[●]	[●]	[●]
Total	[●]	[●]	[●]

*Will be incorporated at the time of filing of the Prospectus.

All expenses with respect to fees payable to the BRLMs, Registrar to the Offer and Legal Counsels as well as expenses towards the publication of advertisements in connection with the Offer will be paid by the GoI.

FEES, BROKERAGE AND SELLING COMMISSION PAYABLE TO THE SYNDICATE

The details of fees, underwriting and selling commission and brokerage payable to the members of the syndicate will be as stated in the engagement letters with the BRLMs, issued by the Department of Disinvestment, MoF and the Syndicate Agreement, copies of which will be made available for inspection at our Registered Office from 10.00 am to 4.00 pm on Working Days during the Offer Period.

The members of the Syndicate shall be paid a selling commission of [●]%,[●]% and [●]% on the Amount Allotted to successful Retail Individual Bidders, Non-Institutional Bidders and Eligible Employees, respectively, in relation to Bid cum Application Forms and ASBA Forms procured by them (the **Selling Commission**). In relation to ASBA Forms procured by the members of the Syndicate and submitted to the relevant branches of the SCSBs at the Syndicate ASBA Bidding Locations for processing, [●]% of the Selling Commission payable to the members of the Syndicate for such ASBA Forms will be available for distribution as processing fee to the relevant SCSBs (the "**Syndicate ASBA Processing Fee"**). The Syndicate ASBA Processing Fee will be divided by the total number of ASBA Forms procured by the members of the Syndicate and submitted to the relevant branches of the SCSBs at the Syndicate ASBA Bidding Locations for processing, to determine the per application Syndicate ASBA processing fee (the "**Per Application Syndicate ASBA Processing Fee"**). For calculating the total number of ASBA Forms procured by the members of the Syndicate as above, ASBA Forms procured by the members of the Syndicate in the QIB category and submitted to the relevant branches of the SCSBs at the Syndicate ASBA Bidding Locations will also be included. Each SCSB will receive a product of the Per Application Syndicate ASBA Processing Fee, and the number of ASBA Forms procured by the members of the Syndicate and submitted to the relevant SCSBs at the Syndicate ASBA Bidding Locations for processing. The remaining Selling Commission in relation to ASBA Forms procured by the members of the Syndicate and submitted to the relevant branches of the SCSBs at the Syndicate ASBA Bidding Locations for processing, after deducting the Syndicate ASBA Processing Fee, will be payable to the members of the Syndicate.

In case of ASBA Forms procured directly by the SCSBs in the Retail Individual Bidders, Non-Institutional Bidders and Eligible Employees categories, the relevant SCSBs shall be entitled to the applicable Selling Commission and no additional Per Application Syndicate ASBA Processing Fees shall be payable to them. No Selling Commission is payable to SCSBs in relation to ASBA Forms submitted by QIBs and procured directly by the SCSBs.

In addition to the Selling Commission and Syndicate ASBA Processing Fee contemplated hereinabove, applicable service tax will be separately invoiced and payable.

FEES PAYABLE TO THE REGISTRAR TO THE OFFER

The fees payable to the Registrar to the Offer by the Selling Shareholder including fees for processing of application or any other expenditure involved will be in accordance with the Registrar's Agreement dated [●] executed amongst the Registrar to the Offer, the Company and the Selling Shareholder, a copy of which will be made available for inspection at the Registered Office from 10.00 am to 4.00 pm on Working Days during the Bidding Period.

The Registrar to the Offer will be reimbursed for all out-of-pocket expenses and postage charges for refund.

PARTICULARS REGARDING PUBLIC OR RIGHTS ISSUES DURING THE LAST FIVE YEARS

There have been no public or rights issue by the Company during the last five years.

PREVIOUS ISSUES OF EQUITY SHARES OTHERWISE THAN FOR CASH

Except as stated below, the Company has not issued any Equity Shares for consideration other than cash:

Date of Allotment	Number of Equity Shares	Face Value (₹)	Issue price per Equity Share (₹)	Nature of Allotment
June 18, 1966	241,112	1,000	1,000	Transfer of Assets from Heavy Electricals (India) Limited to the Company
April 11, 1974	500,000	1,000	1,000	Amalgamation of Heavy Electricals (India) Limited with the Company under Section 396 of the Companies Act
June 06, 2007	244,760,000	10	-	Bonus issue in the ratio of one Equity Share for each Equity Share held on the record date i.e. June 1, 2007

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION ON PREVIOUS ISSUES

There have been no public or rights issue by the Company in the past.

PROMISE V/S PERFORMANCE – LAST THREE ISSUES OF THE COMPANY

There have been no public or rights issue by the Company in the past.

PROMISE V/S PERFORMANCE –LAST ONE ISSUE OF SUBSIDIARIES, ASSOCIATE COMPANIES

None of the Subsidiaries and associates have made any public issue of its equity shares in the past.

OUTSTANDING DEBENTURES OR BOND ISSUES OR REDEEMABLE PREFERENCE SHARES

The Company has no outstanding debentures or bonds or redeemable preference shares as on date of this Draft Red Herring Prospectus.

OUTSTANDING PREFERENCE SHARES

There are no outstanding preference shares issued by the Company.

PARTLY PAID-UP SHARES

There are no partly paid up Equity Shares of the Company.

STOCK MARKET DATA OF THE EQUITY SHARES

See the section titled "Stock Market Data for Equity Shares of the Company" on page 343 of this Draft Red Herring Prospectus.

OTHER DISCLOSURES

The Selling Shareholder and the Directors have not purchased or sold or financed any purchase or sale of securities of the Company, during a period of six months preceding the date of this Draft Red Herring Prospectus.

SEBI has not initiated any action against any entity related to the securities market, with which the Directors are associated.

STATUS OF INVESTOR COMPLAINTS

The Company received a total of 2,329 investor complaints from September 01, 2008 till date of this Draft Red Herring Prospectus. During the same period, the Company disposed of 2,316 investor complaints. The total number of investor complaints pending as on the date of the Draft Red Herring Prospectus is 13.

MECHANISM FOR REDRESSAL OF INVESTOR GRIEVANCES

The Registrar's Agreement between the Registrar to the Offer, the Selling Shareholder and us, provides for retention of records with the Registrar to the Offer for a period of at least three years from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

All grievances relating to this Offer may be addressed to the Registrar to the Offer quoting the full name of the sole or first Bidder, Bid cum Application Form number, Bidders' DP ID, Client ID, PAN, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate, as the case may be, where the Bid was submitted and cheque or draft number and issuing bank thereof.

All grievances relating to the ASBA process may be addressed to the Registrar to the Offer, with a copy to the relevant SCSB, quoting the full name of the sole or first Bidder, ASBA Form number, Bidders' DP ID, Client ID, PAN, number of Equity Shares applied for, date of ASBA Form, name and address of the member of the Syndicate or the Designated Branch, as the case may be, where the ASBA Bid was submitted and ASBA Account number in which the amount equivalent to the Payment Amount was blocked.

DISPOSAL OF INVESTOR GRIEVANCES BY THE COMPANY

We estimate that the average time required by us or the Registrar to the Offer for redressal of routine investor grievances will be 10 Working Days from the date of receipt of the complaint. In case of complaints that are not routine or where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

The Company has appointed Mr. Inder Pal Singh., Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Offer or post-Offer related problems.

Mr. Inder Pal Singh
Company Secretary,
BHEL House,
Siri Fort,
New Delhi 110 049, India
Tel: +91 (11) 2600 1046
Fax: +91 (11) 6633 7533
Website: www.bhel.com
Email: fpoinvestorsquery@bhel.in

MECHANISM FOR REDRESSAL OF INVESTOR GRIEVANCES BY COMPANIES UNDER THE SAME MANAGEMENT

There is no listed company under the same management as the Company.

CHANGE IN AUDITORS IN THE PAST THREE YEARS

The following are the changes in the auditors in the last three years:

Name of Auditor	Financial Year	Date of Appointment	Reasons for change
S.N Dhawan and Co.	2010-11	July 12, 2010	S.N Dhawan and Co. was appointed by office of the CAG through its letter dated July 12, 2010, replacing the previous auditor M.L Puri and Co.
Gandhi Minocha and Co.	2009-10	August 12, 2009	Gandhi Minocha and Co. was appointed jointly with M.L Puri and Co. by office of the CAG through its letter dated August 12, 2009.

CAPITALIZATION OF RESERVES OR PROFITS

Except for the bonus issue made by the Company on March 10, 2007, the Company has not undertaken any capitalization of reserves or profits since incorporation. The detail of the bonus issue is given below:

Date of Allotment	Number of Equity Shares	Face Value (₹)	Issue price per Equity Share (₹)	Nature of Allotment
June 06, 2007	244,760,000	10	-	Bonus issue in the ratio of one Equity Share for each Equity Share held on the record date i.e. June 1, 2007

REVALUATION OF ASSETS

The Company has not revalued its assets since incorporation.

SECTION VII – OFFER RELATED INFORMATION

TERMS OF THE OFFER

The Equity Shares offered and sold in the Offer will be subject to the provisions of the Companies Act, our Memorandum of Association and Articles of Association, SEBI ICDR Regulations, the Equity Listing Agreements, the terms of this Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, the Bid cum Application Form (including the ASBA Form), the Revision Form (including ASBA Revision Form), if any, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the Allotment Advice and other documents and certificates that may be executed in respect of the Offer. The Equity Shares will also be subject to all applicable laws, guidelines, rules, notifications and regulations relating to the sale of capital and trading of securities, issued from time to time by SEBI, the GoI, the Stock Exchanges, the RoC, the RBI and/or other authority as in force on the date of this Offer, to the extent applicable.

Authority for this Offer

See the section titled *"Other Regulatory and Statutory Disclosures"* on page 403 of this Draft Red Herring Prospectus.

Ranking of Equity Shares

The Equity Shares being offered and sold in the Offer will, subject to the provisions of the Companies Act, our Memorandum of Association and Articles of Association, rank *pari passu* with the existing Equity Shares, including rights in respect of dividends. The Allottees of the Equity Shares in this Offer shall be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of Allotment.

For a description of our Articles, see the section titled "Main Provisions of the Articles of Association" on page 463 of this Draft Red Herring Prospectus.

Mode of Payment of Dividend

Our Company will pay dividend, if declared, to our Equity Shareholders, as per the provisions of the Companies Act, the Listing Agreement, our Memorandum of Association and Articles of Association and any guidelines or directives that may be issued by the GoI in this respect. For a description of our Dividend Policy, see the section titled "Dividend Policy" on page 195 of this Draft Red Herring Prospectus.

Cost of the Offer

The GoI shall bear the cost of making this offer as the Offer involves a disinvestment by the GoI.

Face Value and Price Band

The face value of each Equity Share is ₹ 10. At any given point of time, there will be only one denomination for the Equity Shares.

The Floor Price of the Equity Shares is ₹ [●] per Equity Share and the Cap Price is ₹ [●] per Equity Share. The Price Band, the Minimum Bid Lot and the rupee amount of the Retail Discount and the Employee Discount will be decided by the Selling Shareholder in consultation with the Company and the BRLMs, and will be published by our Company at least one Working Day prior to the Offer Opening Date, in an English national daily newspaper i.e. [●] and a Hindi national daily newspaper i.e. [●], each with wide circulation (Hindi also being the regional language in the state where our Registered Office is located).

Investors may be guided in the meantime by the secondary market prices.

Compliance with SEBI Requirements

Our Company will comply with all applicable disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders will have the following rights:

1. Right to receive dividend, if declared;

2. Right to attend general meetings and exercise voting powers, unless prohibited by law;

3. Right to vote on a poll either in person or by proxy;

4. Right to receive offers for rights shares and be allotted bonus shares, if announced;

5. Right to receive any surplus on liquidation subject to any statutory and preferential claims being satisfied;

6. Right of free transferability of their Equity Shares, subject to applicable foreign exchange regulations and other applicable law; and

7. Such other rights as may be available to a shareholder of a listed public company under the Companies Act, the terms of the Equity Listing Agreements and our Memorandum of Association and Articles of Association.

For a detailed description of the main provisions of our Articles of Association relating to voting rights, dividend, forfeiture, lien, transfer, transmission, consolidation and splitting, see the section titled "Main Provisions of Our Articles of Association" on page 463 of this Draft Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares will be allotted only in dematerialised form. As per the SEBI ICDR Regulations and any other applicable laws, the trading of our Equity Shares will only be in dematerialised form. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in the Offer will be only in electronic form in multiples of one Equity Share, subject to a minimum Allotment of [•] Equity Shares.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they will be deemed to hold such Equity Shares as joint-tenants with benefits of survivorship, subject to provisions contained in the Articles.

Nomination Facility

In accordance with Section 109A of the Companies Act, the sole or first Bidder, with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A nominee entitled to the Equity Shares by reason of the death of the original holder(s), will, in accordance with Section 109A of the Companies Act, be entitled to the same benefits to which he or she will be entitled if he or she were the registered holder of the Equity Shares. Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of the holder's death during minority. A nomination will stand rescinded on a sale / transfer / alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered Office or Corporate Office or with the Registrar to the Offer and transfer agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of Section 109A of the Companies Act, will on the production of such evidence as may be required by the Board, elect either:

1. to register himself or herself as holder of Equity Shares; or

2. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividend, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Offer will be made only in dematerialised form, there is no need to make a separate nomination with our Company. Nominations registered with the respective Depository Participant of the Bidder will prevail. If Bidders want to change their nomination, they are advised to inform their respective Depository Participant.

Minimum Subscription

In terms of Regulation 14(4) of the SEBI ICDR Regulations, the requirement of minimum subscription is not applicable to the Offer. Further, in terms of Regulation 26(4) of the SEBI ICDR Regulations, our Company will ensure that the number of Bidders to whom the Equity Shares are Allotted in the Offer will be not less than 1,000.

Application by Eligible NRIs and FIIs registered with the SEBI

It is to be distinctly understood that there is no reservation for NRIs and FIIs registered with the SEBI, Sub-Accounts and other non residents.

As per RBI regulations, Overseas Corporate Bodies ("**OCBs**") cannot participate in the Offer.

Jurisdiction

Exclusive jurisdiction for the purpose of this Offer is with the competent courts / authorities in New Delhi.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws in the United States, and may not be offered or sold within the United States, , except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the U.S. Securities Act and applicable state securities laws in the United States.

Accordingly, the Equity Shares are being offered and sold (a) in the United States only to only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to in this Draft Red Herring Prospectus as "U.S. QIBs"; for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs") in transactions exempt from the registration requirements of the U.S. Securities Act and (b) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

Arrangement for Disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on Transfer of Shares

Except for lock-in of the Promoter's post- Offer equity shareholding in the Offer as detailed in "Capital Structure" on page 78 of this Draft Red Herring Prospectus, there are no restrictions on transfers and transmission of Equity Shares and on their consolidation/splitting except as provided in our Articles. For details, see the sections titled "Capital Structure" and "Main Provisions of the Articles of Association" on pages 78 and 462, respectively.

Option to receive Equity Shares in Dematerialised Form

Allotment of Equity Shares to successful Bidders will only be in the dematerialised form. Bidders will not have the option of Allotment of the Equity Shares in physical form. The Equity Shares on Allotment will be traded only in the dematerialised segment of the Stock Exchanges.

OFFER STRUCTURE

The Offer of 24,476,000 Equity Shares[#] at an Offer Price of ₹ [●] per Equity Share for cash, including a premium of ₹ [●] per Equity Share, aggregating to ₹ [●] million[##] is being made through the Book Building Process. The Offer comprises a Net Offer of 22,028,400 Equity Shares and a reservation of 2,447,600 Equity Shares for Eligible Employees. The Offer will constitute 5% of the post Offer paid up Equity Share capital of the Company and the Net Offer will constitute 4.50 % of the post Offer paid up Equity Share capital of the Company.

	Eligible Employees	**QIB Bidders**	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares available for allocation[*]	2,447,600 Equity Shares	Up to 11,014,200 Equity Shares	Not less than 3,304,260 Equity Shares or Net Offer less allocation to QIB Bidders and Retail Individual Bidders	Not less than 7,709,940 Equity Shares or Net Offer less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Offer size available for allocation	Approximately [●] of the Offer. The Employee Reservation Portion comprises approximately [●] of our Company's post-Offer paid-up Equity Share capital.	Up to 50% of the Net Offer will be available for allocation to QIBs. However, 5% of the QIB Portion will be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion in the Mutual Fund portion will be available for allocation to QIBs.	Not less than 15% of the Net Offer or the Net Offer less allocation to QIB Bidders and Retail Individual Bidders	Not less than 35% of the Net Offer or the Net Offer less allocation to QIB Bidders and Non-Institutional Bidders
Basis of allocation if respective category is oversubscribed	Proportionate	Proportionate as follows: (a) 550,710 Equity Shares will be available for allocation on a proportionate basis to Mutual Funds; and (b) 10,463,490 Equity Shares will be available for allocation on a proportionate basis to QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Mode of Bidding[**]	Either through (i) ASBA Form or (ii) Bid cum	ASBA Form Physical ASBA Form	ASBA Form Physical ASBA Form	Either through (i) ASBA Form or (ii) Bid cum

	Eligible Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
	Application From. Physical ASBA Form can be submitted either with the SCSBs or with the members of the Syndicate at the Syndicate ASBA Bidding Locations	can be submitted either with the SCSBs or with the members of the Syndicate at the Syndicate ASBA Bidding Locations	can be submitted either with the SCSBs or with the members of the Syndicate at the Syndicate ASBA Bidding Locations	Application From. Physical ASBA Form can be submitted either with the SCSBs or with the members of the Syndicate at the Syndicate ASBA Bidding Locations
Minimum Bid	[●] Equity Shares	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹ 200,000	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹ 200,000	[●] Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the maximum Bid Amount does not exceed ₹ 200,000.	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Offer, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Offer, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed ₹ 200,000
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Shares thereafter
Allotment Lot	[●] Equity Shares and in multiples of one Equity Share thereafter.	[●] Equity Shares and in multiples of one Equity Share thereafter.	[●] Equity Shares and in multiples of one Equity Share thereafter.	[●] Equity Shares and in multiples of one Equity Share thereafter.
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply ***	Eligible Employees applying for Equity Shares such that the Bid Amount does not exceed ₹ 200,000.	Public financial institutions specified in Section 4A of the Companies Act, FIIs and their sub-accounts (other than a sub-account which is a foreign corporate or foreign individual) registered with SEBI,scheduled commercial banks and Mutual Funds,	Resident Indian individuals, HUFs (in the name of Karta) applying for Equity Shares such that the Bid Amount exceeds ₹ 200,000., companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts, and any FII sub-	Resident Indian Individuals, HUFs (in the name of the Karta) and Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed ₹ 200,000

	Eligible Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
		multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the IRDA, provident funds with a minimum corpus of ₹ 250 million, pension funds with a minimum corpus of ₹ 250 million, insurance funds set up and managed by the army, navy and air force of the Union of India, insurance funds set up and managed by the Department of Posts, GoI and the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of GoI published in the Gazette of India.	account registered with SEBI, which is a foreign corporate or foreign individual	
Terms of Payment	The entire Bid Amount will be payable at the time of submission of the Bid. In case of ASBA Bidders, the SCSB will be authorized to block such funds in the relevant ASBA Account. QIB bidders and Non institutional bidders can only participate in the Offer under the ASBA process.			

 # The Board of Directors of the Company at its meeting held on July 01, 2011 and by the Shareholders of the Company at their meeting held on September 20, 2011, respectively have approved the sub-division of equity share of face value of ₹ 10 each into 5 equity shares of face value of ₹ 2 each wef. the record date i.e. October 4, 2011. Based on the issued, subscribed and paid-up share capital of the Company of 489,520,000 equity shares of ₹ 10 each, the size of the present Offer is 2,44,76,000 equity shares of ₹ 10 each, which will translate to 12,23,80,000 equity shares of ₹ 2 each when adjusted for the stock sub-division. Appropriate changes to the above table will be made after the sub-division.

Subject to adjustments that may be required as a consequence of, inter-alia the Retail Discount, Employee Discount and the actual subscription and Allotment in terms of the Basis of Allotment.

** Subject to valid bids being received at or above the Offer Price. The Offer is being made though the Book Building Process. Pursuant to Regulation 43(2) read with Regulation 26(1) of the SEBI Regulations, up to 50% of the Net Offer will be available for allocation to QIBs on a proportionate basis, of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allocation on a proportionate basis to QIBs including Mutual Funds. Further, not less than 15% of the Net Offer will be available for allocation to Non-Institutional Bidders on a proportionate basis and not less than 35% of the Net Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price.*

Any under-subscription in the Employee Reservation Portion will be added to the Net Offer. In the event of under-subscription in the Net Offer, spill over to the extent of under-subscription will be allowed from the Employee Reservation Portion. Subject to valid Bids being received at or above the Offer Price, any under-subscription in any other category will be allowed to be met with spill-over from other categories or a combination of categories, at the discretion of the Selling Shareholder and our Company, in consultation with the BRLMs and the Designated Stock Exchange. In the event of over-subscription in any category, allocation will be made on a proportionate basis, subject to valid Bids being received at or above the Offer Price.

** *In case of ASBA Bidders, the SCSBs shall be authorised to block such funds in the bank account that is specified in the ASBA Bid cum Application Form. It is mandatory for all QIBs and Non-Institutional Bidders to participate in the Offer through the ASBA Process.*

*** *In case the ASBA Form or Bid cum Application Form is submitted in joint names, the Bidders should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.*

Retail Discount and Employee Discount

The Retail Discount and Employee Discount is being offered to Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation portion, respectively at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion at a price within the Price Band can make payment at the Bid Amount, i.e., net of Retail Discount or Employee Discount, as applicable, at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion at the Cut-Off Price have to ensure payment at the Cap Price, less Retail Discount or Employee Discount, as applicable, at the time of making a Bid. Retail Individual Bidders and Eligible Employees must ensure that the Bid Amount does not exceed ₹ 200,000. Where the Bid Amount is over ₹ 200,000, Individual Bidders must ensure that they apply only through the ASBA route and such Bidders will not be eligible for the Retail Discount. Please refer to the section titled "Offer Procedure - Rejection of Bids - Grounds for Technical Rejections" on page 451 of this Draft Red Herring Prospectus for information on rejection of Bids.

Withdrawal of the Offer

In accordance with the SEBI ICDR Regulations, the Selling Shareholder, in consultation with the Company and the BRLMs, reserves the right not to proceed with the Offer at anytime including after the Offer Opening Date, but before Allotment without assigning the reasons thereof. However, if the Selling Shareholder and our Company withdraw the Offer after the Offer Closing Date, our Company will issue a public notice within two days of the Offer closing date in the same newspapers where the pre-Offer advertisements had appeared providing the reasons for not proceeding with the Offer. The Stock Exchanges shall also be informed promptly by our Company and the BRLMs, through the Registrar to the Offer, shall notify the SCSBs to unblock the bank accounts specified by the ASBA Bidders within one day from the date of receipt of such notification

In the event the Selling Shareholder and our Company, in consultation with the BRLMs, withdraw the Offer after the Offer Closing Date, a fresh offer document will be filed with the RoC/SEBI in the event, we subsequently decide to proceed with the Offer.

Bid/Offer Period

OFFERING PROGRAMME			
OFFER OPENS ON	**[●]**	**OFFER CLOSES ON (FOR QIB BIDDERS)**	**[●]**
		OFFER CLOSES ON (FOR ALL OTHER BIDDERS)	**[●]**

Bids and any revision in Bids will be accepted **only between 10 a.m. and 5.00 p.m**. (Indian Standard Time) during the Bid/Offer Period as mentioned above at the bidding centres mentioned in the Bid cum Application Form, or in case of Bids submitted through ASBA Forms, the Designated Branches of the SCSBs and the bidding centres of the Syndicate Members at the Syndicate ASBA Bidding Locations (mentioned in the ASBA Form), except that:

- **On the QIB Offer Closing Date, i.e. on [●], the Bids from QIBs will be accepted only between 10 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded till 5.00 p.m., and
- **On the Offer Closing Date, i.e. on [●], the Bids will be accepted only between 10 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded until (i) 4.00 p.m in case of Bids by Non Institutional Bidders, and (ii) 5.00 p.m. in case of Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion, which may be extended up to such time as deemed fit by the Stock

Exchanges after taking into account the total number of applications received up to the closure of timings and reported by Book Running Lead Managers to the Stock Exchanges within half an hour of such closure.

Due to limitation of time available for uploading the Bids on the Offer Closing Date, Bidders other than QIB Bidders are advised to submit their Bids one day prior to the Offer Closing Date and, no later than 3.00 p.m (Indian Standard Time) on the Offer Closing Date. Bidders other than QIB Bidders are cautioned that in the event a large number of Bids are received on the Offer Closing Date, as is typically experienced in public offerings in India, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Offer. If such Bids are not uploaded, our Company, the Selling Shareholder and the Syndicate will not be responsible. Bids will only be accepted on Working Days.

On the Offer Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received from Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion, after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms and ASBA Forms as stated herein and reported by the BRLMs to the Stock Exchanges within half an hour of such closure.

The Selling Shareholder in consultation with the Company and the BRLMs, reserves the right to revise the Price Band during the Offer Period, in accordance with the SEBI ICDR Regulations. The upper end of the Price Band will be less than or equal to 120% of the lower end of the Price Band and the lower end of the Price Band will not be less than the face value of the Equity Shares. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band, on revision, may move up or down to the extent of 20% of the lower end of the existing Price Band and the upper end of the Price Band will be revised accordingly. In the event there is a revision of the Price Band, the Selling Shareholder, in consultation with the Company and the BRLMs may revise the Retail Discount and/or the Employee Discount.

QIB Bidders may note that only upward revision is permitted with respect to the quantity and/or price of the Equity Shares, in any option, for which a Bid has been submitted.

As per the SEBI Circular No CIR/CFD/DIL/3/201 dated April 22, 2010, the syndicate members/SCSBs shall capture all data relevant for purposes of finalizing basis of allotment while uploading bid data in the electronic bidding system of the stock exchanges. The Bid data received from the electronic bidding sytem of the stock exchanges shall be considered for preparation and finalisation of the Basis of Allotment. Further, syndicate members shall be responsible for any error in the bid details uploaded by them.

In case of revision in the Price Band, the Offer Period will be extended for at least three additional Working Days after revision of Price Band subject to the Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Offer Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate and intimation to SCSBs.

OFFER PROCEDURE

This section applies to all Bidders. Please note that pursuant to the SEBI circular (CIR/CFD/DIL/1/2011) dated April 29, 2011, QIBs and the Non-Institutional Bidders can participate in the Offer only through the ASBA process. However, the Retail Bidders and the Eligible Employees may Bid either through the Bid cum Application Form or the ASBA Form. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process. ASBA Bidders should note that they may submit their ASBA Bids to the members of the Syndicate at the Syndicate ASBA Bidding Locations or to the SCSBs. Bidders other than ASBA Bidders are required to submit their Bids to the Syndicate. Please note that all the Bidders are required to make payment of the full Bid Amount or ensure that the ASBA Account has sufficient credit balance such that the Bid Amount can be blocked by the SCSB at the time of making the Bid.

Discount of ₹ [●] to the Offer Price is being offered to Retail Bidders and to Eligible Employees. Eligible Employees and Retail shareholders should note that the benefit of the Discount can be availed at the time of submitting the Bid.

Our Company, the Selling Shareholder, and the Syndicate are not liable for any amendment, modification or change in applicable law, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their Bids do not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or as specified in this Draft Red Herring Prospectus, Red Herring Prospectus and the Prospectus.

Book Building Procedure

The Offer is being made through the Book Building Process where up to 50% of the Net Offer will be available for allocation to QIBs on a proportionate basis. Further, 5% of the QIB Portion will be available for allocation on a proportionate basis to Mutual Funds only. The remainder will be available for allocation on a proportionate basis to QIBs including Mutual Funds, subject to valid Bids being received at or above the Offer Price. However, in the event of under-subscription in the Mutual Fund Portion, the balance Equity Shares in the Mutual Fund Portion will be added to the QIB Portion and allocated to QIBs (including Mutual Funds) on a proportionate basis, subject to valid Bids being received at or above Offer Price. Further, not less than 15% of the Net Offer will be available for allocation to Non-Institutional Bidders on a proportionate basis and not less than 35% of the Net Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price. 2,447,600 Equity Shares shall be available for allocation to Eligible Employees, subject to valid bids being received at or above the Offer Price.

Any under-subscription in the Employee Reservation Portion may be added to the Net Offer. The Selling Shareholder and our Company, in consultation with the BRLMs and the Designated Stock Exchange, may allocate such Equity Shares to any category or combination of categories in the Net Offer.

Any under-subscription in any category in the Net Offer will be allowed to be met with spill-over from any other category or combination of categories in the Net Offer, by the Selling Shareholder and our Company in consultation with the BRLMs and the Designated Stock Exchange and in accordance with the SEBI ICDR Regulations. In case of under-subscription in the Net Offer, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion to the Net Offer. In the event of over-subscription in any category, allocation will be made on a proportionate basis, subject to valid Bids being received at or above the Offer Price.

In case of ASBA Bidders, the SCSBs shall be authorised to block such funds in the bank account that is specified in the ASBA Bid cum Application Form. It is mandatory for all QIBs and Non-Institutional Bidders to participate in the Offer through the ASBA Process.

In case of QIBs, the Selling Shareholder may, in consultation with the Company and the BRLMs, reject their Bids at the time of acceptance of the ASBA Form, provided that the reasons for such rejection shall be disclosed to such QIB in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, the right to reject the Bids shall only be on technical grounds as mentioned on page 451 of this Draft Red Herring Prospectus.

Bidders can Bid at any price within the Price Band. The Price Band and the Bid lot for the Offer will be decided by the Selling Shareholder in consultation with the Company and the BRLMs, and advertised in an English national daily newspaper and a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where our Registered Office is located), at least one Working Day prior to the Bid Opening Date, with the relevant financial ratios calculated at the Floor Price and at the Cap Price.

Investors should note that Allotment to successful Bidders will be done only in dematerialized form. Bid cum Application Forms or ASBA Forms which do not have the details of the Bidder's depository accounts including DP ID, PAN and Beneficiary Account Number will be treated as incomplete and rejected. Bidders will not have the option of receiving Allotment in physical form. On Allotment, the Equity Shares will be traded only on the dematerialized segment of the Stock Exchanges.

Bidders are required to ensure that the PAN (of the sole/first Bidder) provided in the Bid cum Application Form or the ASBA Form is exactly the same as the PAN of the person(s) in whose name the relevant beneficiary account is held. If the Bid cum Application Form or the ASBA Form is submitted in joint names, Bidders are required to ensure that the beneficiary account is held in the same joint names in the same sequence in which they appear in the Bid cum Application Form or ASBA Form.

Bid cum Application Form and ASBA Form

Retail Bidders and the Eligible Employees bidding in the Employee Reservation portion may Bid either through the Bid cum Application Form or the ASBA Form. However, the QIBs and the Non Institutional Bidders can only use the ASBA process to participate in the Offer. Mentioned below are the different Bidding processes available to different investor categories:

Retail Bidders and Eligible Employees Bidding through the Bid cum Application Form

Retail Bidders and the Eligible Employees bidding in the Employee Reservation portion may Bid through the Bid cum Application Form or the ASBA Form in the Offer. In the event of Bidding through the Bid cum Application Form, the Retail Bidders and the Eligible Employees shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate. Copies of the Bid cum Application Form will be available with the members of the Syndicate and at our Registered Office and Corporate Office.

Retail Bidders and the Eligible Employees shall have the option to make a maximum of three Bids (in terms of number of Equity Shares and respective Bid Amount) in the Bid cum Application Form and such options shall not be considered as multiple Bids.

Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Retail Bidder and the Eligible Employee is deemed to have authorised the Selling Shareholder and our Company to make the necessary changes in the Red Herring Prospectus as may be required under the SEBI Regulations and other applicable laws, for filing the Prospectus with the RoC and as would be required by SEBI and/or the RoC after such filing, without prior or subsequent notice of such changes to the Retail Bidders and the Eligible Employees. Upon determination of the Offer Price and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the application form. Retail Bidders and the Eligible Employees can also Bid through the ASBA Process.

Retail Bidder, Eligible Employee, QIBs and Non Institutional Bidders bidding through the ASBA Form:

While Retail Bidders and Eligible Employees have an option to participate in the Offer either through the ASBA process or the Bid cum Application Forms, the QIBs and the Non Institutional Bidders have to mandatorily Bid through the ASBA process if they wish to participate in the Offer.

ASBA Bidders can submit their Bids by submitting ASBA Forms, either in physical or electronic mode, to the SCSB with whom the ASBA Account is maintained or in physical form to the members of Syndicate at the ASBA Syndicate Bidding Locations. The physical ASBA Form will be available with the Designated Branches, Syndicate ASBA Bidding Locations, members of Syndicate and at our Registered Office and our Corporate Office and electronic ASBA Forms will be available on the websites of the SCSBs and on the websites of the Stock Exchanges at least one day prior to the Offer Opening Date. The physical ASBA Form shall be serially numbered.

In case of application in physical mode, the ASBA Bidder shall submit the ASBA Form bearing the stamp of the Designated Branch or the member of the Syndicate at the relevant Designated Branch or ASBA Syndicate Bidder Centre, respectively.

ASBA Bidders, bidding through a member of the Syndicate, should ensure that the ASBA Form is submitted to a member of the Syndicate at the Syndicate ASBA Bidding Locations and that the SCSB where the ASBA Account is maintained as specified in the ASBA Form, has named atleast one branch in the relevant Syndicate ASBA Bidding Locations for the members of the Syndicate to deposit ASBA Forms. ASBA Bidders bidding directly through the SCSBs should ensure that the ASBA Form is submitted to a designated branch where the ASBA Account is maintained.

In case of application in electronic form, the ASBA Bidder shall submit the ASBA Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA Account held with SCSB, and accordingly registering such Bids. The SCSB shall block an amount in the ASBA Account equal to the Bid Amount specified in the ASBA Form.

ASBA Bidders shall have the option to make a maximum of three Bids (in terms of number of Equity Shares and respective Bid Amount) in the Bid cum Application Form and such options shall not be considered as multiple Bids.

Upon completing and submitting the ASBA Bid cum Application Form, the ASBA Bidder is deemed to have authorized: (i) the SCSBs to do all acts as are necessary to make an application in the Offer, including uploading his or her or its Bid, blocking or unblocking of funds in the ASBA Account and transfer funds to the Public Offer Account on receipt of instructions from the Registrar to the Offer after approval of the basis of Allotment by the Designated Stock Exchange; and (ii) the Registrar to the Offer to issue instructions to the Controlling Branch of the SCSBs to unblock the funds in the ASBA Account, upon approval of the basis of Allotment by the Designated Stock Exchange. Upon completing and submitting the ASBA Form to the SCSB, the ASBA Bidder is deemed to have authorised the Selling Shareholder and our Company to make the necessary changes in the Red Herring Prospectus as may be required under the SEBI Regulations and other applicable law, for filing this Prospectus with the RoC and as required by SEBI and/or the RoC after such filing, without prior or subsequent notice of such changes to the ASBA Bidder. Upon determination of the Offer Price and filing of the Prospectus with the RoC, the ASBA Form shall be considered as the application form.

The mode and manner of Bidding is illustrated in the following chart:

Category of Bidder	Mode of Bidding	Application form to be used for Bidding	To whom the application form has to be submitted
Retail Individual Bidders and Eligible Employees	Either (i) ASBA or (ii) Non-ASBA	(i) If Bidding through the ASBA process, ASBA Bid cum Application Form (physical or electronic); or (ii) If Bidding through non-ASBA, Bid cum Application Form	(i) If using physical ASBA Bid cum Application Form, to the members of Syndicate at the ASBA Syndicate Bidding Locations or to the SCSB at the Designated Branch with whom the ASBA Account is maintained; or (ii) If using electronic ASBA Form, to the SCSBs, electronically through internet banking facility, where the ASBA account is maintained; or (iii) If using Bid cum Application Form, to the members of the Syndicate at the Bidding Centres.
Non-Institutional Bidders and QIBs	ASBA (Kindly note that ASBA is mandatory and no other mode of Bidding is permitted)	ASBA Form (physical or electronic)	(i) If using physical ASBA Bid cum Application Form, to the members of Syndicate at the ASBA Syndicate Bidding Locations or to the SCSB at the Designated Branch with whom the ASBA Account is maintained; or (ii) If using electronic ASBA Form, to the SCSBs, electronically through internet banking facility, where the ASBA account is maintained.

The prescribed colour of the Bid cum Application Form and ASBA Form for various categories of Bidders is as follows:

Category	**Color of Bid cum Application Form including ASBA Form***
Resident Indians and Eligible NRIs applying on a non-repatriation basis, excluding Eligible Employees bidding in the Employee Reservation Portion	White
Non-Residents, Eligible NRIs, and FIIs on a repatriation basis	Blue
Eligible Employees bidding in the Employee Reservation Portion	Pink

**Excluding electronic ASBA Form.*

Who can Bid?

- Indian nationals resident in India, who are competent to contract under the Indian Contract Act, 1872, as amended, in single or joint names (not more than three). Bids by minors can be made when they are represented by major guardian;
- Hindu Undivided Families ("**HUFs**"), in the individual name of the *Karta*. Such Bidders should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form or the ASBA Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs will be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under applicable law in India and authorized to invest in equity shares under their respective constitutional or charter documents;
- Foreign corporates or individuals bidding in the QIB Portion, in accordance with all applicable law;
- Mutual Funds registered with SEBI;
- Eligible NRIs (whether on a repatriation basis or on a non-repatriation basis), subject to applicable law. NRIs other than Eligible NRIs are not eligible to participate in this Offer;
- Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, cooperative banks (subject to RBI regulations and the SEBI ICDR Regulations and other applicable law);
- FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, bidding in the QIB Portion;
- Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals, bidding in the Non-Institutional Portion;
- State industrial development corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, or under any other law relating to trusts/societies and who are authorized under their respective constitutional or charter documents to hold and invest in equity shares;
- Scientific and/or industrial research organizations which are authorized to invest in equity shares;
- Insurance companies registered with the IRDA;
- Insurance funds set up and managed by the Department of Posts, India;
- Provident funds with a minimum corpus of ₹ 250 million and who are authorized under their constitutional documents to hold and invest in equity shares;
- Pension Funds with a minimum corpus of ₹ 250 million and who are authorized under their constitutional documents to hold and invest in equity shares;
- National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of GoI published in the Gazette of India;
- Insurance funds set up and managed by the army, navy or air force of the Union of India;
- Multilateral and bilateral development financial institutions;
- Eligible Employees; and
- Any other persons eligible to Bid in this Offer, under the laws, rules, regulations, guidelines and polices applicable to them.

In accordance with the regulations made by the RBI, OCBs cannot Bid in the Offer.

The Equity Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws in the United States, and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to in this Draft Red Herring Prospectus as "**U.S. QIBs**"; for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "**QIBs**"), in transactions exempt from the registration requirements of the U.S. Securities Act, and (b) outside the United States in "offshore transactions" in reliance on Regulation S and the applicable laws of the jurisdiction where those offers and sales occur

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Participation by associates and affiliates of the Book Running Lead Managers and Syndicate Members

The Book Running Lead Managers and the Syndicate Members shall not be allowed to subscribe to this Offer in any manner, except towards fulfilling their underwriting obligations as stated in the Draft Red Herring Prospectus. However, associates and affiliates of the Book Running Lead Managers and the Syndicate Members may subscribe to or purchase Equity Shares in the Offer, in the QIB Portion or in Non-Institutional Portion as may be applicable to such Bidders. Such bidding and subscription may be on their own account or on behalf of their clients. All categories of investors, including associates or affiliates of BRLMs and Syndicate Members, shall be treated equally for the purpose of allocation to be made on a proportionate basis. Further, affiliates and associates of the Underwriters, including the BRLMs that are FIIs or their sub-accounts may issue off-shore derivative instruments against Equity Shares allocated to them in this Offer.

Bids by Mutual Funds

As per the SEBI ICDR Regulations, 5% of the QIB Portion is reserved for allocation to Mutual Funds on a proportionate basis. An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand from Mutual Funds is greater than 550,710 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

The Bids made by the asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

No mutual fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. Mutual Funds can participate in the Offer only through the ASBA process.

Bids by Non Residents including Eligible NRIs and FIIs registered with SEBI

There is no reservation in the Offer for Eligible NRIs or FIIs registered with SEBI.. Eligible NRIs and FIIs registered with SEBI will be treated on the same basis as other categories for the purpose of allocation. As per regulations made by the RBI, OCBs cannot participate in this Offer.

Bids by Eligible NRIs

ASBA Forms have been made available for Eligible NRIs applying on a repatriation basis at the Registered Office of our Company, with the Syndicate and the Registrar to the Offer. Only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange will be considered for Allotment. Eligible NRIs intending to make payment through freely convertible foreign exchange and bidding on a repatriation basis could make payments through Indian Rupee drafts purchased abroad or cheques or bank drafts or by debits to their Non-Resident External ("**NRE**") or Foreign Currency Non-Resident ("**FCNR**") accounts, maintained with banks authorized by the RBI to deal in foreign exchange. Eligible NRIs bidding on a repatriation basis are advised to use the Bid cum Application Form meant for Non-Residents (blue in colour), accompanied by a bank certificate confirming that the payment has been made by debiting to the NRE or FCNR account, as the case may be.

Payment for Bids by non-resident Bidder bidding on a repatriation basis will not be accepted out of Non-Resident Ordinary ("**NRO**") accounts. Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts should use the form meant for Resident Indians and should not use the forms meant for any reserved categories. Bids by Eligible NRIs for a Bid Amount of up to ₹ 200,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than ₹ 200,000 would be considered under Non-Institutional Portion for the purposes of allocation.

Bids by FIIs

Under the extant law, the total holding by a single FII or a Sub-Account(s) cannot exceed 10% of the post-Offer paid-up equity share capital of our Company and the total holdings of all FIIs and Sub-Accounts cannot exceed 24% of the post-Offer paid-up equity share capital of our Company. The said 24% limit can be increased up to 100% by passing a resolution by the Board followed by passing a special resolution to that effect by the shareholders of our Company. Our Company has not obtained board or shareholders approval to increase the FII limit to more than 24%. Thus as of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued and paid-up equity share capital of our Company.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the FII Regulations, an FII or its Sub-Account may issue, deal or hold, offshore derivative instruments (as defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by a foreign institutional investor against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. The FII or Sub-Account is also required to ensure that no further issue or transfer of any offshore derivative instrument is made by or on behalf of it to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the FII Regulations. Associates and affiliates of the Underwriters, including the Book Running Lead Managers that are FIIs, may issue offshore derivative instruments against Equity Shares Allotted to them. Any such offshore derivative instrument does not constitute any obligation or claim on or interest in, the Selling Shareholder and our Company. FIIs can participate in the Offer only through the ASBA process.

Bids by limited liability partnerships

In case of Bids made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, must be attached to the ASBA Form. Failing this, the Selling Shareholder and our Company reserves the right to reject any Bid without assigning any reason thereof. Limited liability partnerships can participate in the Offer only through the ASBA process.

Bids by insurance companies

In case of Bids made by insurance companies registered with the IRDA, a certified copy of certificate of registration issued by IRDA must be attached to the ASBA Form. Failing this, the Selling Shareholder and our Company reserves the right to reject any Bid without assigning any reason thereof.

The exposure norms for insurers, prescribed under the Insurance Regulatory and Development Authority (Investment) Regulations, 2000 (the "**IRDA Investment Regulations**"), are broadly set forth below:

A. Equity SHARES OF A COMPANY: THE LEAST OF 10% OF THE INVESTEE COMPANY'S SUBSCRIBED CAPITAL (FACE VALUE) OR 10% OF THE RESPECTIVE FUND IN CASE OF LIFE INSURER OR 10% OF INVESTMENT ASSETS IN CASE OF GENERAL INSURER OR REINSURER;

B. THE ENTIRE GROUP OF THE INVESTEE COMPANY: THE LEAST OF 10% OF THE RESPECTIVE FUND IN CASE OF A LIFE INSURER OR 10% OF INVESTMENT ASSETS IN CASE OF A GENERAL INSURER OR REINSURER (25% IN CASE OF ULIPS); AND

C. THE INDUSTRY SECTOR IN WHICH THE INVESTEE COMPANY OPERATES: 10% OF THE INSURER'S TOTAL INVESTMENT EXPOSURE TO THE INDUSTRY SECTOR (25% IN CASE OF ULIPS).

Insurance companies can participate in the Offer only through the ASBA process.

Bids by provident funds/ pension funds

In case of Bids made by provident funds/pension funds, subject to applicable laws, with minimum corpus of ₹ 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be attached to the ASBA Form. Failing this, our Company and the Selling Shareholder reserve the right to reject any Bid, without assigning any reason thereof. Provident funds/ pension funds can participate in the Offer only through the ASBA process.

Bids by Banking Companies

The investment limit for banking companies as per the Banking Regulation Act, 1949, as amended, is 30% of the paid-up share capital of the investee company or 30% of the banks' own paid-up share capital and reserves, whichever is less (except in case of certain specified exceptions, such as setting up or investing in a subsidiary company, which requires RBI approval). Additionally, any investment by a bank in equity shares must be approved by such bank's investment committee set up to ensure compliance with the applicable prudential norms for classification, valuation and operation of investment portfolio of banks (currently reflected in the RBI Master Circular of July 1, 2010). Banking Companies can participate in the Offer only through the ASBA process.

Bids by Eligible Employees

For the purpose of the Employee Reservation Portion, Eligible Employee means a permanent and full-time employee of our Company (excluding such other persons not eligible under applicable laws, rules, regulations and guidelines) and our Subsidiary, as on the date of filing of the Red Herring Prospectus with the RoC, who are Indian nationals and are based, working and present in India as on the date of submission of the Bid cum Application Form/ ASBA Form and who continue to be in the employment of our Company until submission of the Bid cum Application Form/ ASBA Form. An employee of our Company who was recruited against a regular vacancy but is on probation as on the date of submission of the Bid cum Application Form will be deemed a 'permanent employee' of our Company.

Employee reservation portion means the portion of the Offer being 2,447,600 Equity Shares available for allocation to Eligible Employees, on a proportionate basis.

Bids under the Employee Reservation Portion shall be subject to the following:

- Only Eligible Employees (as defined in this Draft Red Herring Prospectus) would be eligible to apply in the Offer under the Employee Reservation Portion.
- The sole/first Bidder shall be an Eligible Employee.
- Bid shall be made only in the prescribed Bid cum Application Form or ASBA Form (i.e. pink colour Form).

- Eligible Employees should provide the details of the depository accounts including DP ID, PAN and Beneficiary Account Number as well as employee number in the relevant space in the Bid cum Application Form/ASBA Form.
- Only those Bids, which are received at or above the Offer Price, would be considered for allocation under the Employee Reservation Portion.
- Eligible Employees who bid for Equity Shares in the Employee Reservation Portion may Bid at Cut-Off Price.
- The maximum Bid Amount by any Eligible Employee cannot exceed ₹ 200,000.
- The value of Allotment to any Eligible Employee shall not exceed ₹ 200,000.
- The Bids must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter.
- Bid by an Eligible Employee can also be made in the "Net Offer" portion and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Offer Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of Allotment, see the section titled "Basis of Allotment" on page 456 of this Draft Letter of Offer.
- Under-subscription in the Employee Reservation Portion may be added to the Net Offer. The Selling Shareholder and our Company, in consultation with the Book Running Lead Managers and the Designated Stock Exchange, may allocate such Equity Shares to any category or combination of categories in the Net Offer. In case of under-subscription in the Net Offer, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion to the Net Offer.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies, insurance funds set up by the army, navy or air force of the Union of India, insurance funds set up by the Department of Posts, GoI or the National Investment Fund, provident funds with minimum corpus of ₹ 250 million and pension funds with a minimum corpus of ₹ 250 million (in each case, subject to applicable law and in accordance with their respective constitutional documents), a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, with a certified copy of the memorandum of association and articles of association and/or bye laws, as applicable, must be lodged with the Bid cum Application Form or the ASBA Form. Failing this, the Selling Shareholder and our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In addition to the above, certain additional documents are required to be submitted by the following entities:

(i) With respect to Bids by Mutual Funds, a certified copy of their SEBI registration certificate must be lodged with the ASBA Form.

(ii) With respect to Bids by insurance companies registered with the IRDA, in addition to the above, a certified copy of the certificate of registration issued by the IRDA must be lodged with the ASBA Form.

(iii) With respect to Bids made by provident funds with minimum corpus of ₹ 250 million (subject to applicable law) and pension funds with a minimum corpus of ₹ 250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged with the ASBA Form.

The Selling Shareholder and our Company in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney with the ASBA Form, subject to such terms and conditions that the Selling Shareholder, our Company and the BRLMs deem fit, without assigning any reasons therefor.

The above information is given for the benefit of the Bidders. The Selling Shareholder, our Company, the Directors, the officers of the Company and the Syndicate are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that

the number of Equity Shares Bid for do not exceed the applicable limits or the maximum number of Equity Shares that can be held by them under applicable laws or regulations.

Maximum and Minimum Bid Size

1. **For Retail Individual Bidders:** The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed ₹ 200,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed ₹ 200,000. In case the Bid Amount is over ₹ 200,000 due to revision of the Bid or revision of the Price Band, the Bid would be considered for allocation under the Non-Institutional Portion. The option to bid at the Cut-off Price is given only to the Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion, indicating their agreement to Bid and purchase at a discount of [●] to the Offer Price. A discount of [●] to the Offer Price shall be available to the Retail Individual Bidders even if they make a price Bid instead of bidding at the Cut-off Price. Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion upto Bid Amount of ₹ 200,000 and at the Cut-off Price, revises the Bid such that it still remains at Cut-off Price but the Bid Amount is more than ₹ 200,000, such Bids are liable to be rejected. The Offer Price will be determined at the end of the Book Building Process.

2. **For Non-Institutional Bidders and QIBs:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds ₹ 200,000 and in multiples of [•] Equity Shares thereafter. A Bid cannot be submitted for more than the Net Offer size. However, the Bid by a QIB should not exceed the investment limits prescribed for them by applicable laws **A QIB cannot withdraw its Bid after the QIB Closing Date and is required to pay the Bid Amount upon submission of the Bid.** The identity of QIBs bidding in the Offer under the QIB Portion shall not be made public during the Offer Period.

   In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the revised Bid Amount is greater than ₹ 200,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to ₹ 200,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. **Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off' Price.**

   Please note that QIBs and Non Institutional Bidders may participate in the Offer only through the ASBA process.

3. **For Eligible Employees:** The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter, so as to ensure that the Bid Amount by the Eligible Employees does not exceed ₹ 200,000. Bidders in the Employee Reservation Portion may bid at Cut-Off Price. **Bidders may note that the Bid Amount will be used to determine whether the Bid exceeds ₹ 200,000 or not.** The Allotment in the Employee Reservation Portion will be on a proportionate basis in case of over-subscription in this category. Further, the value of Allotment to any Eligible Employee shall not exceed ₹ 200,000. Bidders in the Employee Reservation Portion have the option to bid at the Cut-off Price indicating their agreement to Bid and purchase at the Offer Price as determined in the Book Building Process. A discount of [●] to the Offer Price shall be available to the Eligible Employees even if they make a price Bid instead of bidding at the Cut-off Price. The Offer Price will be determined at the end of the Book Building Process.

Bidders are advised to make independent enquiries and ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus.

Information for Bidders:

1. Our Company shall file the Red Herring Prospectus with the RoC at least three days before the Offer Opening Date.

2. Our Company and the BRLMs shall declare the Bid/Offer Opening Date and Bid/Offer Closing Date in the Red Herring Prospectus to be registered with the RoC. Subject to Section 66 of the Companies Act,

our Company shall, after registering the Red Herring Prospectus with the RoC, make a pre-Offer advertisement, in the form prescribed under the SEBI ICDR Regulations, in an English national daily newspaper and a Hindi national daily newspaper, each with wide circulation. In the pre-Offer advertisement, our Company and the BRLMs shall declare the Offer Opening Date, the Offer Closing Date. This advertisement, subject to the provisions of Section 66 of the Companies Act, shall be in the format prescribed in Part A of Schedule XIII of the SEBI ICDR Regulations.

3. Our Company shall announce the Price Band, Minimum Bid Lot, Employee Discount and Retail Discount at least one Working Day before the Offer Opening Date in an English national daily newspaper and a Hindi national daily newspaper, each with wide circulation. This announcement shall contain relevant financial ratios computed for both upper and lower end of the Price Band.

4. The Offer Period shall be for a minimum of three Working Days. In case the Price Band is revised, the Offer Period shall be extended, by an additional three Working Days, subject to the total Offer Period not exceeding 10 Working Days. The revised Price Band and Offer Period will be widely disseminated by notification to the SCSBs and Stock Exchanges, and by publishing in an English national daily newspaper and a Hindi national daily newspaper, each with wide circulation and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

5. The BRLMs shall dispatch the Red Herring Prospectus and other Offer material including ASBA Forms / Bid cum Application Forms, to the Designated Stock Exchange, members of the Syndicate, Bankers to the Offer, investors' associations and SCSBs in advance. Any Bidder (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus, the Bid cum Application Form and / or the ASBA Form can obtain the same at our Registered Office or our Corporate Office or from any member of the Syndicate.

6. Copies of the ASBA Form will be available for all categories of Bidders, with the Designated Branches of the SCSBs, members of the Syndicate at the Syndicate ASBA Bidding Centre and at our Registered Office and our Corporate Office. Electronic ASBA Forms will be available on the websites of the SCSBs and on the websites of the Stock Exchanges at least one day prior to the Offer Opening Date. Copies of the Bid cum Application Form will be available for the Retail Bidders and the Eligible Employees with the members of the Syndicate and at our Registered Office and our Corporate Office.

7. **QIBs and Non-Institutional Bidders may participate in the Offer only through the ASBA process. Retail Individual Bidders and Eligible Employees have the option to bid through the ASBA process or through the Bid cum Application Form. ASBA Bidders are required to submit their Bids to the members of the Syndicate at the Syndicate ASBA Bidding Locations or to the SCSBs. Bidders other than ASBA Bidders are required to submit their Bids to the members of the Syndicate.**

8. The Bids by QIBs and Non Institutional Bidders should be submitted on the prescribed ASBA Form only. Retail Bidders and the Eligible Employees may submit the Bid either through the Bid cum Application Form or the ASBA Form. Bid cum Application Forms should bear the stamp of the members of the Syndicate, otherwise they will be rejected. The ASBA Form shall bear the stamp of the SCSBs and/or the Designated Branch or the member of the Syndicate, if not, the same shall be rejected.

9. With effect from August 16, 2010, the beneficiary accounts of Bidders for whom PAN details have not been verified will be suspended for credit, and no credit of Equity Shares pursuant to the Offer will be made in the accounts of such Bidders.

10. Eligible Employees bidding in the Employee Reservation Portion and Retail Individual Bidders should note that the Retail Discount and Employee Discount will be offered at the time of making a Bid. Hence, Eligible Employees bidding in the Employee Reservation Portion and Retail Individual Bidders should deduct the Retail and Employee Discount while submitting the Bid cum Application Form or the ASBA Form. The excess amount paid at the time of bidding will be refunded to the Eligible Employees bidding in the Employee Reservation Portion and Retail Individual Bidders on Allotment.

Based on the information provided by the Depositories, the Selling Shareholder and the Company shall have the right to accept Bids belonging to an account for the benefit of a minor (under guardianship).

Additional information specific to ASBA Bidder

1. ASBA Forms in physical form will be available with the Designated Branches, members of the Syndicate at the Syndicate ASBA Bidding Locations and at our Registered Office and our Corporate Office. Electronic ASBA Forms will be available on the websites of the SCSBs and on the websites of the Stock Exchanges at least one day prior to the Offer Opening Date. Further, the SCSBs will ensure that a soft copy of the abridged Red Herring Prospectus is made available on their websites. The BRLMs shall ensure that adequate arrangements are made to circulate copies of the abridged Red Herring Prospectus and ASBA Form to the SCSBs and the Syndicate.

2. The ASBA Bids should be submitted in the physical mode to the Syndicate on the prescribed ASBA Form at the Syndicate ASBA Bidding Locations and either in physical or electronic mode, to the SCSBs with whom the ASBA Account is maintained. **ASBA Form in electronic mode can be submitted only to the SCSBs with whom the ASBA Account is maintained and not to the members of Syndicate.** SCSBs may provide the electronic mode of bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the ASBA Account.

   ASBA Bidders bidding through a member of the Syndicate should ensure that the ASBA Form is submitted to a member of the Syndicate at the Syndicate ASBA Bidding Locations and that the SCSB where the ASBA Account is maintained as specified in the ASBA Form, has named at-least one branch in the relevant Syndicate ASBA Bidding Centre for the members of the Syndicate to deposit ASBA Forms, as displayed on the website of SEBI (www.sebi.gov.in/pmd/scsb-asba.html). **ASBA Bidders bidding directly through the SCSBs should ensure that the ASBA Form is submitted to a Designated Branch where the ASBA Account is maintained** (www.sebi.gov.in/pmd/scsb.pdf)**.**

3. For ASBA Bids submitted to the members of the Syndicate at the Syndicate ASBA Bidding Locations, the members of the Syndicate shall upload the ASBA Bid onto the electronic bidding system of the Stock Exchanges and deposit the ASBA Form with the relevant branch of the SCSB at the relevant Syndicate ASBA Bidding Locations authorized to accept such ASBA Forms from the members of the Syndicate (as displayed on the website of SEBI (www.sebi.gov.in/pmd/scsb-asba.html). The relevant branch of the SCSB shall block an amount in the ASBA Account equal to the Bid Amount specified in the ASBA Form. For ASBA Bids submitted directly to the SCSBs, the relevant SCSB shall block an amount in the ASBA Account equal to the Bid Amount specified in the ASBA Form, before entering the ASBA Bid into the electronic bidding system.

   ASBA Bidders should ensure that they have funds equal to the Bid Amount in the ASBA Account before submitting the ASBA Form to the members of the Syndicate at the Syndicate ASBA Bidding Locations or the respective Designated Branch. An ASBA Bid where the corresponding ASBA Account does not have sufficient funds equal to the Bid Amount at the time of blocking the ASBA Account is liable to be rejected.

4. The members of the Syndicate at the Syndicate ASBA Bidding Locations and the SCSBs shall accept ASBA Bids only during the Offer Period and only from the ASBA Bidders. The SCSB shall not accept any ASBA Form after the closing time of acceptance of Bids on the Offer Closing Date.

5. The ASBA Form shall bear the stamp of the Designated Branch of the SCSB, or the member of the Syndicate at the Syndicate ASBA Bidding Locations, if not, the same shall be rejected

   Bidders may note that in case the DP ID, PAN and Beneficiary Account Number mentioned in the Bid cum Application Form or the ASBA Form, as the case may be and entered into the electronic bidding system of the Stock Exchanges by the members of the Syndicate and the SCSBs, as the case may be, do not match with the DP ID, PAN and Beneficiary Account Number available in the Depository database, the Bid cum Application Form or the ASBA Form, as the case may be is liable to be rejected and the Selling Shareholder, our Company and the members of the Syndicate shall not be liable for losses, if any.

For Bid cum Application Forms, the basis of allotment will be based on the Registrar's validation of the electronic Bid details with the Depository records, and the complete reconciliation of the final certificates received from the Escrow Collection Banks with the electronic Bid details in terms of the SEBI circular CIR/CFD/DIL/3/2010 dated April 22, 2010 and the SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011. The Registrar to the Offer will undertake technical rejections based on the electronic Bid details and the Depository database. In case of any discrepancy between the electronic Bid data and the Depository records, the Selling Shareholder, in consultation with the Designated Stock Exchange, the BRLMs, the Registrar and the Company, reserves the right to proceed as per the Depository records or treat such Bid as rejected.

For ASBA Bids submitted to the SCSBs, in terms of the SEBI circular CIR/CFD/DIL/3/2010 dated April 22, 2010, the Registrar to the Offer will reconcile the compiled data received from the Stock Exchanges and all SCSBs, and match the same with the Depository database for correctness of DP ID, PAN and Beneficiary Account Number. In cases where any DP ID, PAN and Beneficiary Account Number mentioned in the Bid file for an ASBA Bidder does not match the one available in the Depository database the Selling Shareholder, in consultation with the Designated Stock Exchange, the BRLMs, the Registrar and the Company, reserves the right to proceed as per the depository records on such ASBA Bids or treat such ASBA Bids as rejected. The Registrar to the Offer will reject multiple ASBA Bids based on common PAN as available on the records of the Depositories.

For ASBA Bids submitted to the members of the Syndicate at the ASBA Bidding Locations, the basis of allotment will be based on the Registrar's validation of the electronic bid details with the depository records, and the complete reconciliation of the final certificates received from the SCSBs with the electronic bid details in terms of the SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011. The Registrar to the Offer will undertake technical rejections based on the electronic bid details and the depository database. In case of any discrepancy between the electronic Bid data and the depository records, the Selling Shareholder, in consultation with the Designated Stock Exchange, the BRLMs, the Registrar and the Company, reserves the right to proceed as per the depository records or treat such Bid as rejected.

Based on the information provided by the Depositories, the Selling Shareholder and the Company shall have the right to accept Bids belonging to an account for the benefit of a minor (under guardianship).

Method and Process of bidding

1. The Selling Shareholder in consultation with the Company and the Book Running Lead Managers shall decide the Price Band, the Employee Discount if any, the Retail Discount if any and the minimum Bid lot for the Offer and the same shall be advertised in an English national daily newspaper and a Hindi national daily newspaper, each with wide circulation, at least one Working Day prior to the Offer Opening Date. The members of the Syndicate and the SCSBs shall accept Bids from the Bidders during the Offer Period.

2. The Offer Period shall be for a minimum of three Working Days and shall not exceed 10 working days. The Offer Period may be extended, if required, by an additional three Working Days, subject to the total Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Offer Period, if applicable, will be published in an English national daily newspaper and a Hindi national daily newspaper, each with wide circulation and also by indicating the change on the website of the Book Running Lead Managers.

3. During the Offer Period, Bidders using the ASBA process shall approach the members of the Syndicate at the Syndicate ASBA Bidding Locations or the Designated Branches of the SCSBs to register their Bids. Please note that QIBs and Non-Institutional Bidders may participate in the Offer only through the ASBA process.

   Bidders other than ASBA Bidders who are interested in subscribing for the Equity Shares should approach the members of the Syndicate to register their Bid. The members of the Syndicate or SCSBs, as the case may be, accepting Bids and have the right to vet the Bids during the Offer Period in accordance with the terms of the Red Herring Prospectus.

4. Each Bid cum Application Form and/ or the ASBA Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in

each option. The price and demand options submitted by the Bidder in the Bid cum Application Form and/ or the ASBA Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Offer Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Offer Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

5. The Bidder cannot bid on another Bid cum Application Form or ASBA Form after Bids on one Bid cum Application Form or ASBA Form have been submitted to the members of the Syndicate or SCSBs, as the case may be. Submission of a second Bid cum Application Form or ASBA Form to the members of the Syndicate or SCSBs will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the approval of the Basis of Allotment. However, an Eligible Employee bidding under the Employee Reservation Portion may also Bid in the Net Offer and such Bids will not be treated as multiple Bids. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph entitled "Build up of the Book and Revision of Bids" on page 438 of this Draft Red Herring Prospectus.

6. The members of the Syndicate/the SCSBs, as the case may be, will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("**TRS**"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form or ASBA Form.

7. Along with the Bid cum Application Form, all Bidders (other than ASBA Bidders) will make payment in the manner described in "Escrow Mechanism - Terms of payment and payment into the Escrow Accounts" on page 436 of this Draft Red Herring Prospectus.

8. Upon submission of the ASBA Forms with the members of the Syndicate at the ASBA Syndicate Bidding Locations, the members of the Syndicate shall upload the Bid and other relevant details of the ASBA Form in the bidding Platform of the Stock Exchange. Each Bid option will be entered into the in the bidding Platform of the Stock Exchange as a separate Bid and a TRS shall be generated for each price and demand option. Before accepting the ASBA Form, the members of the Syndicate shall satisfy themselves that the SCSBs whose name has been filled in the ASBA Form has named a branch in the Syndicate ASBA Bidding Centre to accept the ASBA Form. The members of the Syndicate shall thereafter forward the ASBA Form to the SCSBs. The SCSBs shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Form and verification of the signatures. If sufficient funds are not available in the ASBA Account, the relevant ASBA Bids are liable to be rejected. If sufficient funds are available in the ASBA Account, the relevant branch of the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Form. In the case of ASBA forms accepted at the Syndicate ASBA Bidding Location, the TRS for the same shall be generated by the respective Syndicate.

9. For ASBA Bids submitted directly to the SCSBs, whether in physical or electronic mode, the respective Designated Branch shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Form, prior to uploading such Bids with the Stock Exchanges. If sufficient funds are not available in the ASBA Account, the respective Designated Branch shall reject such Bids and shall not upload such Bids with the Stock Exchanges. If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Form and will enter each Bid option into the electronic bidding system as a separate Bid and generate a TRS for each price and demand option. The TRS/ acknowledgement shall be furnished to the ASBA Bidder on request.

10. The Bid Amount shall remain blocked in the ASBA Account until approval of the Basis of Allotment and consequent transfer of the Bid Amount against the Allotted Equity Shares to the Public Offer Account, or until withdrawal/failure of the Offer or until withdrawal/rejection of the ASBA Form, as the case may be. Once the Basis of Allotment is approved, the Registrar to the Offer shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful ASBA Bidders to the Public Offer Account. In case of withdrawal/failure of the Offer, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Offer.

INVESTORS ARE ADVISED NOT TO SUBMIT THE BID CUM APPLICATION FORMS TO THE ESCROW COLLECTION BANKS. BIDS SUBMITTED TO THE ESCROW COLLECTION BANKS SHALL BE REJECTED AND SUCH BIDDERS SHALL NOT BE ENTITLED TO ANY COMPENSATION ON ACCOUNT OF SUCH REJECTION.

Bids at Different Price Levels

1. In accordance with SEBI ICDR Regulations, the Selling Shareholder in consultation with the Company and the Book Running Lead Managers and without prior intimation to or approval from the Bidders, reserve the right to revise the Price Band during the Offer Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the Floor Price can move up or down to the extent of 20% of the Floor Price, disclosed at least one Working Day prior to the Offer Opening Date and the Cap Price will be revised accordingly. In the event there is a revision of the Price Band, the Selling Shareholder, in consultation with the Company and the BRLMs may revise the Retail Discount and/or the Employee Discount.

2. The Selling Shareholder in consultation with the Company and the BRLMs, will finalise the Offer Price within the Price Band, without the prior approval of or intimation to the Bidders.

3. The Bidders can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion may bid at the Cut-off Price. However, bidding at Cut-off Price is not permitted for QIB and Non-Institutional Bidders and such Bids from QIB and Non-Institutional Bidders shall be rejected. The Retail Discount and Employee Discount will be offered to Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion.

4. Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion who Bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion bidding at Cut-off Price shall deposit the Bid Amount based on the Cap Price in the Escrow Account(s). In case of ASBA Bidders bidding at the Cut-off Price, the ASBA Bidders will instruct the SCSBs to block an amount based on the Cap Price. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who Bid at the Cut-off Price, the Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who Bid at the Cut-off Price will receive refunds of the excess amounts in the manner provided in this Draft Red Herring Prospectus.

Escrow mechanism, terms of payment and payment into the Escrow Accounts

For details of the escrow mechanism and payment instructions, please see the sub section "- Payment Instructions" on page 446 of this Draft Red Herring Prospectus.

Electronic Registration of Bids

1. The members of the Syndicate and SCSBs will register the Bids using the on-line facilities of the Stock Exchanges. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted. The Book Running Lead Managers, the Selling Shareholder, our Company and the Registrar to the Offer are not responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the SCSBs and the members of the Syndicate, (ii) the Bids uploaded by the members of the Syndicate and the SCSBs, (iii) the Bids accepted but not uploaded by the members of the Syndicate and the SCSBs or (iv) with respect to ASBA Bids accepted and uploaded without blocking funds in the ASBA Accounts. However, the members of the Syndicate and/or the SCSBs shall be responsible for any error in the Bid details uploaded by them. It shall be presumed that for Bids uploaded by the SCSBs and the members of Syndicate at the Syndicate ASBA Bidding Locations, the Bid Amount has been blocked in the relevant ASBA Account. ASBA Bids will be registered by the members of the Syndicate only at the Syndicate ASBA Bidding Locations.

2. In case of apparent data entry error by the members of the Syndicate or the collecting bank (for Bids other than ASBA Bids), or in entering the ASBA Form or the Bid cum Application Form number in their respective schedules other things remaining unchanged, the ASBA Form or the Bid cum Application Form may be considered as valid and such exceptions may be recorded in minutes of the meeting submitted to Stock Exchange(s).

3. The Syndicate and the SCSBs will undertake modification of selected fields in the Bid details already uploaded within one Working Day from the Bid/Offer Closing Date to amend some of the data fields (currently DP ID, Client ID) entered by them in the electronic bidding system.

4. The Stock Exchanges will offer an electronic facility for registering Bids for the Offer. This facility will be available on the terminals of the members of the Syndicate and their authorised agents and the SCSBs during the Offer Period. The members of the Syndicate and the Designated Branches can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for Book Building Process on a regular basis. On the Offer Closing Date, the members of the Syndicate and the Designated Branches shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the members of the Syndicate on a regular basis. Bidders are cautioned that a high inflow of high volumes on the last day of the Offer Period may lead to some Bids received on the last day not being uploaded due to lack of sufficient time and such Bids will not be considered for allocation. Bids will only be accepted on Working Days.

5. Based on the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges, a graphical representation of consolidated demand and price would be made available at the Bidding centres during the Offer Period.

   At the time of registering each Bid, other than ASBA Bids, the members of the Syndicate shall enter the following details of the Bidders in the on-line system:

   - Bid cum Application Form number
   - PAN (of the first Bidder, in case of more than one Bidder)
   - Investor category and sub-category
   - DP ID and client identification number of the beneficiary account of the Bidder
   - Number of Equity Shares Bid for
   - Price per Equity Share (price option)
   - Cheque amount (Bid Amount)
   - Cheque number

   With respect to ASBA Bids submitted directly to the SCSBs at the time of registering each Bid, the SCSBs shall enter the following information pertaining to the ASBA Bidders into the on-line system:

   - ASBA Form number / Application No.
   - PAN (of the first Bidder, in case of more than one Bidder)
   - Investor category and sub-category
   - DP ID and client identification number
   - Beneficiary account number of Equity Shares Bid for
   - Number of Equity Shares Bid for
   - Price per Equity Share (price option)
   - Bank account number

   With respect to ASBA Bids submitted to the members of Syndicate at the Syndicate ASBA Bidding Locations, at the time of registering each Bid, the members of Syndicate shall enter the following details on the on-line system:

   - ASBA Form number
   - PAN (of the first Bidder, in case of more than one Bidder)
   - Investor category and sub-category
   - DP ID and client identification number
   - Beneficiary account number of Equity Shares Bid for

- Number of Equity Shares Bid for
- Price per Equity Share (price option)
- Bank code for the SCSB where the ASBA Account is maintained
- Bank Account Number
- Name of the ASBA bidding location

6. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate or the Designated Branches, as the case may be. The registration of the Bid by the members of the Syndicate or the Designated Branches does not guarantee that the Equity Shares shall be allocated/Allotted. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

7. In case of QIBs, members of the Syndicate/SCSBs have the right to accept the Bid or reject it. However, such rejection should be made at the time of receiving the ASBA Form and only after assigning a reason for such rejection in writing. Further, QIB Bids can also be rejected on technical grounds. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except only on the technical grounds listed on page 451 of this Draft Red Herring Prospectus and if all the information required is not provided and the ASBA Form submitted at the ASBA Syndicate Bidding Centre or the Bid cum Application Form is incomplete in any respect. The SCSBs shall have no right to reject Bids, except on technical grounds.

8. The permission given by the Stock Exchanges to use their network and software of the online system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Selling Shareholder, our Company and/or the Book Running Lead Managers are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Selling Shareholder (who is also our Promoter), our Company, the management or any scheme or project of our Company; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus, Red Herring prospectus or the Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

9. Only Bids that are uploaded on the online system of the Stock Exchanges shall be considered for allocation/ Allotment. The members of the Syndicate and the SCSBs shall capture all data relevant for the purposes of finalizing the Basis of Allotment while uploading Bid data in the electronic Bidding systems of the Stock Exchanges. In order that the data so captured is accurate the members of the Syndicate and the SCSBs will be given up to one Working Day after the Offer Closing Date to modify/ verify certain selected fields uploaded in the online system during the Offer Period after which the data will be sent to the Registrar for reconciliation with the data available with the NSDL and CDSL. In case no corresponding record is available with depositories, which matches the three parameters, namely, DP ID, Beneficiary Account No. and PAN, then such bids are liable to be rejected.

10. The details uploaded in the online IPO system shall be considered as final and Allotment will be based on such details.

Build up of the book and revision of Bids

1. Bids received from various Bidders through the members of the Syndicate and the SCSBs shall be electronically uploaded to the Stock Exchanges' mainframe on a regular basis.

2. The book gets built up at various price levels. This information will be available with the member of the Syndicate at the end of the Offer Period.

3. During the Offer Period, any Bidder who has registered his or her Bid at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form or the ASBA Revision Form, as the case may be, which is a part of the Bid cum Application Form or the ASBA Form, respectively.

4. Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form or the ASBA Revision Form, as the case may be. Apart from mentioning the revised

options in the Revision Form or the ASBA Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form, ASBA Form or earlier Revision Form/ASBA Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form/ ASBA Form and such Bidder is changing only one of the options in the Revision Form/ASBA Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form or the ASBA Revision Form, as the case may be. The members of the Syndicate and the Designated Branches will not accept incomplete or inaccurate Revision Form/ ASBA Revision Form.

5. The Bidder can make this revision any number of times during the Offer Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the member of the Syndicate or the same SCSB through whom such Bidder had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form/ASBA Revision Form and the revised Bid must be made only in such Revision Form/ASBA Revision Form or copies thereof.

6. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion who had Bid at Cut-off Price could either (i) revise their Bid or (ii), in case of ASBA Bids, issue instructions to block an additional amount based on cap of the revised Price Band to the same member of the Syndicate or the same Designated Branch (as the case may be) through whom such Bidder had placed the original Bid, or (iii) in case of Bids other than ASBA Bids, make additional payment based on the cap of the revised Price Band to the same member of the Syndicate through whom such Bidder had placed the original Bid (such that in each of the cases above, the total amount i.e., original Bid Amount plus additional payment does not exceed ₹ 200,000 if the Bidder wants to continue to Bid at Cut-off Price). In case the total amount (i.e., original Bid Amount plus additional payment) exceeds ₹ 200,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Offer Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

7. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be unblocked in case of ASBA Bids or refunded from the Escrow Account in case of Bids other than ASBA Bids.

8. The Selling Shareholder in consultation with the Company and the Book Running Lead Managers, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of ₹ 5,000 TO ₹ 7,000.

9. Any revision of the ASBA Bid shall be accompanied by instructions to block the incremental amount, if any, on account of the upward revision of the ASBA Bid. The ASBA Revision form and upward revision of the ASBA Bid at the time of one or more revisions will be provided to the same member of the Syndicate or the same Designated Branch, as the case may be, through whom such ASBA Bidder had placed the original ASBA Bid. In such cases, the member of the Syndicate or the Designated Branch, as the case may be, will revise the earlier ASBA Bid details with the revised ASBA Bid and provide the revised Bid Amount in the electronic book.

   With respect to the Bids, other than ASBA Bids, any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. In case of Bids, other than ASBA Bids, the members of the Syndicate shall collect the payment in the form of cheque or demand draft if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions. In such cases, the members of the Syndicate will revise the earlier Bid details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book.

   The Registrar will reconcile the Bid data and consider the revised Bid data for preparing the Basis of Allotment.

10. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and may get a revised TRS from the members of the Syndicate or the SCSB, as applicable. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

Price Discovery and Allocation

1. Based on the demand generated at various price levels and the book built, the Selling Shareholder in consultation with the Company and the Book Running Lead Managers shall finalise the Offer Price.

2. Any under-subscription in the Employee Reservation Portion may be added to the Net Offer. The Selling Shareholder, in consultation with the Company and Book Running Lead Managers and the Designated Stock Exchange, may allocate such Equity Shares to any category or combination of categories in the Net Offer.

   Any under-subscription in any category in the Net Offer will be allowed to be met with spill-over from any other category or combination of categories in the Net Offer at the discretion of the Selling Shareholder and our Company in consultation with the BRLMs and the Designated Stock Exchange and in accordance with the SEBI ICDR Regulations. In case of under-subscription in the Net Offer, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion to the Net Offer. In the event of over-subscription in any category, allocation will be made on a proportionate basis, subject to valid Bids being received at or above the Offer Price.

3. Allocation to Non-Residents, including Eligible NRIs and FIIs registered with SEBI will be subject to applicable law, rules, regulations, guidelines and approvals.

4. QIBs shall not be allowed to withdraw their Bid after the QIB Offer Closing Date.

5. The Basis of Allotment shall be put up on the website of the Registrar to the Offer.

Signing of the Underwriting Agreement and the RoC Filing

Our Company will enter into an underwriting agreement on or immediately after the finalisation of the Offer Price. After signing the underwriting agreement, our Company will file the Prospectus with the RoC.

Pre-Offer Advertisement

Subject to Section 66 of the Companies Act, our Company shall, after registering the Red Herring Prospectus with the RoC, publish a pre-Offer advertisement, in the form prescribed by the SEBI ICDR Regulations, in an English national daily newspaper and a Hindi national daily newspaper, each with wide circulation.

Advertisement regarding Offer Price and Prospectus

Our Company will issue an advertisement after the filing of the Prospectus with the RoC. This advertisement, among other things, shall indicate the Offer Price. Any material updates between the date of the Draft Red Herring Prospectus and the date of Prospectus will be included in such an advertisement.

Issuance of Allotment Advice

1. Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Offer shall send to the members of the Syndicate and the SCSBs a list of the successful Bidders who have been or are to be Allotted Equity Shares in the Offer.

2. The Registrar to the Offer will send Allotment Advice to Bidders who have been Allotted Equity Shares in the Offer.

3. The dispatch of an Allotment Advice shall be deemed a valid, binding and irrevocable contract for the Bidder for all the Equity Shares allotted to such Bidder.

Designated Date and Allotment

1. The Selling Shareholder and the Company will ensure that the Allotment and credit to the successful Bidder's depositary account will be completed within 12 Working Days of the Offer Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company will ensure that the credit to the successful Bidder's depository account is completed within two Working Days from the date of Allotment.

2. Equity Shares will be offered and Allotment shall be made only in the dematerialised form to the Allottees.

3. Allottees will have the option to re-materialise the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them.

GENERAL INSTRUCTIONS

Do's:

(a). Check if you are eligible to apply as per the terms of the Draft Red Herring Prospectus and under applicable law

(b). Ensure that you have Bid within the Price Band;

(c). Read all the instructions carefully and complete the Bid cum Application Form in the prescribed form;

(d). Ensure that the details about the DP ID, PAN and Beneficiary Account Number are correct and beneficiary account is activated as Allotment will be in the dematerialised form only;

(e). Ensure that the Bids are submitted at the bidding centres only on Bid cum Application Forms bearing the stamp of a member of the Syndicate, for Bids other than ASBA Bids; with respect to ASBA Bidders, ensure that your Bid is submitted to the Syndicate (only in the Specified Cities) or at a Designated Branch of the SCSB where the ASBA Bidder or the person whose bank account will be utilised by the ASBA Bidder for bidding has a bank account;

(f). Ensure that you have been given a TRS for all your Bid options;

(g). Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS or acknowledgment;

(h). Except for Bids (i) on behalf of the Central or State Government and officials appointed by the courts, and (ii) (subject to SEBI circular dated April 3, 2008) from the residents of the state of Sikkim, each of the Bidders should provide their PAN. Bid cum Application Forms in which the PAN is not provided will be rejected. The exemption for the Central or State Government and officials appointed by the courts and for investors residing in the State of Sikkim is subject to (a)the demographic details received from the respective depositories confirming the exemption granted to the beneficiary owner by a suitable description in the PAN field and the beneficiary account remaining in "active status"; and (b) in the case of residents of Sikkim, the address as per the demographic details evidencing the same;

(i). Ensure that the Demographic Details including PAN are updated, true and correct in all respects;

(j). Ensure that signatures other than in the languages specified in the Eighth Schedule to the Constitution of India is attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal;

(k). Ensure that the names given in the Bid cum Application Form is exactly the same as the names available in the depository database. In case the Bid cum Application Form is submitted in joint names,

ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form;

(l). Ensure that the DP ID, PAN and Beneficiary Account Number mentioned in the Bid cum Application Form and entered into the electronic bidding system of the stock exchanges by the members of the Syndicate and the SCSBs, as the case may be, match with the DP ID, PAN and Beneficiary Account Number available in the Depository database; and

(m). Ensure that you Bid only through the ASBA process if you are a QIB or a Non Institutional Bidder.

Don'ts:

(a). Do not Bid for lower than the minimum Bid size;

(b). Do not Bid/ revise Bid Amount to less than the Floor Price or higher than the Cap Price;

(c). Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d). Do not pay the Bid Amount in cash, by money order or by postal order or by stock invest;

(e). Do not send Bid cum Application Forms by post; instead submit the same to the members of the Syndicate only;

(f). Do not bid at Cut-off Price (for QIBs and Non-Institutional Bidders, for Bid Amount in excess of ₹ 200,000);

(g). Do not Bid for a Bid Amount exceeding ₹ 200,000 for Bids by Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion;

(h). Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Offer size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(i). Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground;

(j). Do not submit incorrect details of the DP ID, PAN and Beneficiary Account Number or provide details for a beneficiary account which is suspended or for which details cannot be verified by the Registrar to the Offer.

(k). Do not submit Bids without payment of the full Bid Amount;

(l). Do not submit Bids on plain paper or on incomplete or illegible Bid cum Application Forms/ ASBA Forms, or on Bid cum application Forms in a colour prescribed for another category of Bidder;

(m). Do not Bid if you are not competent to contract under the Indian Contract Act, 1872; and

(n). Do not Bid under the non-ASBA process if you are a QIB or a Non Institutional Bidder.

ADDITIONAL INSTRUCTIONS SPECIFIC TO ASBA BIDDERS

Do's:

(a) Ensure that you use the ASBA Form specified for the purposes of ASBA bearing the stamp of the relevant SCSB or the members of the Syndicate (except in case of electronic ASBA Forms);

(b) Read all the instructions carefully and complete the ASBA Form;

(c) Ensure that your ASBA Form is submitted either at a Designated Branch or with the members of the Syndicate at the Syndicate ASBA Bidding Locations where the ASBA Account is maintained and not

to the Escrow Collecting Banks (assuming that such bank is not a SCSB), to our Company, the Selling Shareholder or the Registrar to the Offer;

(d) In case of ASBA Forms submitted to a member of the Syndicate at the Syndicate ASBA Bidding Locations, ensure that the SCSB where the ASBA Account is maintained as specified in the ASBA Form, has named at-least one branch as displayed on the website of SEBI in the Syndicate ASBA Bidding Locations for the members of the Syndicate to deposit ASBA Forms,

(e) Ensure that the ASBA Form is signed by the ASBA Account holder in case the ASBA Bidder is not the account holder;

(f) Ensure that you have mentioned the correct ASBA Account number in the ASBA Form;

(g) Ensure that you have funds equal to the Bid Amount in the ASBA Account before submitting the ASBA Form to the respective Designated Branch or to the members of the Syndicate at the Syndicate ASBA Bidding Locations;

(h) Ensure that you have correctly checked the authorisation box in the ASBA Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for blocking funds in the ASBA Account equivalent to the Bid Amount mentioned in the ASBA Form;

(i) Ensure that you receive an acknowledgement from the Designated Branch or from the members of the Syndicate at the Syndicate ASBA Bidding Locations, as the case may be, for the submission of your ASBA Form;

(j) Submit ASBA Revision Form to the same Designated Branch or the member of the Syndicate at the Syndicate ASBA Bidding Locations through whom the original ASBA Form was placed and obtain a revised acknowledgment;

(k) Ensure that the name(s) given in the ASBA Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the ASBA Form.

(l) In case you are submitting the ASBA Form to a member of the Syndicate at the Syndicate ASBA Bidding Centre, please ensure that the SCSBs with whom the ASBA Account specified in the ASBA Form is maintained, has a branch specified for collecting such ASBA forms in the location where the ASBA Form is being submitted.

Don'ts:

(a) Do not Bid on another ASBA Form or on a Bid cum Application Form after you have submitted a Bid to a Designated Branch or to the members of the Syndicate at the Syndicate ASBA Bidding Locations;

(b) Payment of Bid Amounts in any mode other than through blocking of Bid Amounts in the ASBA Accounts shall not be accepted under the ASBA;

(c) Do not send your physical ASBA Form by post. Instead submit the same to a Designated Branch or to a member of the Syndicate at the Syndicate ASBA Bidding Location; and

(d) Do not submit more than five ASBA Forms per ASBA Account.

(e) Do not submit the ASBA Form with a member of the Syndicate at a location other than the Syndicate ASBA Bidding Locations.

(f) Do not submit ASBA Bids to a member of the Syndicate at the Syndicate ASBA Bidding Location unless the SCSB where the ASBA Account is maintained as specified in the ASBA Form, has named at-least one branch, as displayed on the website of SEBI website (www.sebi.gov.in/pmd/scsb-

asba.html) in the relevant Syndicate ASBA Bidding Locations for the members of the Syndicate to deposit ASBA Forms.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM AND ASBA FORMS

1. QIBs and Non-Institutional Bidders may participate in the Offer only through the ASBA process. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion have the option to bid through the ASBA process or through the Bid cum Application Form. ASBA Bidders are required to submit their Bids to the members of the Syndicate at the Syndicate ASBA Bidding Locations or to the SCSBs. Bidders other than ASBA Bidders are required to submit their Bids to the members of the Syndicate.

2. Bids and revisions of Bids must be made only in the prescribed Bid cum Application Form, Revision Form, ASBA Form or ASBA Revision Form, as applicable.

3. In case of Retail Individual Bidders (including Eligible NRIs) and Eligible Employees submitting Bids in the Employee Reservation Portion, Bids and revisions of Bids must be made for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of ₹ 200,000. In case the Bid Amount is more than ₹ 200,000 due to revision of the Bid or revision of the Price Band, the Bid will be considered for allocation in the Non-Institutional portion. The option to Bid at the Cut-Off Price is available only to Retail Individual Bidders and Eligible Employees indicating their agreement to Bid and purchase at the Offer Price as determined at the end of the Book Building Process. If an applicant has made an application under retail or employee category upto a payment amount of ₹ 200,000 at cut-off price, and if the same applicant later revises the bid such that it still remains at cut off price but the payment amount is more than ₹ 200,000, such bids shall be rejected.

4. In case of Non-Institutional Bidders and QIB Bidders, Bids and revisions of Bids must be made for a minimum of such number of Equity Shares in multiples of [●] such that the Bid Amount exceeds ₹ 200,000.

5. Bid cum Application Forms, ASBA Forms, Revision Forms or ASBA Revision Form are to be completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained in this Draft Red Herring Prospectus and the Bid cum Application Forms, ASBA Forms, Revision Forms or ASBA Revision Form, as the case may be. Incomplete Bid cum Application Forms, ASBA Forms or Revision Forms or ASBA Revision Forms are liable to be rejected. Bidders should note that the Selling Shareholder, our Company and the members of the Syndicate and / or the SCSBs, as appropriate, will not be liable for errors in data entry due to incomplete or illegible Bid cum Application Forms, ASBA Forms, Revision Forms or ASBA Revision Forms.

6. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal. Bids must be in single name or in joint names (not more than three, and in the same order as their Depository Participant details).

7. Bidders must provide details of valid and active DP ID, PAN and Beneficiary Account Number clearly and without error. On the basis of the Bidder's active DP ID, PAN and Beneficiary Account Number provided in the Bid cum Application Form or the ASBA Form, and as entered into the electronic bidding system of the Stock Exchanges by the Syndicate and the SCSBs, as the case may be, the Registrar to the Offer will obtain from the Depository the Demographic Details. Invalid accounts, suspended accounts or where such account is classified as invalid or suspended may not be considered for Allotment.

8. Information provided by the Bidders will be uploaded in the online system by the members of the Syndicate and the SCSBs, as the case may be, and the electronic data will be used to make allocation/ Allotment. The Bidders should ensure that the details are correct and legible.

9. Bids through ASBA must be made only in the prescribed ASBA Form or ASBA Revision Forms (if submitted in physical mode) or the electronic mode.

10. If the ASBA Account holder is different from the ASBA Bidder, the ASBA Form should be signed by the ASBA Account holder, in accordance with the instructions provided in the ASBA Form.

11. For ASBA Bidders, the Bids in physical mode should be submitted to the SCSBs or to the member of the Syndicate at the Syndicate ASBA Bidding Centre on the prescribed ASBA Form. SCSBs may provide the electronic mode of bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the ASBA Account. The member of the Syndicate will upload the Bid in electronic book and forward it to concerned SCSB for blocking the Bid Amount. For further details in relation to submission of an ASBA Bid, please see page 74 of this Draft Red Herring Prospectus.

Bidder's PAN, Depository Account and Bank Account Details

Bidders should note that on the basis of the DP ID, PAN and Beneficiary Account Number provided by them in the Bid cum Application Form or ASBA Form, the Registrar to the Offer will obtain from the Depository the Demographic Details of the Bidders including address, Bidder's bank account details, occupation, PAN and MICR code. These Demographic Details would be used for giving Allotment Advice to the Bidders, refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS). Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders or unblocking of ASBA Account at the Bidders sole risk and neither the members of the Syndicate or the Registrar to the Offer or the Escrow Collection Banks or the SCSBs nor our Company or the Selling Shareholder shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form or the ASBA Form, as the case may be.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DP ID, PAN AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM OR ASBA FORM. INVESTORS MUST ENSURE THAT THE NAME, DP ID, PAN AND BENEFICIARY ACCOUNT NUMBER GIVEN IN THE BID CUM APPLICATION FORM OR ASBA FORM IS EXACTLY THE SAME AS THE NAME, DP ID, PAN AND BENEFICIARY ACCOUNT NUMBER AVAILABLE IN THE DEPOSITORY DATABASE. IN CASE THE BID CUM APPLICATION FORM OR ASBA FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM OR ASBA FORM.

Bidders may note that in case the DP ID, CLIENT ID, PAN and Beneficiary Account Number mentioned in the Bid cum Application Form or the ASBA Form, as the case may be and entered into the electronic bidding system of the stock exchanges by the members of the Syndicate or the SCSBs, as the case may be, do not match with the DP ID, CLIENT ID of the demat account of the Bidder, Beneficiary Account Number and PAN available in the Depository database or in case PAN is not available in the Depository database, the application Bid cum Application Form or the ASBA Form, as the case may be is liable to be rejected and the Selling Shareholder, our Company and the members of the Syndicate shall not be liable for losses, if any.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the Allotment Advice and printing of bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form or ASBA Form would not be used for any other purpose by the Registrar to the Offer except in relation to the Offer.

By signing the Bid cum Application Form or ASBA Form, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Offer, the required Demographic Details as available on its records.

Allotment Advice and Refund orders, if any would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/ Allotment Advice may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder (other than ASBA Bidders) in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note

that any such delay shall be at such Bidders sole risk and neither our Company, the Selling Shareholder, Escrow Collection Banks, Registrar to the Offer nor the members of the Syndicate shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. In case of refunds through electronic modes as detailed in this Draft Red Herring Prospectus, refunds may be delayed if bank particulars obtained from the Depository Participant are incorrect.

In case no corresponding record is available with the Depositories, which matches the three parameters, namely, DP ID, PAN and Beneficiary Account Number, then such Bids are liable to be rejected.

Bids by Non Residents including Eligible NRIs, FIIs registered with SEBI

Bids and revision to Bids must be made in the following manner:

1. On the Bid cum Application Form, ASBA Form, Revision Form or the ASBA Revision Form, as applicable (blue colour except for NRIs applying on a non-repatriation basis wherein the colour of the form is white), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

2. In a single name or joint names (not more than three and in the same order as their Depositary Participant details).

3. Bids on a repatriation basis shall be in the names of individuals, or in the name of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Bids by Eligible NRIs for a Bid Amount of up to ₹ 200,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than ₹ 200,000 would be considered under Non-Institutional Portion for the purposes of allocation.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form or the ASBA Form. Our Company or the Selling Shareholder will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

As per the existing policy of the Government of India, OCBs are not permitted to participate in the Offer.

There is no reservation for Eligible NRIs and FIIs and all applicants will be treated on the same basis with other categories for the purpose of allocation.

PAYMENT INSTRUCTIONS

Escrow Mechanism for Retail Individual Bidders and Eligible Employees bidding through the non-ASBA process

The Selling Shareholder, our Company and the Syndicate shall open Escrow Account(s) with one or more Escrow Collection Bank(s) in whose favour the Retail Bidders and Eligible Employees bidding through the non-ASBA process shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of this Draft Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Banks, for and on behalf of the Bidders, shall maintain the monies in the Escrow Account. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Banks shall transfer the funds represented by Allotment of Equity Shares (other than in respect of Allotment to successful ASBA Bidders) from the Escrow Account, as per the terms of the Escrow

Agreement, into the Public Offer Account with the Bankers to the Offer. The balance amount after transfer to the Public Offer Account shall be transferred to the Refund Account. Payments of refund to the relevant Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Syndicate, the Escrow Collection Banks and the Registrar to the Offer to facilitate collections from the Bidders. Under the terms of the escrow mechanism for this Offer, the Selling Shareholder will be entitled to benefits accruing from monies lying to the credit of the Escrow Accounts and Refund Accounts at such terms as may be mutually agreed between the Escrow Collection Banks and the Selling Shareholder. Bidders expressly agree that they will not be entitled to any benefits on such monies lying to the credit of the Escrow Accounts and Refund Accounts and that such benefits may be transferred to the Selling Shareholder as may be agreed by the Selling Shareholder with the Escrow Collection Banks and provided under the escrow arrangement.

Payment mechanism for ASBA Bidders

For ASBA Bids submitted to the members of the Syndicate at the Syndicate ASBA Bidding Locations, the members of the Syndicate shall upload the ASBA Bid onto the electronic bidding system of the Stock Exchanges and deposit the ASBA Form with the relevant branch of the SCSB at the Syndicate ASBA Bidding Locations authorized to accept such ASBA Form from the members of the Syndicate as displayed on the SEBI website (www.sebi.gov.in/pmd/scsb-asba.html). The relevant branch of the SCSB shall block an amount in the ASBA Account equal to the Bid Amount specified in the ASBA Form.

For ASBA Bids submitted directly to the SCSBs, the relevant SCSB shall block an amount in the ASBA Account equal to the Bid Amount specified in the ASBA Form, before entering the ASBA Bid into the electronic bidding system. SCSBs may provide the electronic mode of bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the ASBA Account.

ASBA Bidders should ensure that they have funds equal to the Bid Amount in the ASBA Account before submitting the ASBA Form to the members of the Syndicate at the Syndicate ASBA Bidding Locations **or the respective Designated Branch. An ASBA Bid where the corresponding ASBA Account does not have sufficient funds equal to the Bid Amount at the time of blocking the ASBA Account is liable to be rejected.**

The ASBA Bidders shall specify the bank account number in the ASBA Form and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in the ASBA Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/ rejection of the Bid or receipt of instructions from the Registrar to the Offer to unblock the Bid Amount.

In the event of withdrawal or rejection of the ASBA Form or for unsuccessful ASBA Forms, the Registrar to the Offer shall give instructions to the SCSB to unblock the application money in the relevant bank account within one day of receipt of such instruction. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Offer and consequent transfer of the Bid Amount to the Public Offer Account, or until withdrawal/ failure of the Offer or until rejection of the ASBA Bid, as the case may be.

Payment into Escrow Account for Bidders other than ASBA Bidders

Each Bidder shall draw a cheque or demand draft for the entire Bid Amount or remit the funds electronically through the RTGS mechanism as per the following terms:

1. All Bidders would be required to pay the full Bid Amount at the time of the submission of the Bid cum Application Form.

2. The Bidders shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate. If the payment is not made favouring the Escrow Account along with the Bid cum Application Form, the Bid will be rejected. Bid cum Application Forms accompanied by cash, stockinvest, money order or postal order will not be accepted.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:

- In case of resident Retail Individual: "[●]"
- In case of Non-Resident Retail Individual: "[●]"
- In case of Eligible Employees: "[●]".

4. In case of Bids by Eligible NRIs applying in the Retail Portion on repatriation basis, only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange will be considered for Allotment. Eligible NRIs who intend to make payment through freely convertible foreign exchange and are Bidding on a repatriation basis must make the payments through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.

5. In case of Bids by Eligible NRIs applying in the Retail Portion on non-repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.

6. The monies deposited in the Escrow Account will be held for the benefit of the Bidders (other than ASBA Bidders) till the Designated Date.

7. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Accounts as per the terms of the Escrow Agreement into the Public Offer Accounts with the Bankers to the Offer.

8. On the Designated Date and no later than 12 Working Days from the Offer Closing Date, the Refund Bank shall despatch all refund amounts payable to unsuccessful Bidders (other than ASBA Bidders) and also the excess amount paid on bidding, if any, after adjusting for Allotment to such Bidders.

9. Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stockinvest/money orders/postal orders will not be accepted.

10. Bidders are advised to provide the number of the Bid cum Application Form on the reverse of the cheque or bank draft to avoid misuse of instruments submitted with the Bid cum Application Form.

Payment by cash/ stockinvest/ money order

Payment through cash/ stockinvest/ money order shall not be accepted in this Offer.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all refund payments and instructions for unblocking of funds in bank account will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the first Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or first Bidder is one and the same. In this regard, all Bids will be checked for common PAN as per Depository records and all such bids will be treated as multiple bids and are liable to be rejected.

In this regard, the procedures which would be followed by the Registrar to the Offer to detect multiple Bids include the following:

- All Bids will be checked for common PAN as per Depository records and will be accumulated and taken to a separate process file which would serve as a multiple master.

- In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master. For Bidders other than Mutual Funds and FII sub-accounts, Bids bearing the same PAN will be treated as multiple Bids and are liable to be rejected.

- For Bids from Mutual Funds and FII sub-accounts, which are submitted under the same PAN, as well as Bids for whom the submission of PAN is not mandatory such as on behalf of the Central or State government, an official liquidator or receiver appointed by a court and residents of Sikkim, the Bids will be scrutinized for DP ID and Beneficiary Account Number. In case such Bids bear the same DP ID and Beneficiary Account Number, these will be treated as multiple Bids and are liable to be rejected.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Eligible Employees both under the Employee Reservation Portion as well as in the Net Offer shall not be treated as multiple Bids.

After submitting an ASBA Form either in physical or electronic mode, where such ASBA Bid is uploaded with the Stock Exchanges, an ASBA Bidder cannot Bid, either in physical or electronic mode, on another ASBA Form or a Bid cum Application Form. Submission of a second Bid cum Application Form or an ASBA Form to either the same or to another Designated Branch of the SCSB or to any member of the Syndicate, will be treated as multiple Bids and will be liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in the Offer. Duplicate copies of ASBA Forms available on the website of the Stock Exchanges bearing the same application number will be treated as multiple Bids and are liable to be rejected. More than one ASBA Bidder may Bid for Equity Shares using the same ASBA Account, provided that the SCSBs will not accept a total of more than five ASBA Forms from such ASBA Bidders with respect to any single ASBA Account. However, an ASBA Bidder may revise the Bid through the ASBA Revision Form, the procedure for which is detailed in the section titled "Offer Procedure- Build up of the Book and revision of Bids" on page 438 of this Draft Red Herring Prospectus.

The Selling Shareholder and our Company reserve the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

Except for bids by or on behalf of the Central or State Government and the officials appointed by the courts and by investors residing in the State of Sikkim, the Bidders, or in the case of a Bid in joint names, each of the

Bidders, should mention his/ her PAN allotted under the Income Tax Act. In accordance with the SEBI ICDR Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. **Any Bid cum Application Form or ASBA Form without the PAN is liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground**.

However, the exemption for the Central or State Government and the officials appointed by the courts and for investors residing in the State of Sikkim is subject to the Depository Participants' verifying the veracity of such claims of the investors by collecting sufficient documentary evidence in support of their claims. At the time of ascertaining the validity of these Bids, the Registrar will check under the Depository records for the appropriate description under the PAN field i.e. either Sikkim category or exempt category.

With effect from August 16, 2010, the beneficiary accounts of Bidders for whom PAN details have not been verified will be "suspended for credit" and no credit of Equity Shares pursuant to the Offer will be made in the accounts of such Bidders.

Withdrawal of ASBA Bids

ASBA Bidders (other than QIBs) can withdraw their ASBA Bids during the Offer Period by submitting a request for the same to the member of the Syndicate or the Designated Branch of the SCSB, as the case may be, through whom the ASBA Bid had been placed. In case of ASBA Bids submitted to the members of the Syndicate at the Syndicate ASBA Bidding Locations, upon receipt of the request for withdrawal from the ASBA Bidder, the relevant Syndicate Member shall do the requisite, including deletion of details of the withdrawn ASBA Form from the electronic bidding system of the Stock Exchanges and forwarding instructions to the relevant branch of the SCSB for unblocking of the funds in the ASBA Account. In case of ASBA Bids submitted to the Designated Branch, upon receipt of the request for withdraw from the ASBA Bidder, the relevant Designated Branch shall do the requisite, including deletion of details of the withdrawn ASBA Form from the electronic bidding system of the Stock Exchanges and unblocking of the funds in the ASBA Account directly.

In case an ASBA Bidder (other than a QIB) wishes to withdraw the Bid after the Offer Closing Date, the same can be done by submitting a withdrawal request to the Registrar to the Offer prior to the finalization of the basis of Allotment. The Registrar to the Offer shall delete the withdrawn Bid from the Bid file and give instruction to the SCSB for unblocking the ASBA Account after approval of the 'Basis of Allotment'. QIBs cannot withdraw their Bids after the QIB Offer Closing Date.

REJECTION OF BIDS

In case of QIBs, the Selling Shareholder, in consultation with the Company and the Book Running Lead Managers may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, Bids would be rejected on the technical grounds listed on page 451 and if all the information required is not provided and the Bid cum Application Form/ ASBA Form is incomplete in any respect. Consequent refunds shall be made by RTGS/NEFT/NES/Direct Credit/cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk. Additionally, with respect to ASBA Bids, the Designated Branches shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the ASBA Account, the respective Designated Branch ascertains that sufficient funds are not available in the Bidder's ASBA Account. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company would have a right to reject the ASBA Bids only on technical grounds

In case the DP ID, PAN and Beneficiary Account Number provided in the Bid cum Application Form and as entered into the electronic Bidding system of the Stock Exchanges by the members of the Syndicate and the SCSBs, as the case may be, do not match with the DP ID, PAN and Beneficiary Account Number available in the depository database, the Bid is liable to be rejected.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on technical grounds including but not limited to:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for. With respect to ASBA Bids, the amounts mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of the Equity Shares Bid for;

2. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply. However a limited liability partnership firm can apply in its own name;

3. Bids by persons not competent to contract under the Indian Contract Act, 1872;

4. PAN not mentioned in the Bid cum Application Form or ASBA Form, except for bids by or on behalf of the Central or State Government and the officials appointed by the courts and by investors residing in the State of Sikkim provided such claims have been verified by the Depository Participants;

5. DP ID and Beneficiary Account Number not mentioned in the Bid cum Application Form or ASBA Form;

6. GIR number furnished instead of PAN;

7. Bids by OCBs;

8. Bids for lower number of Equity Shares than the minimum specified for that category of investors;

9. Submission of more than five ASBA Forms per ASBA Account;

10. Bids at a price less than the Floor Price;

11. Bids at a price more than the Cap Price;

12. Bids at Cut-off Price by Non-Institutional Bidders and QIBs;

13. Bids for a value of more than ₹ 200,000 by Bidders falling under the category of Retail Individual Bidders and Eligible Employees;

14. Bids by persons who are not Eligible Employees and have submitted their Bids under the Employee Reservation Portion;

15. Bids by persons who are not eligible to acquire Equity Shares of our Company in terms of all applicable laws, rules, regulations, guidelines and approvals;

16. Bids for number of Equity Shares which are not in multiples of [•];

17. Bidder category not ticked in the Bid cum Application Form or the ASBA Form;

18. Multiple Bids as defined in this Draft Red Herring Prospectus;

19. In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

20. Bids accompanied by Stockinvest/money order/postal order/cash;

21. Signature of Bidders missing. In case of joint Bidders, the Bid cum Application Forms not being signed by each of the joint Bidders and not appearing in the same sequence as appearing in the depository's records;

22. ASBA Forms not being signed by the ASBA account holder, if the account holder is different from the Bidder;

23. Bid cum Application Forms or the ASBA Forms does not have the stamp of the members of the Syndicate or the SCSB and/or the Designated Branch (except for electronic ASBA Bids), as the case may be

24. ASBA Forms not having details of the ASBA Account to be blocked.

25. Bid cum Application Forms and ASBA Forms do not have Bidder's depository account details;

26. Bid cum Application Forms and ASBA Forms not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms and ASBA Forms, Offer Opening Date advertisement and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid cum Application Forms and ASBA Forms;

27. In case no corresponding record is available with the Depositories that matches three parameters namely, DP ID, PAN and Beneficiary Account Number or if PAN is not available in the Depository database;

28. With respect to ASBA Bids, inadequate funds in the ASBA Account to enable the SCSB to block the Bid Amount specified in the ASBA Form at the time of blocking such Bid Amount in the ASBA Account;

29. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations and applicable law;

30. Bids where clear funds are not available in Escrow Accounts as per final certificates from Escrow Collection Banks;

31. Authorization to the SCSB for blocking funds in the ASBA Account not ticked or provided;

32. Bids by persons prohibited from buying, selling or dealing in shares, directly or indirectly, by SEBI or any other regulatory authority;

33. Bids by any person outside India if not in compliance with applicable foreign and Indian laws;

34. Bids by persons in the United States excluding "qualified institutional buyers" as defined in Rule 144A of the U.S. Securities Act or other than in reliance of Regulation S under the U.S. Securities;

35. Bids not uploaded on the terminals of the Stock Exchanges;

36. Bids by QIB Bidders uploaded after 5.00 p.m. on the Offer Closing Date, Bids by Non-Institutional Bidders uploaded after 4.00 p.m. on the Offer Closing Date, and Bids by Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion uploaded after 5.00 p.m. on the Offer Closing Date.

37. Bids by QIBs or Non Institutional Bidder not submitted through the ASBA process.

38. Bids by QIB Bidders and Non Institutional Bidders accompanied by cheque(s) or demand draft(s);

39. ASBA Form submitted to a member of the Syndicate at locations other than the Syndicate ASBA Bidding Locations or at a Designated Branch where the ASBA Account is not maintained, and ASBA Forms submitted to the Escrow Collecting Banks (assuming that such bank is not a SCSB), to our Company, the Selling Shareholder or the Registrar to the Offer.

40. In case of ASBA Forms submitted to a member of the Syndicate at the Syndicate ASBA Bidding Locations, the SCSB where the ASBA Account is maintained as specified in the ASBA Form, has not named at least one branch in the relevant Syndicate ASBA Bidding Locations for the members of the

Syndicate to deposit ASBA Forms, as displayed on the website of SEBI (www.sebi.gov.in/pmd/scsb-asba.html).

IN CASE THE DP ID, PAN AND BENEFICIARY ACCOUNT NUMBER MENTIONED IN THE BID CUM APPLICATION FORM OR ASBA FORM, AS THE CASE MAY BE, AND ENTERED INTO THE ELECTRONIC BIDDING SYSTEM OF THE STOCK EXCHANGES BY THE SYNDICATE/THE SCSBs DO NOT MATCH WITH THE DP ID, PAN AND BENEFICIARY ACCOUNT NUMBER AVAILABLE IN THE RECORDS WITH THE DEPOSITARIES THE APPLICATION IS LIABLE TO BE REJECTED AND THE SELLING SHAREHOLDER, OUR COMPANY AND THE MEMBERS OF THE SYNDICATE SHALL NOT BE LIABLE FOR LOSSES, IF ANY.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

The Allotment shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). In this regard, connectivity has already been established with the share transfer agent.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

(a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

(b) The Bidder must necessarily fill in the details (including the DP ID, PAN and Beneficiary Account Number) appearing in the Bid cum Application Form, ASBA Form, Revision Form or ASBA Revision Form.

(c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

(d) Names mentioned in the Bid cum Application Form, Revision Form, ASBA Form or ASBA Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

(e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form, ASBA Form, Revision Form and the ASBA Revision Form, it is liable to be rejected.

(f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form or ASBA Form vis-à-vis those with his or her Depository Participant.

(g) Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Non transferable advice or refund orders will be directly sent to the Bidders by the Registrar to the Offer.

Communications

All future communications in connection with Bids made in this Offer should be addressed to the Registrar to the Offer quoting the full name of the sole or first Bidder, Bid cum Application Form or ASBA Form number, Bidders' DP ID, PAN and Beneficiary Account Number, number of Equity Shares applied for, date of Bid cum Application Form or ASBA Form, name and address of the member of the Syndicate or the Designated Branch, as the case may be, where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids, ASBA Account number in which the amount equivalent to the Bid Amount was blocked and a copy of the acknowledgement slip.

Bidders can contact the Compliance Officer or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of Allotment Advice, credit of Allotted Equity Shares in the respective beneficiary accounts, refund orders etc. In case of ASBA Bids submitted to the Designated Branches of the SCSBs, the Bidders can contact the relevant Designated Branch.

PAYMENT OF REFUND

Within 12 Working Days of the Offer Closing Date, the Registrar to the Offer will dispatch the refund orders for all amounts payable to unsuccessful Bidders (other than ASBA Bidders) and also any excess amount paid on Bidding, after adjusting for allocation/ Allotment to Bidders

In the case of Bidders other than ASBA Bidders, the Registrar to the Offer will obtain from the Depositories the Bidders' bank account details, including the MICR code, on the basis of the DP ID, PAN and Beneficiary Account Number provided by the Bidders in their Bid cum Application Forms. Accordingly, Bidders are advised to immediately update their details as appearing on the records of their Depository Participants. Failure to do so may result in delays in dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and any such delay will be at the Bidders' sole risk and neither our Company, the Selling Shareholder, the Registrar to the Offer, the Escrow Collection Banks, nor the Syndicate, will be liable to compensate the Bidders for any losses caused to them due to any such delay, or liable to pay any interest for such delay.

Mode of making refunds for Bidders other than ASBA Bidders

The payment of refund, if any, for Bidders other than ASBA Bidders would be done through any of the following modes:

1. NECS – Payment of refund would be done through NECS for applicants having an account at any of the Locations where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned centres, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Bank (s), as per Demographic Details received from the Depositories, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Selling Shareholder.

3. RTGS – Applicants having a bank account at any of the Locations where such facility has been made available and whose refund amount exceeds ₹ 0.2 million, have the option to receive refund through RTGS provided the Demographic Details downloaded from the Depositories contain the nine digit MICR code of the Bidder's bank which can be mapped with the RBI data to obtain the corresponding Indian Financial System Code ("**IFSC**"). Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant. Charges if any, levied by the refund bank(s), would be borne by the GoI.

4. NEFT – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage, hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched through Speed Post or Registered Post. Such refunds will be

made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other Locations will be payable by the Bidders.

Mode of making refunds for ASBA Bidders

In case of ASBA Bidders, the Registrar shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Forms for withdrawn, rejected or unsuccessful and such surplus funds for partially successful ASBA Bids within 12 Working Days of the Offer Closing Date.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY

With respect to Bidders other than ASBA Bidders, the Selling Shareholder and our Company shall ensure dispatch of Allotment Advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two Working Days of the date of allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS or NEFT, the refund instructions will be given to the clearing system within 12 Working Days from the Offer Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 12 Working Days of Offer Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for commencement of trading at all the Stock Exchanges where the Equity Shares are listed are taken within 12 Working Days from the Offer Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI ICDR Regulations, our Company further undertakes that:

- Allotment shall be made only in dematerialised form within 12 Working Days of the Offer Closing Date; and

- With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 12 Working Days of the Offer Closing Date would be ensured. With respect to the ASBA Bidders, instructions for unblocking of the ASBA Bidder's ASBA Account shall be made within 12 Working Days from the Offer Closing Date.

The Selling Shareholder shall pay interest at 15% per annum, if Allotment is not made or refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within 12 Working Days from the Offer Closing Date.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"*Any person who:*

(a) ***makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or***

(b) ***otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,shall be punishable with imprisonment for a term which may extend to five years.*"**

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Offer Price less Retail Discount.

- Not less than 35% of the Net Offer, that is not less than [●] Equity Shares or the Net Offer size less Allotment to Non-Institutional Bidders and QIBs whichever is higher shall be available for Allotment to Retail Individual Bidders who have Bid at a price that is equal to or greater than the Offer Price.

- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Offer Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Offer Price, the Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate Basis of Allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Offer Price.

- Not less than 15% of the Net Offer, that is not less than [●] Equity Shares or the Net Offer size less Allotment to QIBs and Retail Individual Bidders whichever is higher shall be available for Allotment to Non-Institutional Bidders who have Bid in the Offer at a price that is equal to or greater than the Offer Price
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Offer Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.

- In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Offer Price, Allotment shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate Basis of Allotment refer below.

C. For QIBs in the QIB Portion

- Bids received from the QIBs bidding in the QIB Portion at or above the Offer Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIBs will be made at the Offer Price.

- The QIB Portion shall be available for Allotment to QIBs who have Bid at a price that is equal to or greater than the Offer Price.

- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

    (i) In the event that Bids by Mutual Fund exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

(ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid Bids received above the Offer Price;

(iii) Equity Shares remaining unsubscribed, if any and not allocated to Mutual Funds shall be available for Allotment to all QIBs as set out in (b) below;

(b) In the second instance Allotment to all QIBs shall be determined as follows:

(i) In the event of oversubscription in the QIB Portion, all QIBs who have submitted Bids above the Offer Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion;

(ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIBs;

(iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIBs on a proportionate basis.

- The aggregate Allotment to QIBs bidding in the QIB Portion may be upto [●] Equity Shares.

D. For Employee Reservation Portion

- The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter so as to ensure that the Bid Amount payable by the Eligible Employees does not exceed ₹ 200,000. The allotment in the Employee Reservation Portion will be on a proportionate basis. Bidders under the Employee Reservation Portion may bid at Cut-Off Price.

- The value of Allotment to any Eligible Employee shall not exceed ₹ 200,000.

- Bids received from the Eligible Employees at or above the Offer Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Eligible Employees will be made at the Offer Price less Employee Discount.

- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Offer Price, full allocation shall be made to the Eligible Employees to the extent of their demand. The maximum bid under Employees Reservation Portion by an Eligible Employee cannot exceed ₹ 200,000.

- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate Basis of Allotment, refer below.

- Only Eligible Employees are eligible to apply under the Employee Reservation Portion.

Method of Proportionate Basis of Allotment in the Offer

In the event of the Offer being over-subscribed, the Selling Shareholder and our Company shall finalise the Basis of Allotment in consultation with the Designated Stock Exchange. The executive director (or any other senior official nominated by them) of the Designated Stock Exchange along with the Book Running Lead Managers and the Registrar to the Offer shall be responsible for ensuring that the Basis of Allotment is finalised in a fair and proper manner in accordance with the SEBI ICDR Regulations.

The allocation shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorised according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) The number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate Allotment is less than [•] Equity Shares per Bidder, the Allotment shall be made as follows:

- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and

- Each successful Bidder shall be allotted a minimum of [•] Equity Shares.

e) If the proportionate Allotment to a Bidder is a number that is more than [•] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it would be rounded off to the lower whole number. Allotment to all in such categories would be arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Allotted Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Offer Details

Sr. No.	Particulars	Offer details
1.	Offer size	202 million equity shares
2.	Employee Reservation Portion	2 million equity shares
3.	Net Offer Size	200 million equity shares
4.	Portion available to QIBs (50%)	100 million equity shares
	Of which:	
	a. Allocation to MF (5%)	5 million equity shares
	b. Balance for all QIBs including MFs	95 million equity shares
5.	No. of QIB applicants	10
6.	No. of shares applied for	500 million equity shares

B. Details of QIB Bids

Sr. No.	Type of QIBs #	No. of shares bid for (in million)
1.	A1	50
2.	A2	20
3.	A3	130
4.	A4	50
5.	A5	50
6.	MF1	40

Sr. No.	Type of QIBs #	No. of shares bid for (in million)
7.	MF2	40
8.	MF3	80
9.	MF4	20
10.	MF5	20
	Total	**500**

A1-A5: (QIBs other than MFs), MF1-MF5 (QIBs which are Mutual Funds)

C. Details of Allotment to QIBs / Applicants

(Number of equity shares in million)

Type of QIBs	Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.50	3.74	4.24
MF5	20	0.50	3.74	4.24
	500	**5**	**95**	**42.42**

Please note:

1. The illustration presumes compliance with the requirements specified in this Draft Red Herring Prospectus in the section titled "Offer Structure" beginning on page 418.

2. Out of 100 million equity shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 million equity shares in QIB category.

3. The balance 95 million equity shares (i.e. 100 - 5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 million equity shares (including five MF applicants who applied for 200 million equity shares).

4. The figures in the fourth column entitled "Allocation of balance 95 million equity shares to QIBs proportionately" in the above illustration are arrived as under:

   - For QIBs other than Mutual Funds (A1 to A5) = No. of equity shares bid for (i.e. in column II) X 95 / 495

   - For Mutual Funds (MF1 to MF5) = [(No. of shares bid for (i.e. in column II of the table above) less equity shares allotted (i.e., column III of the table above)] X 95 / 495

   - The numerator and denominator for arriving at allocation of 95 million equity shares to the 10 QIBs are reduced by 5 million equity shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Letters of Allotment or Refund Orders or instructions to the SCSBs

The Registrar to the Offer shall give instructions for credit to the beneficiary account with depository participants within 12 Working Days of the Offer Closing Date. Applicants residing at the Locations where clearing houses are managed by the RBI, will get refunds through NECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit, RTGS and NEFT. The Selling Shareholder and our Company shall ensure dispatch of refund orders by registered post or speed post at the sole or first Bidder's sole risk within 12 Working Days of the Offer Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 12 Working Days of the Offer Closing Date. In case of ASBA Bidders, the Registrar to the Offer shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Forms for withdrawn, rejected or unsuccessful and such surplus funds for partially successful ASBA Bids within 12 Working Days of the Offer Closing Date.

Interest in case of delay in Allotment or Refund Orders/ instruction to SCSB by the Registrar to the Offer

Our Company agrees that Allotment and credit to the successful Bidders' depositary accounts will be completed within 12 Working Days of the Offer Closing Date.

The Selling Shareholder shall pay interest at 15% per annum, if Allotment is not made or refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within 12 Working Days from the Offer Closing Date.

The GoI will provide adequate funds required for dispatch of refund orders or Allotment Advice to the Registrar to the Offer.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by the Selling Shareholder and our Company as a Refund Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other Locations will be payable by the Bidders.

UNDERTAKINGS BY OUR COMPANY

Our Company undertakes the following:

- That the complaints received in respect of this Offer shall be attended to by our Company expeditiously and satisfactorily;
- That all steps for completion of the necessary formalities for commencement of trading at all the Stock Exchanges where the Equity Shares are listed are taken within 12 Working Days of the Offer Closing Date;
- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Offer; That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 12 Working Days of the Offer Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- That the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time;
- That no further issue of securities shall be made till the Equity Shares offered through the Draft Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc; and
- That adequate arrangements shall be made to collect all ASBA Forms and to consider them similar to non-ASBA applications while finalising the Basis of Allotment.

UNDERTAKINGS BY THE SELLING SHAREHOLDER

- That the Equity Shares are free and clear of all liens or encumbrances and shall be transferred to the successful Bidders within the specified time;

- That adequate arrangements shall be made to collect all ASBA Forms and to consider them similar to non-ASBA applications while finalising the Basis of Allotment

- The certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time

- That the Offer Price of the Equity Shares to be sold in the Offer at a premium may be determined through the Book Building Process

- The Equity Shares available in the Offer for Sale have been held by the Selling Shareholder for a period of more than one year prior to the date of the Draft Red Herring Prospectus

- The funds required for making refunds to unsuccessful Bidders or despatch of Allotment Advice as per modes prescribed in this Draft Red Herring Prospectus shall be made available to the Registrar to the Offer;

- That the transfer of Equity Shares shall be made and the refund orders shall be dispatched within 12 Working Days of the Offer Closing Date, as far as possible, and that the Selling Shareholder shall pay interest of 15% per annum if allotment has not been made and refund orders have not been dispatched within the aforesaid period;

- If the Selling Shareholder does not proceed with the Offer after the Offer Opening Date, the reason thereof shall be given as a public notice within two days of the Offer Closing Date. The public notice shall be issued in the same newspapers where the pre-Offer advertisement had appeared. The stock exchanges where the Equity Shares are listed shall also be informed promptly;

- If the Selling Shareholder withdraws the Offer after the Offer Closing Date, the Company shall be required to file a fresh draft offer document with the Securities and Exchange Board of India in the event, the Company subsequently decides to proceed with the further public offering;

- The Selling Shareholder shall not further transfer Equity Shares during the period commencing from submission of this Draft Red Herring Prospectus with the SEBI until the final trading approvals from all the Stock Exchanges have been obtained for the Equity Shares Allotted/ to be Allotted pursuant to the Offer;

- The Selling Shareholder will not sell, transfer, dispose of in any manner or create any lien, charge or encumbrance on the Equity Shares available in the Offer for Sale

- The Selling Shareholder will take all such steps as may be required to ensure that the Equity Shares are available for transfer in the Offer for Sale;

- The Selling Shareholder has authorized the Compliance Officer of our Company and the Registrar to the Offer to redress any complaints received from Bidders in respect of the Offer for Sale;

- The Selling Shareholder shall not have recourse to the proceeds of the Offer for Sale until the final trading approvals from all the Stock Exchanges have been obtained.

Subscription by foreign investors (NRIs/FIIs)

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer, subject to the applicable ceiling for foreign investment in such Indian company, without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

There is no reservation for Eligible NRIs and FIIs registered with SEBI. All Eligible NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment policy and the transfer does not attract the provisions of the SEBI (Substantial Acquisition of Share and Takeovers) Regulations, 1997, as amended; (ii) the non-resident shareholding is within the sectoral limits under the FDI policy; and (iii) the pricing is in accordance with the guidelines prescribed by SEBI/RBI.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws in the United States, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any applicable state securities laws in the United States.

Accordingly, the Equity Shares are being offered and sold (i) in the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to in this Draft Red Herring Prospectus as "U.S. QIBs"; for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs"), in transactions exempt from registration under the U.S. Securities Act; and (ii) outside the United States in offshore transactions in compliance with Regulation S and the applicable laws of the jurisdictions where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Withdrawal of the Offer

In accordance with the SEBI ICDR Regulations, the Selling Shareholder, in consultation with the Company and the BRLMs, reserves the right not to proceed with the Offer at anytime including after the Offer Opening Date, but before Allotment without assigning the reasons thereof. However, if the Selling Shareholder and our Company withdraw the Offer after the Offer Closing Date, our Company will issue a public notice in the same newspapers where the pre-Offer advertisements had appeared providing the reasons for not proceeding with the Offer. The Stock Exchanges shall also be informed promptly by our Company and the BRLMs, through the Registrar to the Offer, shall notify the SCSBs to unblock the bank accounts specified by the ASBA Bidders within one day from the date of receipt of such notification.

In the event the Selling Shareholder, in consultation with the Company and the BRLMs, withdraws the Offer after the Offer Closing Date, a fresh offer document will be filed with the RoC/SEBI in the event, we subsequently decide to proceed with the Offer.

SECTION VIII – MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Capitalised terms used in this chapter have the meaning that has been given to such terms in the Articles of Association of the Company. Pursuant to Schedule II of the Companies Act and the SEBI Regulations, the main provisions of the Articles of Association of the Company are detailed below:

No regulations contained in Table 'A', in the first schedule to the Companies Act shall apply to the Company. The regulations for the management of the Company and for the observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of the Company in reference to the repeal or alteration of or addition to its regulations as prescribed or permitted by the Companies Act, be such as are contained in these Articles.

Authorised Share Capital

Article 4-A provides that

The Authorised Share Capital of the Company is Rs. 2000,00,00,000/- (Rupees Two thousand crores) divided into 1000,00,00,000 (One thousand crores) equity shares of Rs. 2/- (Rupees Two) each.

Company's share not be purchased

Article 5 provides that

No part of the funds of the Company shall be employed in the purchase of or in loans upon the security of the Company's shares.

Allotment of shares

Article 6 provides that

Subject to the provisions of the Companies Act and these Articles and to rights of the President, the shares shall be under the control of the Board of Directors who may allot or otherwise dispose of the same to such persons on such terms and condition as they think fit. Provided that option or right to call of shares, shall not be given to any person or persons without the sanction of the Company in General Meeting.

Commission

Article 7 provides that

The Company may at any time-pay commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debentures or debenture stock of the Company or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any shares, debentures or debenture stock of the Company but so that if the commission in respect of shares shall be paid or payable out of capital the statutory conditions and requirements shall be observed and complied with and the amount or rate of commission shall not exceed 5% on the price of shares and 2.5% of the price of debentures or debentures stock, in each case subscribed or to be subscribed. The commission may be paid or satisfied in cash or in shares, debentures or debentures stock of the Company.

Share Certificates

Article 8 provides that

Every person whose name is entered as a member in the register shall, without payment, be entitled to one or more certificates under the common seal of the company, specifying the share or shares held by him and the amount paid thereon. Provided, that in respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all. All correspondence, dividend shall be addressed/paid only to the first holder of the share in case the share are held in joint names.

Issue of new Shares certificates in place of one defaced, lost or destroyed

Article 9 provides that

a) No Certificate of any share or shares shall be issued either in exchange for those which are sub-divided or consolidated or in replacement of those which are defaced, torn, or old, decrepit, worn out, or where the cages on the reverse for recording transfers have been duly utilised unless the certificate in lieu of which it is issued is surrendered to the Company.

b) When a new share certificate has been issued in pursuance of clause (a) above, it shall state on the face of it and against the stub of counterfoil to the effect that it is "Issued in lieu of share-certificate No… sub-divided/replaced/on consolidation of shares".

c) If a share certificate is lost or destroyed, a new certificate in lieu thereof shall be issued only with the prior consent of the Board and on payment of such fee, not exceeding Rupees 2 as the Board may from time to time fix and on such terms, if any, as to evidence and indemnity as to payment of out of pocket expenses incurred by the Company in investigating evidence, as the Board thinks fit.

d) When a new share certificate has been issued in pursuance of clause (c) above, it shall state on the face of it and against the stub or counterfoil to the effect, that it is "Duplicate issued in lieu of share-certificate No…" The word "duplicate" shall be stamped or punched in bold letters across the face of the share certificate.

e) Where a new share certificate has been issued in pursuance of clause (a) or clause (c) above, particulars of every such share certificate shall be entered in a Register of Renewed and Duplicate certificates indicating against the names of the persons to whom the certificate is issued, the number and date of issue of share certificate in lieu of which the new certificate is issued, and the necessary changes indicated in the Register of Members by suitable cross references in the "Remarks" column.

f) All blank forms to be issued for issue of share-certificates shall be printed and the printing shall be done only on the authority of a resolution of the Board. The blank forms shall be consecutively machine-numbered and the forms and the blocks, engravings, facsimiles and hues relating to the printing of such forms shall be kept in the custody of the Secretary or such other person as the Board may appoint for the purpose and the Secretary or the other person aforesaid shall be responsible for rendering an account of these forms to the Board.

g) The Managing Director of the Company for the time being or if the Company has no Managing Director, every Director of the Company shall be responsible for the maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates except the blank forms of Share certificates referred to in sub-Article (f).

Call on shares

Article 10 provides that

The "Board" may by means of resolutions passed at meetings of the Board, from time to time, make calls upon the members in respect of any moneys unpaid on their shares and specify them time or times of payments and each member shall pay to the company at the time, or times so specified the amount called on his shares. Provided however, that the Board may, from time to time at their discretion extend the time fixed for the payment of any call.

Interest on call payable

Article 11 provides that

If the sum payable in respect of any call be not paid on or before the day appointed for payment thereof, the holder for the time being or allottee of the share in respect of which a call shall have been made, shall pay interest on the same at such-rate, not exceeding 20 percent per annum, as the Directors shall fix, from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part.

Forfeiture of Shares

Article 12(a) provides that

(1) If a member fails to pay any call, or installment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.

(2) The notice aforesaid shall:-

(a) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and

(b) state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made will be liable to be forfeited.

(3) If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

(4) A forfeited share may, be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.

(5) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

Effects of forfeiture

Article 12(b) provides that

(1) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the Company in respect of the shares,

(2) The liability of such person shall cease if and when the company shall have received payment in full of all such moneys in respect of the shares.

Provisions regarding forfeiture to apply in non-payment of sums payable at a fixed time

Article 12(d) provides that

The provision of the Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same has been payable by virtue of a call duly made and notified.

Payment in anticipation of calls may carry interest

Article 13(a) provides that

The Directors may, if they think fit, receive from any member willing to advance the same, all or any of the moneys due upon the shares held by him beyond the sums actually called for and upon the moneys so paid in advance or so much thereof as, from time to time, exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate not exceeding 15% per annum as the members paying such sum in advance and the Directors agree upon and the Directors may at any time, repay the amount so advanced upon giving to such members three months notice in writing. Moneys paid in advance of calls, shall not, in respect there of confer a right to dividend or to participate in the profits of the Company.

Calls on Partly Paid-up Shares and joint holders Liability to pay

Article 13(b) provides that

That where calls is made on partly paid up shares :-

(i) Call notice shall be sub-divided into smaller units when so required by the registered shareholders and duplicate call notices shall be issued at the request of the persons beneficially entitled on production of satisfactory evidence that they are so beneficially entitled.

(ii) Payment of call moneys shall be accepted from the beneficial holders on production of sub-divided or duplicate call notices without insisting that the shares in respect of which these call moneys are paid shall be transferred into the names of the beneficial holders.

(iii) The surrender of call money receipts shall be accepted when allotment letters are presented to the Company to be exchanged for share certificates regardless of the persons in whose favour the receipts have been made out and the Board shall not require the surrender of any other receipts from the registered shareholder(s) of the issue of discharge or indemnity from him or them before issuing the share certificate(s).

(iv) The joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

Company's lien of shares

Article 14 provides that

The Company shall have a first and paramount lien upon all the shares (other than fully paid-up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any shares shall be created except upon the footing and condition that Article 19 will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien if any on such shares. The Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this clause.

If the Directors refuse to register the transfer of any shares, they shall, within one month from the date on which the Instruments of transfer is delivered the Company send to the transferee and the transferor, notice of the refusal.

Provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except a lien on the Shares.

Notice of refusal to register transfer

Article 18 provides that

If the Directors refuse to register the transfer of any shares, they shall, within two months from the date on which the instruments of transfer is delivered to the Company send to the transferee and the transferor, notice of the refusal.

Company not bound to recognise any interest in shares other than that of the registered holders

Article 19 provides that

Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the register of Members or Debenture holders as the holder of any share or debenture or whose name appears as the beneficial owner of the shares in the Records of the Depository as the absolute owner thereof as regards receipt of dividends or bonus, Rights or redemption or service of notices and all or any other matters connected with the Company and accordingly Company shall not (except as ordered by a Court of Competent Jurisdiction or by any

law required) be bound to recognise any benami trust or equitable, contingent or other claim to or interest in such share or debenture on the part of any other person whether or not it shall have expressed or implied notice thereof.

Article 19(a) provides that

Notwithstanding anything contained in these Articles, the Company shall be entitled in accordance with the provisions of the Depositories Act to dematerialise any or all of its shares, Debentures and other marketable securities and to offer the same for subscription in a dematerlalised form and on the same being done, the Company shall further be entitled to maintain a Register of Members or Debenture holders with the details of persons holding shares or debentures both in material and dematerialised form in any media as permitted by law including any form of electronic media, either in respect of the existing shares or debentures or any future issue.

Execution of transfer

Article 20 provides that

The instrument of transfer of any share in the Company shall be executed both by the transferor and transferee, and the transferor shall be deemed to remain holder of the share until the name of the transferee is entered in the register of members in respect thereof.

Form of transfer

Article 21 provides that

The instrument of transfer shall be in writing and all the provisions of Section 108 of the Companies Act and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and registration thereof.

Transfer to be left at office and evidence of title to be given

Article 22 provides that

Every instrument of transfer shall be left at the office for registration, accompanied by the certificate of the shares to be transferred and such evidence as the Company may require to prove the title of the transferor, or his right to transfer the shares. All instruments of transfer shall be retained by the Company, but any instrument of transfer which the Directors may decline to register shall, on demand, be returned to the person depositing the same.

Transmission by operation of law

Article 23 provides that

Nothing contained in these presents shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares in the Company has been transmitted by operation of law.

Article 23(a) provides that

Nothing contained in Articles 8,9,20,21 and 22 shall apply to the issue of share certificates and transfer of shares, debentures or other marketable securities effected by the transferor and the transferee, both of whom are entered as beneficial owners in the records of the Depository.

Applicability of Depositories Act

Article 23(b) provides that

In the case of transfer of shares, debentures or other marketable securities where the Company has not issued any certificate and where shares and securities are being held in an electronic and fungible form, the provisions of the Depositories Act shall apply.

Provided that In respect of the Shares, debentures and other marketable securities held by the depository on behalf of a beneficial owner as defined in the Depositories Act, Section 153, 153A, 153B, 187B, 187C and 372 of the Companies Act, 1956, shall not apply as provided under sub-section (2) of Section 9 of the Depositories Act, 1996.

When register of members and debenture holders may be closed

Article 25 provides that

The register of members or the register of debenture holders may be closed for any period or periods not exceeding in the aggregate 45 days in each year but not exceeding 30 (thirty) days at any one time after giving not less than 7 days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated.

Director's right to refuse registration

Article 26 provides that

The Directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee, as if he were the transferee named in an ordinary transfer presented for registration. Provided that the registration of a transfer shall not be refused on the grounds of the transferor either alone or jointly with any other person being indebted to the Company on any account whatsoever.

Power to increase capital

Article 27 provides that

Subject to the approval of the President, the Directors may, from time to time, with the sanction of the Company in general meeting, increase the share capital by such sum to be divided into shares of such amount, as the resolution shall prescribe.

On what condition new shares may be Issued

Article 28 provides that

Subject to such directions as may be issued by the President in this behalf, new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation there of shall direct and if no direction be given as the Directors shall determine.

How far new shares to rank with shares in original capital

Article 29 provides that

Except so far as otherwise provided by the conditions of issue, or by these Articles, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provision herein contained with reference to the payment of calls and installments, transfer and transmission, lien, voting, surrender and otherwise.

New shares to be offered to members

Article 30 provides that

Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, whether out of unissued share capital or out of increased share capital, then such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the company, in proportion, as nearly as circumstances admit, to the capital paid-up on these shares at that date and such offer shall be made by notice specifying the number of shares to which the member is entitled and limiting a time within which the offer, if not accepted, will be deemed to be declined; and after the expiration of such time or on

receipt of an intimation from the member to whom such notice is given that he declines to accept the shares offered, the Directors may dispose of the same in such manner as they think most beneficial to the Company.

Reduction of capital etc

Article 31 provides that

Subject to the provisions of Sections 100-104 of the Act and to such directions as may be issued by the President in this behalf, the Company may (from time to time), by special resolution, reduce its capital by paying off capital or cancelling capital which has been lost or is unrepresented by available assets, or is superfluous or by reducing the liability on the shares or otherwise as may seem expedient, and capital may be paid off upon the footing that it may be called upon again or otherwise; and the Directors may; subject to the provisions of the Act, accept surrender of shares.

Sub-division and consolidation of shares

Article 32 provides that

The Company, in a general meeting, may from time to time, sub-divide or consolidate its shares or any of them and exercise (any of the other powers conferred by sub-Section (1) (a) to (c) of Sec. 94 of the Act) and shall file with the Registrar such notice of exercise of any such powers as may be required by the Act.

Power to modify

Article 33 provides that

If at any time, the capital, by reason of the Issue of preference shares or otherwise is divided into different classes of shares, all or any of the rights, and privileges attached to each class may, subject to the provisions of Sec. 106 and 107 of the Act, be modified abrogated or dealt with by agreements between the Company and by any person purporting to contract on behalf of that class, provided such agreement is (a) ratified by the consent of the holders of atleast three-fourth of the nominal value of the issued shares of that class, or (b) confirmed by a resolution passed at a separate general meeting of the holders of shares of that class supported by the votes of at least 3/4th's share-holders of those shares and all the provisions herein-after contained as to general meeting shall *mutatis-mutandis* apply to every such meeting, except that the quorum there of shall be members holding or representing by proxy one-fifth of the nominal amount of the issued shares of that class.

Securities may be assignable free from equities

Article 36 provides that

Debentures, debenture-stock, bonds or other securities, may be made assignable free from any equities between the Company and the person to whom the same be issued.

Issue of securities at discount / premium etc. with special privileges

Article 37 provides that

Subject to Section 79 and 117 of the Act, any debentures, debenture-stock, bonds or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, appointment of Directors and otherwise Debentures, Debenture-stock, Bonds or other securities with the right to allotment of or conversion into shares shall be issued only with the consent of the Company in General Meeting.

General Meeting

Article 40 provides that

The first annual general meeting of the Company shall be held within eighteen months of its incorporation and thereafter the annual general meeting shall be held within 6 months after the expiry of each Financial Year, except in the case when for any special reason time for holding any annual general meeting (not being the first

annual general meeting) is extended by the Registrar under Section 166 of the Act, no greater interval than 15 months shall be allowed to elapse between the date of one annual general meeting and that of the next. Every annual general meeting shall be held during business hours on a day other than a public holiday either at the registered office of the Company or at some other place as the Central Government may direct and the notice calling the meeting shall specify it as the annual general meeting. All other meetings of the Company shall be called "Extraordinary meeting".

When Extra-ordinary meeting to be called

Article 41 provides that

The Board may, whenever they think fit and shall, on the requisition of the holders of not less than one-tenth of the paid up capital of the company upon which all calls or other sums then due have been paid, as at the date carry the right of voting in regard to that matter forthwith proceed to convene an extraordinary meeting of the Company and in the case of such requisition the following provisions shall have effect :-

(1) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the office and may consist of several documents, in like form each signed by one or more requisitionists.

(2) If the Directors of the Company do not proceed within twenty-one days from the date of the requisition being so deposited to cause meeting to be called on a day not later than 45 days from the date of the deposit of the requisition, the requisitionists or a majority of them in value may themselves convene the meeting but any meeting so convened shall be held within three months from the date of the deposit of the requisition.

(3) Any meeting convened under this Article by the requisitionist shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by the Directors.

If after a requisition has been received, it is not possible for a sufficient number of Directors to meet in time so as to form a quorum, any Director may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

Quorum

Article 45 provides that

Five members present in person or by proxy or by duly authorised representative shall be quorum for meeting of the Company.

Votes of members

Article 56 provides that

Upon a show of hands every member present in person or by proxy or by duly authorised representative shall have one vote, and upon a poll every member present in person or by proxy or by duly authorised representative shall have one vote for every share held by him.

Votes in respect of shares of deceased and bankrupt members

Article 57 provides that

Any person entitled under the transmission clause to any share may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that seventy-two hours atleast before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote, he shall satisfy the Directors of his right to such shares, unless the Directors shall have previously admitted his right to such shares or his right to such meeting in respect thereof.

Joint holders

Article 58 provides that

Where there are joint registered holders of any share any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares as if he were solely entitled there to, and if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for the purposes of this clause be deemed joint holders thereof.

Votes in respect of shares of members of unsound mind

Article 59 provides that

A member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.

Appointment of proxies

Article 60 provides that

A member, entitled to attend and vote at a meeting may appoint another person (whether a member or not) as his proxy to attend a meeting and vote on a poll. No member shall appoint more than one proxy to attend on the same occasion. The Instrument appointing a proxy shall be in writing and be signed by the appointer or his attorney duly authorised in writing or if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it.

No members entitled to vote etc. while call due to Company

Article 64 provides that

No member shall be entitled to be present, or to vote on any question either personally or by proxy at any general meeting or upon a poll, or be reckoned in a quorum whilst any call or other sum shall be due and payable to the company in respect of any of the shares of such members.

Number of Directors

Article 66 provides that

Until otherwise determined by the Company in a general meeting, the number of Directors shall be not less than 3 and not more than 18. The Directors are not required to hold any qualification shares.

Appointment of Directors

Article 67 provides that

(i) Not less than two-thirds of the total number of Directors of the Company shall be persons whose period of office shall be liable to determination by retirement of Directors by rotation and save as otherwise expressly provided in the Act, be appointed by the Company in General Meeting. At every Annual General Meeting of the Company, 1/3rd of such Directors for the time being as are liable to retire by rotation or if their number is not three or multiple of three, then, the number nearest to l/3rd, shall retire from office. At the Annual General meeting at which a director retires, as aforesaid, the Company may fill up the vacancy by appointing the retiring Director or some other person thereto. The Chairman & Managing Director and the ex-officio- Govt. Director shall not be subject to retirement under this Clause.

(ii) The President shall appoint any member of the Board as Chairman & Managing Director on such terms & conditions, remuneration and tenure as the President may from time to time determine. The President shall have the power to fill in vacancy in the office of Chairman & Managing Director caused by removal, resignation, death or otherwise.

(iii) The President shall appoint any member/members of the Board as functional Directors, on whole-time basis, on such terms & conditions, remuneration and tenure as the President may, from the time, determine.

(iv) Subject to the provisions of the Act, the Board of Directors shall have the power, at any time, and from time to time to appoint any person to be a Director, either as an addition to the Board or to fill casual vacancy, so that the total number of Directors shall not at any time exceed the maximum fixed. Any person so appointed to the Board shall retain his office only up to the date of the next Annual General Meeting, but shall be eligible for appointment by the Company at that meeting as a Director.

Meeting of the Board

Article 75 provides that

A meeting of the Board of Directors shall be held for the despatch of the business of the Company atleast once in every three months and atleast four such meetings shall be held in every year.

Reserve Fund

Article 86 provides that

The Directors may before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve fund, to meet contingencies or for equalising dividends, or for special dividends, or for repairing, improving and maintaining any of the property of the Company and for such other purposes as the Directors shall in their absolute discretion think conducive to the interest of the Company, and may Invest the several sums so set aside upon such investments (other than shares of the Company) as they may think fit from time to time, deal with and vary such investments and dispose of all or any part thereof for the benefit of the Company; and may divide the reserve funds into such special funds as they think fit and employ the reserve funds or any part thereof in the business of the Company and that without being bound to keep the same separate from the other assets.

Capitalization of reserves

Article 86-A provides that

(1) Subject to the provisions of the Act and regulations made hereunder or any other applicable law / guidelines, any General Meeting may resolve that any amounts standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys, investments or other assets forming part of the undivided profits (including profits or surplus monies arising from the realization and, where permitted by law, from the appreciation in value of any capital assets of the Company) standing to the credit of the General Reserve or Reserve Fund or any other Reserve or Fund of the Company or in the hands of the Company and available for dividend, be capitalized:-

(a) by issue and distribution as fully paid up shares, of the Company as Bonus Shares;or

(b) by crediting shares of the Company which may have been issued to and are not fully paid up with the whole or any part of the sum remaining unpaid thereon.

Provided that any amounts standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account shall be applied only in crediting the payment of capital on shares of the Company to be issued to members (as therein provided) as fully paid Bonus Shares.

(2) Such issue and distribution under sub-clause (1)(a) above and such payment to credit of unpaid capital under sub-clause (l)(b) above shall be made to, among and in favour of the members or any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in

proportion to the amount of capital paid upon the shares held by them respectively in respect of which such distribution under sub clause (l)(a) or payment under sub-clause (l)(b) above, shall be made on the footing that such members become entitled thereto as capital.

(3) The Directors shall give effect to any such resolution and apply such portion of the profits, General Reserve or Reserve Fund or any other fund or account as aforesaid as may be required for the purpose of making payment in full for the shares, debentures or debentures stock, bonds or other obligations of the Company so distributed under sub-clause (l)(a) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not full paid up under sub-clause (l)(b) above; provided that no such distribution or payment shall be made unless recommended by the Directors and, if so recommended, such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalized sum.

(4) For the purpose of giving effect to any such resolution, the Directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid, as they think expedient in particular they may issue fractional certificates and they may fix the value for distribution of any specific assets and may determine that cash payment be made to any members on the footing of the value so fixed and may vest any such cash, shares, debentures, debenture stock, bonds or other obligations in trustees upon such trusts for the persons entitled thereto as seem expedient to the directors and generally may make such arrangements for the acceptance, allotment and sale of shares, debentures, debenture stock, bonds or other obligations and fractional certificates or otherwise as they may think fit.

(5) Subject to the provisions of the Act and these Articles, in cases where some of the shares of the Company are fully paid and others are partly paid only such capitalization may be effected by the distribution of further shares in respect of the fully paid shares, and by crediting the partly paid shares with the whole or part of the unpaid liability thereon but, so that, as between the holders of fully paid shares, and the partly paid shares the sums so applied in the payment of such further shares and in the extinguishment or diminution of the liability on the partly paid shares shall be so applied pro-rata in proportion to the amount then already paid or credited as paid on the existing fully paid or partly paid shares respectively.

(6) When deemed requisite, a proper contract shall be filed in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the members entitled as aforesaid and such appointment shall be effective.

Dividends

Article 87 provides that

The profits of the Company available for payment of dividend, subject to any special rights relating there to created or authorised to be created by these presents and subject to the provisions of these presents as to the reserve fund, shall with the approval of the President, be divisible amongst the members in proportion to the amount of capital held by them respectively. Provided always that (subject as aforesaid) any capital paid up on a share during the period in respect of which a dividend is declared shall only entitle the holder of such share to an apportioned amount of such dividend as from the date of payment.

Capital paid-up in advance

Article 88 provides that

Where capital is paid up on any shares in advance of calls upon the footing that the same shall carry interest such capital shall not, whilst carrying interest, confer a right to participate in profits.

Declaration of dividends

Article 89 provides that

The Company in general meeting may declare a dividend to be paid to the members according to their rights and interest in the profits, and may fix the time for payment, but no dividend shall exceed the amount recommended by the Directors.

Dividends out of profits only and not to carry interest

Article 90 provides that

No dividend shall be declared or paid by the Company for any Financial Year except out of profits of the Company for that year arrived at after providing for the depreciation in accordance with the provisions of sub-section (2) of section 205 of the Act or out of profits of the Company for any previous Financial Year or years arrived at after providing for the depreciation in accordance with those provisions remaining undistributed or out of both or our moneys provided by the Government for the payment of dividend in pursuance of a guarantee given by the Government.

When to be deemed net profits

Article 91 provides that

The declaration of the Directors as to the amount of net profits of the Company shall be conclusive.

Interim dividend

Article 92 provides that

The Directors may, from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

Debts may be deducted

Article 93 provides that

The Directors may retain any dividends on which the Company has lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Dividend and call together

Article 94 provides that

Any general meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, but the call on each member shall not exceed the dividends payable to him, and the call be made payable at the same time as the dividends, and the dividend may, if so arranged between the company and the members, be set off against the call. The making of a call under this clause shall be deemed ordinary business of an ordinary general meeting which declares dividend.

Dividends are to be paid in cash

Article 95 provides that

Subject to the provisions of section 205 of the Act, no dividend shall be payable except in cash.

Effect of transfer

Article 96 provides that

A transfer of shares shall not pass the right to any dividend thereon after such transfer and before the registration of the transfer.

Retention in certain cases

Article 97 provides that

The Directors may retain the dividends payable upon shares in respect of which any person is under the transmission clause (Article 24) entitled to become a member, or which any person under that clause is entitled to transfer, until such person shall become a member in respect of such shares or shall duly transfer the same.

Dividend to joint holders

Article 98 provides that

Any one of the several persons, who are registered as the joint holders of any share, may give effectual receipts for all dividends and payments on account of dividends in respect of such shares.

Payment by post

Article 99 provides that

Unless otherwise directed, any dividend may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled or in case of a joint holder, to the registered address of the one whose name stands first on the register in respect of the joint holding; and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent.

Notice of dividend

Article 100 provides that

Notice of the declaration of any dividend, whether interim or otherwise, shall be given to the holders of registered shares in the manner hereinafter provided.

Unclaimed dividend

Article 101 provides that

No unclaimed dividend shall be forfeited by the Board unless the claim there to becomes barred by the law and the Company shall comply with all the provisions of Section 205-A of the Act in respect of unclaimed or unpaid dividend.

How notice to be served on members

Article 117 provides that

A notice may be given by the Company to any member either personally or by sending it by post to him to his registered address, or (if he has no registered address), to the address. if any, supplied by him to the Company for the giving of notice to him.

Notification of address by a holder of registered shares having no registered place of address

Article 118 provides that

A holder of registered shares, who has no registered place of address may, from time to time, notify, in writing, to the Company an address, which shall be deemed his registered place of address, within the meaning of the last preceding article.

When notice may be given by advertisement

Article 119 provides that

If a member has no registered address and has not supplied to the Company an address for the giving of notices to him a notice addressed to him and advertised in a newspaper circulating in the neighbourhood of the Registered office of the Company, shall be deemed to be duly given to him on the day on which the advertisement appears.

Notice to joint holders

Article 120 provides that

A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder named first in the register in respect of the Share.

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried by the Company) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which will be attached to the copy of the Red Herring Prospectus delivered to the RoC for registration, and also the documents for inspection referred to hereunder may be inspected at the Registered Office from 10.00 am to 4.00 pm on Working Days during the Bidding Period.

Material Contracts in relation to this Offer

1. Letter of appointment dated July 28, 2011 for the appointment of DSP Merrill Lynch Limited, ICICI Securities Limited, Kotak Mahindra Capital Company Limited and Morgan Stanley India Company Private Limited, respectively, as BRLMs.

2. Offer Agreement dated September 28, 2011 among the Company, the Selling Shareholder and the BRLMs.

3. Agreement dated September 28, 2011 between the Company, the Selling Shareholder and Registrar to the Offer.

4. Escrow Agreement dated [•] among the Company, the Selling Shareholder, the Book Running Lead Managers and the Escrow Collection Banks.

5. Syndicate Agreement dated [•] among the Company, the Selling Shareholder, the Book Running Lead Managers and the Syndicate Members.

6. Underwriting Agreement dated [•] among the Company, the Selling Shareholder, the Underwriters.

Material Documents

1. The Memorandum of Association and Articles of Association, as amended.

2. The certification of incorporation dated November 13, 1964.

3. DHI Order No. 1(4)/2008-PE.XI dated September 30, 2009, for appointment of Mr. B. Prasada Rao as the Chairman and Managing Director, prescribing the terms and conditions of his employment.

4. DHI Order No. 1(23)/2008-PE.XI dated July 7, 2011, for appointment of Mr. P. K. Bajpai as the Whole Time Director, prescribing the terms and conditions of his employment.

5. DHI Order No. 1(15)/2006-PE.XI dated June 28, 2007, for appointment of Mr. Anil Sachdev as the Director, prescribing the terms and conditions of his employment.

6. DHI Order No. 1(7)/2008-PE.XI dated October 1, 2009, for appointment of Mr. Atul Saraya as the Director, prescribing the terms and conditions of his employment.

7. DHI Order No. 1(8)/2008-PE.XI dated December 24, 2009, for appointment of Mr. O. P. Bhutani as the Director, prescribing the terms and conditions of his employment.

8. DHI Order No. 1(28)/2009-PE.XI dated July 4, 2011, for appointment of Mr. M. K. Dube as the Director, prescribing the terms and conditions of his employment.

9. DHI Order No. 1(2)/95-PE.XI dated July 16, 2009, for appointment of Mr. Saurabh Chandra as the Director, prescribing the terms and conditions of his employment.

10. DHI Order No. 1(2)/2009-PE.XI dated March 15, 2011, for appointment of Mr. Ambuj Sharma as the Director, prescribing the terms and conditions of his employment.

11. DHI Order No. 1(9)/08-PE.XI (Vol.II) dated June 11, 2009, for appointment of Mr. Ashok Kumar Basu as the Director, prescribing the terms and conditions of his employment.

12. DHI Order No. 1(9)/08-PE.XI (Vol.II) dated June 11, 2009, for appointment of Mr. M. A. Pathan as the Director, , prescribing the terms and conditions of his employment.

13. DHI Order No. 1(9)/08-PE.XI (Vol.II) dated June 11, 2009, for appointment of Ms. Reva Nayyar as the Director, prescribing the terms and conditions of her employment.

14. DHI Order No. 1(17)/09-PE.XI dated November 10, 2009, for appointment of Mr. V. K. Jairath as the Director, prescribing the terms and conditions of his employment.

15. DHI Order No. 1(5)/2010-PE.XI dated March 8, 2011, for appointment of Mr. S. Ravi as the Director, prescribing the terms and conditions of his employment.

16. Copy of the resolution dated May 23, 2011 by the Board recommending the disinvestment of 5% from Government of India's shareholding.

17. The Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, letter No. 3(9)/2009-PE.XI dated September 09, 2011, authorizing the Offer.

18. RBI's letter FED.CO.FID.No.7353/10.21.261/2011-12 dated September 23, 2011 approving the transfer of Equity Shares of the Company under Offer in favour of residents outside India.

19. Report of the Auditors dated September 28, 2011, prepared on the Company's, audited restated standalone financial statements, as of and for the years ended March 31, 2007, March 31, 2008, March 31, 2009, March 31, 2010 and March 31, 2011 and the audited restated consolidated financial statements as of and for the years ended March 31, 2009, March 31, 2010 and March 31, 2011, prepared in accordance with Indian GAAP, the Companies Act and the SEBI Regulations and mentioned in the section titled "Financial Statements" on page 196.

20. Statement of tax benefits dated September 28, 2011, prepared by the Auditors.

21. Copies of annual reports of the Company for the last five Fiscals i.e. 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11.

22. Consent of the Auditors for inclusion of their report on the financial information and the statement of tax benefits in the form and context in which they appear in this Draft Red Herring Prospectus.

23. Consents in writing of the Selling Shareholder, the Directors, the Company Secretary and Compliance Officer, Auditors, Registrar to the Offer, Domestic Legal Counsel to the Company and the Selling Shareholder, Domestic Legal Counsel to the Underwriters, International Legal Counsel to the Company and the Selling Shareholder, International Legal Counsel to the Underwriters, Bankers to the Company, each as referred to in this Draft Red Herring Prospectus, in their respective capacities.

24. Agreement dated November 18, 1999 among CDSL, the Company and Karvy Consultants Limited.

25. Agreement dated November 27, 1998 among NSDL, the Company and Karvy Consultants Limited.

26. Due diligence certificate dated September 28, 2011, to SEBI from DSP Merrill Lynch Limited, ICICI Securities Limited, Kotak Mahindra Capital Company Limited and Morgan Stanley India Company Private Limited.

27. SEBI observation letter No. [●] dated [●].

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time, if so required in the interest of our Company or if required by the other parties, without reference to the shareholders, subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

In accordance with Section 61 of the Companies Act, in the event any of the material contracts mentioned in this section are required to be modified or amended, post the filing of the Prospectus with the RoC, reference shall be made to the shareholders of our Company for the same.

DECLARATION

We, the Directors, certify that all relevant provisions of the Companies Act and the regulations or guidelines issued by the GoI or SEBI, as applicable, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SEBI Act or the rules or regulations issued thereunder. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE CHAIRMAN AND MANAGING DIRECTOR	SIGNED BY THE WHOLE TIME DIRECTOR (FINANCE)
Mr. B. Prasada Rao	**Mr. P. K. Bajpai**

SIGNED BY THE OTHER DIRECTORS OF THE COMPANY

Mr. Anil Sachdev	**Mr. Atul Saraya**
Mr. O. P. Bhutani	**Mr. M. K. Dube**
Mr. Saurabh Chandra	**Mr. Ambuj Sharma**
Mr. Ashok Kumar Basu	**Mr. M. A. Pathan**
Ms. Reva Nayyar	**Mr. V. K. Jairath**
Mr. S. Ravi	

SIGNED BY THE SELLING SHAREHOLDER

On behalf of the Selling Shareholder, I certify that the statements made in this Draft Red Herring Prospectus about or in relation to the Selling Shareholder and the Equity Shares offered pursuant to the Offer for Sale are true and correct.

Signed on behalf of the Selling Shareholder

Date:
Place: New Delhi, India

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK