Bharat Heavy Electrical Ltd.
Investors/Earnings Conference Call
(May 24, 2008)

Moderator: Good morning Ladies and Gentlemen. Thank you for standing by. This is Fatima, the moderator, for your call today. Welcome to the conference call of Bharat Heavy Electrical Ltd. hosted by CLSA India Ltd. We have with us today Mr. Ravi Kumar, Chairman and Managing Director, Mr. C S Verma Director – Finance from Bharat Heavy Electrical Ltd., and Mr. Rajesh Panjwani; Senior Analyst from CLSA India Ltd. At this moment all participants are in the listen-only mode. Later we will conduct question and answer session. At that time if you have a question please press * and 1. I would now like to turn the conference over to Mr. Rajesh Panjwani, please proceed sir.

Rajesh Panjwani: Good morning everyone. It is a pleasure to host the year-end conference call for BHEL; I welcome all of you to that. As all of you are already aware after many years of stellar growth we have seen BHEL's revenues slowdown a bit in FY08 and the costs have also gone up sharply. What is very encouraging is that the company has signed an MOU with the government, which implies 25% revenue growth for the current year and what we would like to hear from the management is, what are the factors which constrain the growth in the year-ending March 2008. How the company plans to achieve the strong growth it has guided in the next year, despite the constraints that we are facing and also in the background of rising input prices, how the company plans to contain its cost? I would handover to Mr. Ravi Kumar and Mr. Verma for further discussions.

Ravi Kumar: I am Ravi Kumar, CMD – BHEL. The flash results have been announced earlier and audited results have been announced yesterday and the turnover after audit is Rs.21,401 Crores an increase of 14.1%. The profit before tax has increased to Rs.4430 Crores over Rs.3736 crores an increase of 18.58% and profit after tax has increased to Rs 2859 Crores from Rs 2415 crores, an increase of 18.39%. These are the financial results.

And if you see, it is mainly in the last quarter that the provisioning for employees has been done at 490 Crores. 82 Crores in first quarter, 2nd quarter 82 Crores, 3rd quarter 82 Crores and 490 Crores provision in 4th quarter. Our wage revision is due from 1/1/2007. We have provisioned about 490 Crores in the last quarter, that is why there is a small growth in profit.

The other questions, which you have said, we have started the year with a good order book as you might know, the order book as of 31/3/2008 is 85400 Crores, consisting of 71,000 Crores from power sector, 8750 Crores from industry sector, and 5650 Crores from international operations. We have further booked orders in April. As of today, the outstanding order book is about 91,417 Crores. So, we are starting the year with a good order book. As you might know, in the initial phase of a project, we do a lot of engineering and then there is progression of activities. It takes about 9 months to really start counting effective turnover in any project. Our turnover is mostly project-oriented and if you see, in the first 6-7 months not much turnover will be there, so that is why the turnover growth was not that much last year, but this year we are gearing up for 25% increase in turnover.

This year, the provisions for wage payment will be similar to last year and we do not expect any increase in provisioning for this year. Definitely, there is a pressure on materials, there is an increase in raw material, but since the turnover would grow 25%, the overheads are likely to come down, so we may not have that much pressure on the margins, though there maybe a small dip in the profit margins . Small dip maybe there, but we do not expect any big dip in profit margins this year and I think I will ask Mr. Verma to also tell things and from there we can start their questions.

As you might know, this year we have signed two MOUs, one with NPCIL for making 700 MW, 1000 MW and 1600 MW turbines on EPC basis for which we are expecting certain orders at the end of this year. We had also made a JV with NTPC for EPC on projects and also for manufacturing of power equipments. Both the JVs have been incorporated and it will be definitely on stream by end of this financial year. We have also signed a JV with APGENCO for IGCC (Integrated Gasification Combined Cycle), which is a new technology and the fourth one is, which is of importance is, we have taken over BHPV "Bharat Heavy Plates & Vessels". We would like to definitely make some pressure parts to start with. We are starting the production, next month with 500 tons of pressure parts. This will be an additional fabrication facility for us as far as pressure parts manufacturing is concerned.

10,000 MW of total manufacturing capacity that is thermal, hydro, nuclear, and also gas has been put on stream and we are increasing the capacity to 15,000 MW by 1st January 2010. These are steps we have taken.

As far as technologies are concerned, we have already got the first SG order for Supercritical Barh project. We are also making a JV with TNEB for 2x800 MW supercritical sets down south and we have quoted for Krishnapatnam, where we are expecting order for 2x800 MW and we are also expecting several orders from NTPC for supercritical sets.

The second area of diversification has been in advanced class gas turbine. The first order we received from Reliance Industries is for the Nagothane project, followed by three units in Gujarat and also 4 units at Delhi. So, this is a big market and we have got these advance class gas turbines which are the latest turbines being manufactured by GE. We have also got an order for 250 megawatt CFBC boiler. These are the three new areas, which we are diversifying and we are now taking certain steps in industry sector that is industry segment of our business. We are likely to get orders for oil rigs and locos from railways. In the next four years, there will be no dearth of orders because we are entering new areas and also we are diversifying into many segments in industrial sector, including nuclear and others. As far as, execution is concerned, definitely we have to plan 25% additional capacity; this is in line with 25% growth in turnover. For these, you know both in-house and outsourcing capabilities of the companies have to be increased. We have a good inventory, so I think we are fairly confident of getting 25% growth in our turnover.

As far as margins are concerned, there is definitely rise in input prices, but about 40% to 50% of our contracts are PVC contracts where we can put price variation claims on the customer and in the other contracts we have more or less tied up the materials and we have good inventory of materials. So, it will not affect that much, but definitely there will be some impact. Whatever we are producing for this year, there will be an increase in raw material cost, slight increase will be there. But, because of planning for 25% growth, the overheads are likely to be come down. So, the pressure on margins will not be that great. There may be small dips, but I do not expect a big dip in gross margin or the net profit margin. I think we can start the questions and if you have something to add or want me to add in my responses, we can definitely do it.

Moderator: Certainly sir, Ladies and gentlemen we will now begin the question and answer session. If you have a question please press * and 1 on your push button phone and wait to turn to ask the question when guided by the facilitator. If your question has been answered before your turn and you wish to withdraw your request, you may do so by pressing the hash key. We have a next question from Abhishek Puri from JM Financial, please proceed sir.

Abhishek Puri: Good morning Mr. Kumar and good morning Mr. Verma.

Ravi Kumar: Yeah.

Abhishek Puri: Sir, I have few questions regarding. Sir, what is the breakup for the utility space which we have done this year? Utility and captive you have mentioned 6772 megawatts.

CS Verma: Abhishek here, can you just clarify a little more?

Abhishek Puri: Yeah, sir I wanted the breakup for the utility and captive space in terms of the units commissioned in this year? We have given the total figure of 7150 megawatts and utility and captive space is 6772 megawatts?

Ravi Kumar: As far as commissioning is concerned we have done in domestic utility, 5964 megawatts, that is you know we have done about 14 sets in coal, and 3 sets in gas and 5 sets in hydro and 3 non-region sets and one set in nuclear. We have done about 26 sets of 5964 megawatt and as far as the international operations are concerned, we have done 3 sets of 378 megawatts. As far as the industrial sector in concerned, we have done about 495 plus 312 that is about, you can say about 807 megawatt we have done. Totally we have done about 48 sets of 7149.5 megawatt.

Abhishek Puri: Okay and this year, as per the Rajya Sabha figures we have to do about 5959 megwatts in the utility space, domestically?

Ravi Kumar: Yeah, we are quite confident this year. We have divided it into two parts, in one there is synchronization on oil which we are planning and in the other the trial run and handing over for commercial operation. So, we have two sets of targets, one for handing over and another one for synchronization. We have also planned and we have discussed with power ministry and we will bring out a brochure on that.

Abhishek Puri: And so these 5959 this includes both the sets of commissioning targets?

Ravi Kumar: Yeah, this includes both the sets of commissioning targets. You know, whatever is the commissioning target, synchronization and also trial operation we will do it within the same year.

Abhishek Puri: Okay, sir my second question comes from the external issues, which the company faces in terms of raw material ,critical casting forgings for LP rotors, casings as well as for the erection and commissioning of contractors shortages, which is there. What has the company done to mitigate this kind of risks which are external to the company and how we are we confident that we can do that in this year and the years going forward in the 11th plan?

Ravi Kumar: See, as far as we are concerned you know, we are already making in our CFFP, HP and IP casting and forgings. Only the LP forgings and generator forgings are imported from abroad. So, we have taken what is known as the advance procurement action. For about 25 sets of 250 megawatt and about 20 sets of 500 megawatt, we have already ordered the equipment. So, we are expecting that it will mitigate our position as far as the raw material procurement is concerned. See, the main raw materials, that are in short supply, are the castings and forgings and alloy steel tubes and fittings. We have taken advance manufacturing action that is why our inventory is slightly up on this one and we have linked deliveries to that. Now, the actual action what we are proposing is that we are now upgrading our CFFP, I mean Central Foundry Forge Plant to take care of more IP and HP turbine shafts and also small turbines entire range and we are also thinking of a joint venture for manufacturing generator forgings and also the LP forging. We are thinking of investing now with the private sector.

Abhishek Puri: Okay, has something been finalized on that or?

Ravi Kumar: No, it is in preliminary stage only. As far as investments are concerned there is no problem of cash, but the technology is the one that we are trying to really workout how the technology can be got for these castings and forgings. These are the steps we have taken, one is an advance manufacturing action, second is this and we are also getting government approval for capacity booking that is, the capacities of vendors that can be booked. So, these are the three actions which we are taking.

Abhishek Puri: Okay, in the advance procurement stage what you have done is 50 sets you have already booked, so the delivery schedule for them is somewhere between 2010-2011 or before that as well?

Ravi Kumar: Well, before that as well and it is not that exactly it is matching the schedules of projects and even though we have ordered a little early. So, we have to cut down the cycle time of manufacturing, which we are doing. By end Dec 2009 our new facilities will be ready, they are all CNC machines and remotely operated and I think we should be able to cut down our process time also and second we have to do of the castings and forgings also.

Abhishek Puri: And these orders which are placed in this financial year?

Ravi Kumar: It has been placed in the last financial year.

Abhishek Puri: FY08?

Ravi Kumar: Yeah.

Abhishek Puri: Okay and regarding the generator forging and LP forging JV and how much time; can the facility be set up?

Ravi Kumar: It will take about 18 to 24 months.

Abhishek Puri: And sir, as far as I understand there are only 3 or 4 players globally who are doing this job, who are making the LP forging, large size LP forgings. So, how can we ensure that the technology tie ups could be done as soon as it is possible and we have to get this on track?

Ravi Kumar: That is challenging anyhow, but what we are thinking is whether a technology tie up or persons who are working there, some of them can be employed here. We are quite capable you know, our people are also capable and we will take the help of certain forging manufacturers in India and we will also try certain forging manufacturers abroad and try to have a deal.

Abhishek Puri: Absolutely, there is no doubt about it, the capability of the people. Last thing which I would want to know is on the capacity which we have increased 10,000 megawatt, is it on three shift basis or two shift basis?

Ravi Kumar: It is on three shift basis, but we have done 11,000 megawatt already. So there is elbow room to increase, and outsourcing can be increased to that extent. BHPV can be a source for boiler definitely. You know we can do certain products there actually. We are planning manufacturing at the rate of 500 tons and it can be increased. They had been making industrial boilers, and we can take up the pressure parts for the power boilers also and that is what we are thinking of.

Abhishek Puri: So, that will cater up to 150 ton per our boilers or maybe higher than that?

Ravi Kumar: Higher than that. There is no limit on that. I mean they can do 500 megawatt boiler pressure parts and it will be supervised by our engineers. They have welders and we would like to add some machinery there and we want to invest some 300 Crores there and bring it up. But at present we are planning about 500 tons per month.

Abhishek Puri: 500 tons per month?

Ravi Kumar: Yeah.

Rajesh Panjwani: Abhishek, can you come later for the next question?

Abhishek Puri: Sure.

Rajesh Panjwani: Moderator, can we request the participants to ask only 2 questions at a time and more questions, they can come up while follow up.

Moderator: Certainly sir. Thank you Mr. Abhishek for your questions. Ladies and gentlemen are requested to ask 2 questions at a time. We have a next question from Mr. Bhavin Vithlani from Enam Securities, please precede sir.

Bhavin Vithlani: Good morning sir.

Ravi Kumar: Good morning.

Bhavin Vithlani: Sir, could you give the order inflow break up within the power industry exports and the spares and services divisions what we have commissioned, one is which basically the division that we are separately reporting?

Ravi Kumar: As on 31/3/08 power sector orders are about 71,000 Crores, the industry sector orders are about 8750 Crores and international operations is about 5650 Crores, totaling about 85,400.

Bhavin Vithlani: Sir, I want the order of inflow breakup?

Ravi Kumar: Order inflow during the year or you want the order outstanding?

Bhavin Vithlani: No, no I want the order intake during the year sir.

Ravi Kumar: During the year the inflow is about 50,265 Crores. Power sector is about 80% of this, industry sector is about 14%, and IO is about 6%.

Bhavin Vithlani: What is the spares and services business division sir?

Ravi Kumar: The sales and services orders is 2350 Crores.

Bhavin Vithlani: Sir, one question I have pertaining to the Bahr order has been booked in the last financial year or it will be booked in the current fiscal?

Ravi Kumar: The SG package has been booked in the last financial year and this year we will book TG.

Bhavin Vithlani: Okay, sir thank you sir, if I have further questions I will follow up.

Ravi Kumar: Okay, thank you and nice talking to you.

Moderator: Thank you sir, for your question, we have a next question from Mr. Akhil from Citigroup, please precede sir.

Mr. Akhil: Hello sir, good morning.

Ravi Kumar: Good morning.

Mr. Akhil: Sir, my question was regarding your capacity expansion plan you are going to add 5000 megawatts of incremental capacity by calendar year 2009, December 2009 right? So sir, what is the incremental CAPEX for that capacity?

Ravi Kumar: It is about 5,000 Crores. We are adding you know mostly on thermal, because the orders are coming in thermal, so the incremental capacity would be truly on thermal and this would be above 5000 Crores. But if you take construction, it may go to about 6,000 Crores.

Mr. Akhil: Okay and sir, this capacity, I mean what would be the right way to think about this capacity addition over calendar year 2009. This capacity will come online in phases or it will come online in one batch at the end of calendar year 2009?

Ravi Kumar: No, it will come in phases, but it will come from next financial year only. This financial year we are not expecting much, but from next financial year from April.

Mr. Akhil: Okay, so from April of 2009 we can assume you know some incremental addition in the capacity going forward?

Ravi Kumar: Yeah, definitely especially in the boiler plant something will come and in the TG something will come, so definitely there will be some capacity addition in the first quarter. But, overall it will be completed only by end December 2009.

Mr. Akhil: Okay, so by 2009 everything will be online and production will be fully ramped up, December 2009?

Ravi Kumar: Yeah, but this does not include the capacity which we have acquired through BHPV.

Mr. Akhil: Okay and sir, if I am not mistaken in response to the previous question you said that for this year you would target for utility addition commissioning about 5959 megawatt and the last year it was 5794 megawatt, are these figures right sir?

Ravi Kumar: You know, commissioning is only an end of the project, actually lot of things will be under construction. There is a difference actually. One is construction supply and the other one is final commissioning. So these are the figures this year.

Mr. Akhil: Okay, so basically this cannot be taken as some kind of rough indicator of revenue growth, the commissioning figure?

Ravi Kumar: No, actually it is manufacturing.

Mr. Akhil: Obviously, you will be booking revenues on other projects too.

Ravi Kumar: Yeah.

Mr. Akhil: Okay sir, thanks a lot.

Ravi Kumar: Thank you.

Moderator: Thank you sir, for your questions. We have out next question from Mr Venkatesh from Citigroup, please precede sir.

Mr. Venkatesh: Hello.

Ravi Kumar: Hello.

Mr. Venkatesh: Yeah, sir you mentioned that you are expecting a small dip in gross margins and net profit margins this year. Do you expect you know further dip in the year after that that is year-ending March 2010? Given that incrementally, you will be executing more of supercritical orders; there the margins which you will make will be much lesser. So, can we expect this dip to continue in 2010 again?

Ravi Kumar: Well, I do not think so, because we expect further growth and as per our strategic plan you can expect something like 45,000 Crores in 2011-12. You know because of the large order book, I think this will further grow during the first quarter or second quarter definitely it will grow much more and I do not think there will be a dip in turnover, I mean if you can outsource certain machining operations.

Mr. Venkatesh: Sir, I was not talking about dip in turnover sir. Sir you said that in the current year because of raw material cost pressure being there and also that the staff cost slightly will be on the higher side, so that you expect the net margins to fall in the current year. It could dip a small basis points or it will remain the same, this is what you said. I was asking do you expect that in March 2010 these net profit margins can come up a little more also because the margins which we will make incrementally the amount of supercritical orders in your revenue will be higher then initially our margins will be much lower.

Ravi Kumar: No, actually I said since turnover is increasing so overheads are likely to come down. On material cost you know we do not have much control actually, because it depends on the supply situation at that time and the situation in the world market. Today the world market is booming for the power sector. So, we do not know at that time what will be the raw material prices. I think our Director of Finance will like to answer this question.

CS Verma: We are not expecting a dip in this year or the next year. With the increase in the volume we are expecting that the percentage of all the expenses like manpower cost, overheads, and material cost will also be contained. If you see the last 5 year data, manpower cost which used to be about 18% of the turnover has already come to about 13% of the turnover. Of course in the absolute terms, the manpower cost has gone up. But as a percentage of the turnover it has come down drastically. In spite of increase in the input prices, which are not in control, if you see the data for the year 2006-07 the material cost as a percentage of turnover, which was 56.99% in the year 2007-08 it has only gone up marginally to 57.19%. We have taken a number of initiatives. So with all the initiatives, I do not expect that there will be a dip in the profit margin. I mean, some pressure will definitely be there and in fact all this like manpower provisioning and all these, we have to absorb in the last part of the current financial year, that is the year which has gone by. So there is some pressure on the margin, but no dip at all. I mean there will be pressure on the margin definitely. I have given you all the data, which shows that in absolute terms all the expenses will go up. Since our turnover is going up many folds and as a percentage, I do not think that these expenses as a percentage of turnover will go up.

Mr. Venkatesh: Okay sir. The second question is on the Bharat Heavy Plates. Now, I guess from the next year the financials will be a part of BHEL Financials, so can you give us what are the exact sales, EBITDA, and profits of Bharat Heavy Plates in the current year and how you see that moving and going forward?

CS Verma: No. It is a separate independent company. It has been taken over as a subsidiary company of BHEL. So the balance sheet of BHPV will not be merged with that of BHEL. It will remain as a separate independent subsidiary company.

Mr. Venkatesh: Okay sir. Sir any update on the negotiated orders talks which BHEL and Larsen & Toubro have been having with the government, because every month we keep hearing it is going to come in the next month, it is going to come in the next month, any update on the same sir?

Ravi Kumar: Actually you know, as far as orders are concerned whether it is negotiated or whether it is competitive, we are quite confident on supercritical as we will be competitive. We have already got Bahr SG order against competition. We are having two orders from south that is from TNEB and we have quoted for Krishnapatnam and we are quite confident of some other orders. You know we had a negotiation for ultramega projects also. If we win one order I think it should be about 660-800 megawatts sets, I think we should be able to do. Government is definitely moving ahead with certain negotiated orders on supercritical projects.

Mr. Venkatesh: Sir, the last question which I had, was on the NTPC equipment. Would you be setting up equipment manufacturing capacity in that JV? If you are going to set up equipment manufacturing capacity, incrementally what prevents NTPC from giving incremental orders to the NTPC-BHEL JV, rather than BHEL, because that way they can actually capture 50% of the economic interest in the NTPC-BHEL JV?

Ravi Kumar: See, today you know there are already lot of players coming in because the cake has become too large for lot of players to come in. We catered only to 60% of the business or

40% of business anyhow is going out. So, definitely the incremental realization we are planning in NTPC JV is only about 5000 megawatt. It will be in operation after 4 years. Now, initially the NTPC-BHEL joint venture will be only concentrating on EPC projects and by the time it comes, it will be about 4 years and definitely there will be more players. Then there is export market also. We should be an international player by that time.

Mr. Venkatesh: Okay sir, thank you.

Ravi Kumar: Thank you.

Moderator: Thank you sir for your questions. Ladies and gentlemen for any further questions please press * and 1 now. Participants are requested to restrict their questions to two at a time. We have a next question from Mr. Suresh from SSKI Securities, please precede sir.

Mr. Suresh: Good morning sir.

Ravi Kumar: Good morning.

Mr. Suresh: Sir, just I wanted to understand this provisioning which we did in the 4th quarter little better. You said 492 Crores was the total provisioning done on account of employee cost for prior period as well as FY08, is that right?

CS Verma: Well, I tell you that hither to, we were having a provisioning at the rate of 25% up to the first three quarters. As the pay commission report for the central government employees was out, we took a conscious decision to increase our provisioning from 25% to 45%. As far as 45% is concerned we have not only provided for the last quarter, but had to provide for the year as a whole. Number 2, as a result of this provisioning for the year, we had to provide for leave encashment as per the updated wage provisions. In fact, out of 490 Crores, 200 Crores is our upward revision of the leave encashment provision that we are having in our books of accounts and revision of 290 Crores includes 45% of leave provisioning for the 4th quarter as well as the shortfall, which we are having at the rate of 20% for the first three quarters of the current financial year.

Mr. Suresh: Perfect. Now, sir it is one way to look at it for FY09 employee cost you are saying that total employee cost for FY08 inclusive of all these provisions should not go up significantly in FY09, is that the understanding right?

CS Verma: Whatever provisioning we have made at the rate of 45% that will continue to be there. What I said was that in absolute terms it will go up definitely. But manpower cost as a percentage of turnover I do not think will go up in 2008-09 since we are expecting 25% growth in turnover in the year 2008-09.

Mr. Suresh: Sir, as a percentage of turnover you think it will remain stagnant or may come down depending upon revenues?

CS Verma: I think, it may slightly come down also. I do not think it will go up as a percentage of turnover.

Mr. Suresh: Okay and the second part was in the other expenses. The other expenses have jumped very sharply by about 30% or so in the 4th quarter. Is there anything extra provisioning or any extra expenses you have incurred in the other expenditure?

CS Verma: All the provisioning that we do, we do it at the end of the year only. So whatever provisioning we make for contractual obligation, LD, and penalties we do make a review in the last quarter of the financial year. So that is why all the provisioning is accounted in the last quarter of the financial year.

Mr. Suresh: So, I mean the way to understand is that it was done for all the 12 months together in the fourth quarter hence that number looks a little higher?

CS Verma: Yeah review is done at the end of the year only when we audit the accounts.

Mr. Suresh: Fair point. Sir, then final question was how much BHPV I mean, Bharat Heavy Plates can add to your capacity in terms of boilers and say megawatt terms. I mean can we do about 1000 megawatt worth of boilers or 2000. I mean can you clarify on that?

Ravi Kumar: Yeah. We can do both. We do not want to do the entire boiler there. We are outsourcing quite an amount for structures and all that. So it will be only pressure parts which we make in our factory. I think initially we want to do 500 tons but we will ramp it up as time goes by and we have additional machinery in place which can be a help.

Mr. Suresh: Hello?

Ravi Kumar: Yeah.

Mr. Suresh: So, would it be fair to say that your overall execution capabilities will increase by 10% to 15% by this acquisition. Is it a fair comment in a journalistic sense?

Ravi Kumar: No, I do not think there will be that much increase. In the first year it should be around 5% and later it should increase to about 12%.

Mr. Suresh: Okay sir, thank you sir.

Ravi Kumar: Thank you.

Moderator: Thank you sir for your question. We have our next question from Mr. Bhavin Vithlani from Enam, please precede sir.

Bhavin Vithlani: Sir, I have a follow up question on the industry segment. If you can just give a breakup of our industry segment between captive power plant and transmission and distribution segment, and transport segment and also if you can throw some light on the outlook of this segment, because what we see turnover growth in the current quarter has been down significantly to 5%. What is the likely revenue growth within the industry segment going forward?

Mr. Shankar: Bhavin this is Shankar here. We will try to provide details of the industry segment later.

Bhavin Vithlani: Okay sir and on the outlook on the industry segment within the captive power plant, T&D and transport. Means how do we see the outlook going forward and also on the margin outlook given that the inflation is so high and that is, we see monitory tightening. Are we seeing any kind difference in our client side orders?

Ravi Kumar: I do not think so. Just recently we are announced two big orders, one from Hindustan Zinc and the other from the Mittal Refinery. We have got two huge orders for industry segment even in the first quarter and we are expecting orders from Railways and also oil rigs from ONGC. So, the segment is likely to book lot of orders this financial year and the margins are quite good because these are all large projects. These are all about 1000 Crore jobs. So I think the margins will be expected to be good and also certain steel plants are going for captive power plants and I think the industry business should do really well this year.

CS Verma: And just to supplement the CMD. If you see the data in the year 2007-08 and compare it to 2006-07, the segment profit to revenue percentage in industry sector has gone up from 16.31% to 18.07% and the incremental orders that had been booked for industry sector during the year 2007-08 is was an all time high, it was 7850 Crores.

Bhavin Vithlani: Sir, what kind of a growth rate is likely during the next couple of years and also if you can give us details of the orders book, two large orders which we mentioned?

Ravi Kumar: Yeah, one is from Hindustan Zinc 480 megawatts which we got earlier. It is a repeat order and the other from Bharat Oman Refineries. We have got the order competing with L&T. The order is about 1000 Crores if you consider gas turbines, entire SBN, and other things. So, these are the two big orders which we received and we are likely to receive some order for reconditioning of oil rigs and also from the Railways. They are quite ready to take whatever we can supply.

Bhavin Vithlani: Okay, the other question what I have is what we have been hearing is that the SEB orders what we have received that there is some bit of payment crunch what we are facing and on account of that there is some amount of execution related challenges, if you could clarify on this front?

Ravi Kumar: No, it is not due to payment crises from them. What has happened is that some of them are fixed price contracts. The price of labor and raw material have gone up. So there is slow down in the execution because of the cash flow problems of sub-vendors. As far as we are concerned, we do not have any cash flow problem, but our sub-vendors are having some problem, and this slightly slows down the execution rate.

Bhavin Vithlani: But the payment received from our end, especially SEB clientele, if you can throw some color on that front?

Ravi Kumar: I do not think there is any problem in that. But there are certain problems because it has to be verified at site and then it has to go to headquarters and then the payment has to be made. Time cycle has slightly increased because SEBs have been bifurcated. The number of people available for verifying the bills are also low. So, there is some practical problems there. But I do not think it is because of any money constraint. These projects are covered by PFC and REC.

Bhavin Vithlani: Okay, see a question supplement to that is the order book what we have a 435,000 megawatt are all the sides clear with land environmental clearance, etc., or are there some sites where land acquisition and other things are pending hence probably it may not come into the execution in the immediate future?

Ravi Kumar: Well, there is no such thing as land acquisition problem. There are some practical problems in respect of some villages or something like that, or some labor situation or landless labor. There are some stoppages here and there, but I do not think there is any project which is held up because of land acquisition. But there are claims by displaced persons that they want jobs and all that with the owners. There are certain slippages because of that. There is a small 5 to 10 days work stoppage is there, that is all. I do not think there is any project which we are holding it for land.

Rajesh Panjwani: Bhavin can you come later for the next question?

Bhavin Vithlani: Okay, fine.

Moderator: Thank you sir for your question. We have a next question from Mr. Somesh Agarwal from Macquarie, please precede sir.

Mr. Inderjeet: Sir, this is Inderjeet from Macquarie and my first question is, you said that there was an extra provisioning of Rs. 2 billion, Rs. 200 Crores in the quarter 4, which is other than the staff cost provisioning, can you throw some light on it?

CS Verma: That is also part of the staff cost only because we are having our leave encashment provision in the books of accounts. As you know, the leave encashment provisioning is done on the basis of the wages, that is the salary being paid to the employees, and we are having a upward provisioning for the manpower cost. Accordingly, we had to revise the provisioning for the leave encashment and other benefits payable to the employees also.

Mr. Inderjeet: Right sir. So, no extra provisioning of 200 Crores for penalties and those kinds of things?

CS Verma: No. We are having a very well laid down policy for LD and contractual obligations and there is no extra provisioning of 200 Crores LD or any penalty.

Mr. Inderjeet: Can you also give me some breakup on these other income. You have close to 1400 Crores of other income in FY08?

CS Verma: Basically this other income is our interest income. We have received a refund of about 250 Crores from income tax department, so that 250 Crores is also towards other income and since our investments have gone up in the banks on our surplus money so that other income is also towards the extra interest income earned on these investment lying with the bank.

Mr. Inderjeet: Can you give me some breakup as to what is other operating income, because you give that breakup in your annual report?

CS Verma: Yeah. We will provide you the breakup item wise later, okay.

Mr. Inderjeet: Thank you.

CS Verma: Yeah.

Moderator: Thank you sir for your questions. We have our next question from Shalabh Agarwal from Sundaram BNP, please precede sir.

Shalabh Agarwal: Yeah good morning sir.

Ravi Kumar: Good morning.

Shalabh Agarwal: Sir, I wanted to check on the 12^{th} plan. When do we expect orders from this 12^{th} plan to start coming in and how much of megawatts are we looking at in the 12^{th} plan?

Ravi Kumar: Yeah if you see in the 11^{th} plan itself 78,000 was planned by the government, but there are other orders coming from private sector, which are not planned. As far as the 11^{th} plan is concerned, the ordering is expected definitely by September as it goes. As far as the 11^{th} plan orders are concerned, some gas orders may go even to the second half of this year, which has to be commissioned in 11^{th} plan. But some orders we have received even for the 12^{th} plan, like supercritical orders which we have received, they are to be executed in the first year of the 12^{th} plan. So, it is a continuing process. I do not think that any gap will be there, as of today because of the big shortage and also the average shortage which is there in the states and given the top priority, I do not think there will be a break between the 11^{th} and 12^{th} plans. The second thing is I feel about 85,000 to 90,000 megawatt will be ordered in the 12^{th} plan.

Shalabh Agarwal: Okay, see other thing that I wanted to check out with you is on the long-term growth plans of the company you know. We understand that the company has a huge order backlog and growth by more than 25% this year. But incrementally, what is the kind of order intake, we will be looking at to continue, you know to maintain that momentum of growth going forward after one year?

Ravi Kumar: I think this year also we should book something between 40,000 to 50,000 crores that is though the year. This is supposed to be lean because 11^{th} plan is coming to an end and 12^{th} plan is starting. But one is organic growth in power sector and we are definitely looking at inorganic growth, definitely in transportation, we are looking at it in a big way. And oil rigs, we want to start and in defense we already are in some areas, which contribute to our portfolio. We are looking at these products and solar photovoltaics in non-conventional area we are adding and if possible wind also we are trying. We are yet to establish collaboration or joint venture with other foreign companies and these are the things we are trying for inorganic growth and also on this end we want to be an international player. I think in another 2-3 years we should be positioning our exports in a big way. These are the things which would help the company in the future.

Shalabh Agarwal: Sure. So sir, are we saying that going forward you know the contribution from the industrial segment will be much higher than what we have seen in the past or currently between industrial and power?

Ravi Kumar: That we cannot really say basically because if you see, the power segment is growing in a very rapid way because we will be adding 15,000 to 30,000 megawatt. Captive power will grow in the industry segment a little better, but other segments are there. But even to get these market segments into the sector is to diversify by adding a lot of portfolios because the organic growth may not be enough. What we are planning is 70-30, i.e., 70% in power sector and 30% in industrial sector by 2011-12.

Shalabh Agarwal: Okay. So sir, are we seeing you know; speaking to you earlier you know estimate of around crossing being a $10 billion company by FY12?

Ravi Kumar: Yeah we will be doing a little better.

Shalabh Agarwal: Okay, okay. Sir are there any on the supercritical thing, you know through the next 5 years if we see you know what is the broadly number of units that we can cater to you know in the supercritical phase given our capacity and you know the kind of technology transfer that will happen over a period of time?

Ravi Kumar: Actually the technology transfer is more or less conceived. You see between subcritical and supercritical, the technologies are not very difficult excepting for the materials. We have got quite an amount of experience in once through boilers which we have got in Talcher. So we have already manufactured similar type of boilers with spiral water wall and that we have already manufactured Talcher with UVT design. So it is not that difficult for us to enter as far as technology wise or the calculation wise to enter into supercritical field. But then I will say only one constraint we which we are facing is that certain customers are insisting that certain parts to be manufactured abroad. So the capacity constraint with our collaborator is only slowing down our supercritical order booking.

Shalabh Agarwal: But sir, then how many units can we assume that you know one can do over the next 5 years you know in supercritical technology or next 2 years or next 3 years?

Ravi Kumar: As I told there is no difference between subcritical and supercritical as far as technology is concerned. The same number of units which we are doing in subcritical can be done in supercritical field also but the question is how much imported materials, imported finished products which are being insisted upon by customers, and how much of excess capacity they have is the only question.

Shalabh Agarwal: Okay, okay. And sir; are the realization in terms of per megawatt different in supercritical as compared to subcritical of what then makes in a EPC space?

Ravi Kumar: Yeah the supercritical initially will be a little lower basically because we are sourcing certain finished components from our collaborators, so to that extent you know the European prices are 20% higher than our prices. So there will be some margin problem, but once we maximize indigenous content, I think both the segments will be same.

Shalabh Agarwal: Okay sir thank you and all the very best to you.

Moderator: Thank you sir for your question. We have a next question from Abhishek Puri from JM Financials. Please precede sir. Mr. Abhishek, please proceed with your question sir.

Abhishek Puri: It is just a follow up question on the balance sheet figures. If you can help us with the numbers on the inventory side, creditors, and debtor side?

CS Verma: Yeah we will give you that as the number of days of turnover. In debtor segment it is 204 days of turnover in the balance sheet which was 187 days last year. In inventory as number of days of turnover, it is 98 days of turnover as on 31st March, 2008, which was 82 days of turnover last year and if you see that in absolute terms, the debtors, they are the collectible debtors, they are at 7897 Crore as on 31st March, 2008, and deferred debt and others is about 5156 Crores.

Abhishek Puri: Sir, just last small question. If you talk about 10,000 megawatt capacity it is consisting of hydro as well as thermal, how much is the breakup in hydro and thermal?

Ravi Kumar: About 2500 megawatt in hydro. Of course 10,000 megawatt consists of nuclear gas, thermal, hydro and also spares and so 2500 megawatt of it is on hydro.

Abhishek Puri: And 10,500 is completely on thermal?

Ravi Kumar: Yeah that is thermal.

Abhishek Puri: And if we talk about 7500. If I understand correctly, the boilers can be outsourced but if the turbine capacity if 7500 then we say 7500 megawatts?

Ravi Kumar: Yeah the turbine capacity is 7500 megawatt. That consists of both our Hyderabad and Haridwar plants put together.

Abhishek Puri: Thank you so much for your answer. Thank you.

Moderator: Thank you sir for your question. We have a next question from Mr. Venkatesh from Citi, please precede sir.

Mr. Venkatesh: Sir, I just had a follow up question. What do you make out of these statements made by Mr. Jayram Ramesh about banning Chinese equipment from India. What is your thinking behind what they said and secondly do you think there is a likelihood that such a ban would come through?

Ravi Kumar: No, I do not know whether ban will be there but there will be a plan of indigenous manufacturing maybe there but it is not really affecting our business as far are we are concerned. We have booked and our equipments are much superior in quality and it has been realized by our customers. We are very confident of our product quality.

Mr. Venkatesh: Sir, the way I am looking at it is that should not it affect you positively there is such a thing that we need to indigenously manufacture, it will take some time which means that there is a strong demand for equipment domestically which means that possibly you could go ahead and charge higher prices for your existing equipments which you are going to start incrementally?

Ravi Kumar: In a short term it will benefit us, but in the long run lot of players may come in.

Mr. Venkatesh: Okay sir, thank you.

Moderator: Thank you sir for your question. We have our next question from Mr. Atul from Citi Group. Please precede sir.

Mr. Atul: Yes and sir I have a couple of questions on your outlook of industry segment, sir some of the smaller players who supply captive power plants to industries they are seeing significant slow down in order booking and the reason of this is a higher interest rate and the tariff has not been increased. The electricity tariff has not been increased whereas the coal prices have gone up, so sir are you not seeing the same kind of concerns in the minds of your customers for the higher price captive power plant?

Ravi Kumar: No, we are not seeing because we are getting, as I told you, we are getting huge orders from Hindustan Zinc and also from Bharat Oman Refineries and also we are getting some captive order from Spain and we are expecting some orders from Vizag. So I mean at least in the next 2 years we do not feel that will be a slow down as far as this industrial sector is concerned. But what you are telling is in the small 18 to 40 megawatt segment, there maybe some drop.

Mr. Atul: Okay, and sir my second question is on the supercritical side. Sir for example, if you get a supercritical order and you have to import certain components from outside as a percentage of initially, as a percentage of your total cost how much you will have to impose a rough figure?

Ravi Kumar: On the BTG price roughly about 30 to 35%. On the EPC price it is about 15% to 20%.

Mr. Atul: Okay and how these percentages are expected to go down as you indigenize the technology?

Ravi Kumar: We can manufacture even now. We can manufacture but certain components are being sourced from collaborators due to customer's request. So we cannot give a real figure how it will go down but definitely it will go down but once the customers have faith in our manufacture.

Mr. Atul: Okay, thank you, thanks a lot.

Moderator: Thank you sir for your question. We have a next question from Mr. Lokesh Garg from Kotak. Please precede sir.

Lokesh Garg: Hi sir, good morning.

Ravi Kumar: Good morning.

Lokesh Garg: Sir, actually I just wanted to ask you around the time when 4Q provisional results were declared it was said that part of the problems related to margins is also related to the fact that some provision which is written back after projects are completed could not be written back because certain projects were not completed. Is that true and then what is the amount of this provision which was not being written back at the end of 4Q?

CS Verma: Yeah, let me give you the figures. As far as contractual obligation is concerned we held a opening balance of 537.35 Crore, additions for which had been made during the year. As per our policy of providing 2.5%, that addition is of 312.72 Crore. The write off or usage out of the existing opening or balance of the provision during the year, it is 59.95 Crore and their withdrawals is about 93.55 Crore in respect of those projects where already commissioning had been done or that there are out of in lieu of that warranty obligation and no such provision is required now and thus in respect of contractual obligation the closing value is 696.57 Crore as on 31st March, 2008. Same is the case with LD, Liquidated Damages, opening balance is about 586.45 Crore and additions during the year as per the policy approved by the board, addition during the year is 116.76 Crore. Write off against the opening values is 36.11 Crore and withdrawal is 22.66 Crore thus giving us a closing value of 644.14 Crore. So, thus write offs or usage during the year, year as a whole is about 36.11 plus 59.95 Crore and withdrawal or adjustment is 22.66 plus 93.55 Crore.

Lokesh Garg: Sir this write off and withdrawal is it lesser than what you would have otherwise expected if the project commission would have been on contract?

CS Verma: They are by and large as per our budget.

Lokesh Garg: Sir, maybe this other question it is asked before also but maybe I will check it again. This commodity price environment wanted to get your sense of how much of percentage of order book of BHEL would not allow for escalations and thus would have to you know take the hit on margins and what percentage would allow for escalations and given this background what sort of affect would you see in the next 1 to 2 years?

CS Verma: See about 60% of the projects that we are having have price variation clause. About 40%, 40%-45% they are the fixed prices contract and as CMD has told that in respect of even the fixed price or whatever PVC contract, the critical items we are already taking advanced manufacturing action. In fact the norm is that before we accept the order from the customer we place the order for the critical items, critical inputs to our vendors. So, I do not expect as I have given the data earlier also the material cost and the percentage of the turnover it has not even increased. Increase compared to last year is about 0.5% only. So, I would expect that the material cost will increase I mean in the year, as the percentage of the turnover. If I use data of last 1 year or 2 year, increase is not even 1%. So I do not expect a dip in the margin, pressure on the margin will definitely be there but I do not expect a dip in the margin.

Lokesh Garg: Sir, is there any other financial liability or taking up as part of acquisition of BHPV in terms of investments to be made or anything?

CS Verma: No. See the investments to be made is for capital investments that we will be making over a period of 3-years. About 245 Crore will be invested in first year, second year, and third year. The total acquisition cost for the acquiring the shares that is about 31-32 Crore and then naturally we have to give some help to the company to backup their operations in terms of margin money for working capital that would be the form of the secured loans and that would be purely on the need base. And we are expecting that in the very first year of the operations, BHPV will come to break-even level.

Lokesh Garg: Sir last question from my side, what would be the key orders that you would have booked in 4Q and first part of this year which were not necessarily shared in terms of press releases on the website of company?

Ravi Kumar: This year I think all the orders booked have already been given in the press release. As far as this year order is concerned we have booked one order for 2 units of 500 megawatt Chhattisgarh and 1500 megawatt Pragati Gas Turbine, gas based combine cycle projects we have booked. In the industry segment 4 of 70 megawatt and Bharat Oman Refinery we have booked 500 megawatts 1000 Crores order.

Lokesh Garg: Okay when was this NTPC tender specifically in boiler booked sir?

Ravi Kumar: I think they have told next month or so it will be out. Are you asking about Bahr or the new tender you are asking?

Lokesh Garg: Sir Bahr only.

Ravi Kumar: We have booked Bahr SG last quarter. The TG we are expecting in first quarter or next quarter.

Lokesh Garg: Okay, thanks a lot.

Moderator: Thank you sir for your question.

Rajesh Panjwani: Moderator, can we take the last question now, and sir before we take the last question, just you know one clarification on the previous question, you know this other expenditure figure which was higher, what I also remembered was that there was some provision write back which should have happened but because of certain formalities to be completed with SEBs, you were not able to book those, write back those provisions and it was expected that those provision write backs may come in actually in FY09. Is that expected to happen?

CS Varma: No. Whatever I have given you the figures that is as per what we anticipate, and what we expected or what we budgeted. I do not think we were expecting some extra write backs which we could not do it. No, it is not like that.

Rajesh Panjwani: Well because we do not expect any additional write backs from them?

CS Varma: Right backs will be there and on a year-to-year basis. It is a continuous process.

Rajesh Panjwani: Okay, because sir if we look at other expenditure for the full year have gone up by something like 20% in 2008 compared to March '07 i.e. the revenues have increased by 14%. Historically we have seen always the revenue growth being much higher than the other expenditure growth, so I was wondering why the other expenditure growth has been so high in the current year?

CS Varma: Well that breakup I will have to see that. We will provide you the breakup of the other expenses.

Rajesh Panjwani: Okay, okay fine. Moderator can we take the last question.

CS Varma: But before you take up the last question you wanted the breakup of the earnings. Other earnings that we have given in the accounts which is 2,272 Crore, the major breakup items for other earnings that we are showing in the accounts is, one the interest income from the bank 621 Crore, then income from sale of the scrap 142 Crore, then interest income on refund of income tax i.e. 252 Crore, then accretion and discretion in WIP is 827 Crore. This will give you roughly about 2,272 Crore as the other earnings which we have shown in the books of account. Can we take up the last question please?

Moderator: Certainly sir. We have a last question from Mr. Bhavin Vithlani from Enam, please precede sir.

Bhavin Vithlani: Thank you for the opportunity. Sir just one question regarding the delivery schedule. We had one of our Executive Directors in the CA meetings saying that globally there has been a significant up source specifically in Germany and US and on account of that the delivery schedules world over has tightened and specifically in the supercritical related. So, on that I have 2 questions, one is what is the delivery schedules what BHEL has been promising and what is the likely delivery schedule for a supercritical plant given that we have import close to 35% of a component and specifically initially we need to import CBU from our technology partner.

Ravi Kumar: See we are now quoting for 660 megawatt of 45 months synchronization and 48 months trial operation. That is what we are quoting for 660 and 800. This is basically because we are not able to get certain modules; you know slots that are not available. So today what we are quoting is 45 month synchronization and 48 months trial operation for our 660 and 800 watts of supercritical set.

Bhavin Vithlani: So in the light of the global crunch, is it that the delivery schedules have gone up significantly from what it was last year?

Ravi Kumar: Yeah they are gone up but we are booking as I told you with advanced manufacturing option, so we have already placed orders before we receive the order so forgings for these turbines we are placing orders much before we receive the order. I mean once we know we are L1 we place the order and so we are able to manage the time.

Bhavin Vithlani: And how are the delivery schedules for the subcritical ones as specifically for 500 megawatt set? As we have mentioned that we have a significant number of a similar kind of sets recently, as I believe would it be what it was earlier as declined from what you were having earlier because of standardization?

Ravi Kumar: No, initially 500 megawatt used to be commissioned in 48 and 50 months. Now we have come down to 39 months. Few orders we were taking even at 36 months time operation there we have to do extra work to get things compressed to 36 months.

Bhavin Vithlani: Okay, so the last question I have is, in the same meeting the Executive Director had mentioned that we need to increase our employee strength by close to 10,000 over next 5 years but what would be the gross addition required because I understand that significant proportion also would add anyways for this year.

Ravi Kumar: 20000 employees we are taking. 4000 per year and 10,000 will be the natural deletions and 10,000 will be the net addition. We are expecting some 50,000 employees by 2011-12.

Bhavin Vithlani: And sir in the light of that if we see in the FY next 2-3 years, would our employee cost grow at around 20%-25% year-on- year on an absolute basis?

Ravi Kumar: On absolute basis it may go up but in terms of turnover it marginally comedown over the year.

Bhavin Vithlani: Okay, but number of 23%-25% growth on absolute basis would be fair to assume sir?

Ravi Kumar: I actually told you our employee strength is 42000. So 2000 net addition per year, it would be about 50000, by 2011-12.

Bhavin Vithlani: And the new ones who are joining the engineering area, is the salary levels significantly higher so that basically, on an absolute basis the salary cost would be significant higher compare to what it is currently?

Ravi Kumar: No, salary cost is lower actually, because people retiring would be at a higher cost and people joining will be at a lower cost. But over a year we have to see, but for next 5 years it will depend.

Bhavin Vithlani: Okay, thank you very much sir.

Ravi Kumar: Thank you.

CS Varma: Can I give you reply that you wanted to know, the breakup of the various expenses that we have shown in our accounts that we have published. We have shown the total expenses as 16,814 Crores out of which the consumption of material. engineering expenses is 11,820 Crores and employee payment is 2607 Crores, other manufacturing, administrative, selling expenses is 1644 Crores. There is no increase under this head last year. In fact there is a decrease compare to last year, under this heading of manufacturing, administrative, selling expenses. Last year, we have booked to 1650 Crores, which has marginally got reduced to 1644 Crores. There is an increase in the provisioning. Last year it was 171 Crores and this year 778 Crores, but this provisioning also includes the provisioning we have got to employees wage revision that is 620 Crores. So, in the absolute terms of provisioning from 171 Crores, it has gone up to 778 Crores. But this includes the provisioning towards wage revision, which is 620 Crores.

Rajesh Panjwani: Sir, this is excluding the employee cost, if we look at you know the breakup.

CS Varma: No, employee payment, see that employee payment is one thing that is employee payment made and we are taking only those payments which payments have been made and I am talking of the expenses 16,815 Crores, which we have published, which we have given in the account.

Rajesh Panjwani: Sir, if you look at your employer cost to have gone up from 2450 Crores to 3095 Crores in the current year, correct?

CS Varma: No, employee payment last year is 2368 Crores, which has gone up to 2607 Crores, which actually is the employees payment. See, even against the provisioning, we made some ad hoc payments to the employees up to December 2007. Now, the provisioning been made, which is about 620 Crores is appearing in books as on 31st March, 2008, still 620 Crores is included with the total provisions of 778 Crores, which was this provision last year about 171 Crores, which this year end is 778 Crores, which includes provisioning for wage revision 620 Crores net.

Rajesh Panjwani: Okay, but if you look at the number of employer cost, which you have given this year, which is roughly 3100 Crores that is different from both the figures you are giving like one figure is…

CS Verma: Well, the employee cost will have not only the payments and all, but they will have many others, I mean that monetary valuation of gratuity, provident fund etc that we are giving to the employees.

Rajesh Panjwani: So, actually if we look at including provisions, your actual employee cost is more than 3100 Crores, correct?

CS Verma: Yes.

Rajesh Panjwani: So, that would be just 3310 Crores, plus 700 Crores?

CS Verma: No, see that I am giving you the break up of the accounts, I mean the figure, which we have given in the accounts, which we have published today, that is 16815 Crores, can you trace that figure, 16815 Crores in the profit & loss account outgoing?

Rajesh Panjwani: How to, because the figure I have is 21, fine sir I will have it look at later and will get back to you because, yeah fine.

CS Verma: See the concern was that we are increasing the provisioning here, so we wanted to reply that increase in provisioning here of 171 Crores it has gone up to 778 Crores, but this includes provisioning for employees also, I think manpower cost also, which is 620 Crores.

Rajesh Panjwani: Can you give us one figure, which is employee cost including the provisions?

CS Verma: No. You can do all these figures, I had given you that you can do the addition deletion, and I have given you the employee payment of this year.

Rajesh Panjwani: Which is 2607 Crore?

CS Verma: 2607, which includes ad hoc payment made to the employees of 198.74 Crores.

Rajesh Panjwani: And this ad hoc payment is on account of?

CS Verma: We are making up provision of at the rate of 25% earlier and now 45%. Now, we have released ad hoc amount against this provisioning to the employees up to December, I mean this calculations made up to December 2007.

Rajesh Panjwani: And sir, just you know on this employer cost itself, now if we look at historically your employee cost have gone up by 7%-8% roughly and going ahead even if you add 2000 people that means another 5% addition to people, so employee cost should not go up by more than12%-15%.

CS Verma: See, our overall base is already very high that 45% we are providing this year, on this high wage I don't expect employee cost will go to 10%-20% next year. It may not go up, even if you do some type of thing. See, if you compare this year, and compare to last year, there is an increase. But since the wage is very high this year now and we have already brought it to 45%, I am not expecting the increase in the absolute term next year, a very high compared to this, you know.

Rajesh Panjwani: It should be like high single digits to probably low double-digits something like that correct?

CS Verma: Let us see.

Rajesh Panjwani: Thanks a lot sir. Thanks a lot for taking out time for this call and thanks again for being on the call.

Ravi Kumar: Thank you.

CS Verma: Thank you.

Moderator: Ladies and gentleman, this concludes the conference for today. We thank you for your participation and for using Tata Indicom Conferencing services, can you please disconnect your lines now thank you and have a great day.