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MHI to Establish Steam Turbine and Generator Manufacturing and Selling JV in India with Larsen & Toubro -- Follow-up to Supercritical Boiler JV --

Tokyo, November 6, 2007 - Mitsubishi Heavy Industries Ltd. (MHI) and Larsen & Toubro Limited (L&T) of India have signed an agreement to jointly establish a company to manufacture and sell steam turbines and generators, equipment used in coal-fired power generation plants. The move is aimed at responding to rapidly expanding electricity demand in tandem with India's robust economic growth. The JV, named L&T-MHI Turbine Generators Private Limited, will be established in December, with manufacturing slated to commence in May 2009.

The new company will manufacture, sell and provide after-sale service for steam turbines and generators for the Indian market. Sales targets are set near 15 billion yen in 2010 and 33 billion yen in 2012. MHI will progressively license design and manufacturing technologies for supercritical pressure steam turbines with generating capacities of 500-1,000 megawatts (MW), and for 150 and 300 MW steam turbines used in the bottoming cycle in gas and steam turbine combined-cycle power generation systems.

The JV will be capitalized at 3.1 billion rupees (approximately USD 75 million), with MHI owning 39%, L&T 51%. Mitsubishi Electric Corporation (Mitsubishi Electric), licensor of design and manufacturing technologies for turbine generators, will also make a 10% investment. A factory comprising two buildings some 36,000 and 13,500 square meters (m²) in floor area will be built to manufacture the steam turbines and generators, respectively. Currently some potential factory sites are being considered: Hazira on India's west coast, and Ennore on the southeast coast, and so on. Approximately 25 billion yen will be invested into the plant and equipment. Initially, the JV will start with 530 employees, to be expanded to about 900 once production achieves momentum.

L&T, headquartered in Mumbai, is a high technology-driven engineering and construction organization and one of the largest companies in India's private sector. The company reported annual revenue of approximately USD 3.2 billion in fiscal 2006 and has a workforce of about 24,000 employees. L&T plans to enter the large-scale thermal power generation system business in a quest for overall business expansion. In April 2007 MHI and L&T established a JV in India called L&T MHI Boilers Private Limited to build and sell supercritical pressure boilers for coal-fired power generation plants; manufacture is slated to commence next year.

The establishment of the new JV on the heels of the earlier boiler JV represents a favorable meshing of the aspirations of both MHI and L&T. MHI has been seeking a foothold in power generation operations within India's rapidly growing market while L&T has been looking for a partner possessing advanced technologies.

Recently India's economic expansion has further accelerated, enabling 9.4% real GDP growth in fiscal 2006, and going forward growth is expected to continue near 10%. Along with economic development, India's electricity supply/demand gap has become increasingly serious. To cope with the energy supply issue, India plans to boost power supply capacity by 140,000 MW over the next 10 years by setting up large-scale coal-fired power plants.

Currently, India's thermal power generation equipment market is nearly monopolized by Bharat Heavy Electricals Ltd (BHEL), but satisfying the rapidly growing power generation equipment demand that is projected will be impossible by just one company. The two JVs are expected to meet India's robust demand through manufacture and sales of high-efficiency and high-performance products leveraging their most advanced technologies.