

BHEL

Q1 FY09 Post Earnings Conference Call Transcript

Management Rep.:

Mr. Ravi Kumar, Chairman & Managing Director

Mr. C. S. Verma, Director/Finance

Prabhudas Lilladher Rep.:

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Date: 22nd July, 2008 (Tuesday)

- Moderator - Yashashree

- Good evening ladies and gentlemen. Thank you for standing by, we welcome you to the Conference Call of BHEL hosted by

- Prabhudas Lilladher. We have with us today Mr. Ravi Kumar - Chairman & Managing Director, Mr. C. S. Verma - Director/ Finance from BHEL and Mr. Apurva Patel from Prabhudas Lilladher. At this moment all participants are in a listen only mode. Later we will conduct a 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. Apurva Patel. Over to you Sir.

- Mr. Apurva Patel - Prabhudas Lilladher

- Thank you Yashashree. Good evening everyone we will start with Mr. Ravi Kumar giving us a brief on the numbers and then open the floor for a Q&A session.

- Mr. Ravi Kumar - Chairman & Managing Director, BHEL

- Hello. Good evening. I am Ravi Kumar CMD, BHEL and I have with me Mr. C. S. Verma, our Director/Finance. Welcome to all of you. I am happy that some of you in India are so keenly interested in BHEL that you moved away from your television sets showing the political developments in the country to talk to us.

- We had a very good Q1 of 2008-09. The orders booked in the Q1 has been robust at 14,500 crores aggregating to about 4,500 mega watts, year on year this is a 45% jump compared to Q1 of last year. Regarding financial performance we have done 4,699 crores of turnover which is 31.9% growth over 3,564 crores which we did in 2007-8 Q1. Regarding the Profit Before Tax we have done 590 crores against 445 crores last year which shows an increase of 32.4%. On Profit After Tax we have done 384 crores against 289 crores with a 33.1% growth over last year. Major orders booked in power sector included, 4 advanced class gas turbines for Pragati III combined cycle plant 1500 mega watts on turnkey basis in Bawana. Repeat order from Tamil Nadu for 600 mega watts, a new size which BHEL has introduced. 2 x 500 mega watts Marwa project from Chattisgarh and 500 mega watts Bokaro A, turnkey project from DVC.

- In Industry sector we have received a turnkey orders from HMEL for a 135 mega watts combined project at Guru Gobind Singh Refinery Project and also an order from ONGC for upgradation and refurbishment of 12 Onshore rigs . This may become a continuing activity.

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- In the international markets we have received a prestigious export order, the largest of its kind for 2x220 mega watts thermal project of turnkey basis from Syria.
 - With these orders BHEL has outstanding order book of 95,000 crores, 82% being accounted for by power sector and about 10.5% by industry sector and balance by exports. During the period BHEL had taken over BHPV as its subsidiary to bolster its business in the Industrial segment. We have now moved in people to man the senior management positions there. The joint venture company formed with NTPC was incorporated on 28th April 2008 and its business plans are under discussion. We are well on track in establishing manufacturing capacity of 15,000 mega watts by December 2009 and have taken an in-principle decision to go ahead with 20,000 mega watts expansion after that. We are on track to reach a turnover of 27,000 crores in 2008-09, 25% growth over last year. The price increases of raw materials is there but because of the large volumes, raw material as a percentage of sales has come down and though we have made higher wage provisions for our employees, we do not expect any dip in gross margin or the net profit margin for the year.
 - Thank you once again for joining for joining this conference. Now I open the session for your questions.
 - Thank you.
 - **Moderator - Yashashree**
 - 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 await your 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 "#"key.
 - Participants are requested restrict the number of questions to 2 at a time.
 - We have our first question from Mr. Kenan from Voyager. Please go ahead with your question Sir.
 - **Mr. Kenan - Voyager**
 - Sir what kind of order inflow are we expecting in this year Sir?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - Approximately it should be similar as last year. Last year we had booked about 50,000 crores. This year we have already booked orders worth about 14,500 crores in the first quarter.
 - **Mr. Kenan - Voyager**
 - And Sir last question with respect to employee cost how it will look like for the first full year?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**

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- I will request Mr. Verma to talk on this.
 - **Mr. C. S. Verma - Director/Finance, BHEL**
 - We were providing 570 crores this quarter without any the wage revision provision. You will be aware that upto the first 3 quarters of the last financial year we were providing the wage revision provision at the rate of 25% of the basic pay. We took a decision to enhance it to 40% of the basic pay in the last quarter with retrospective effect. Now recently the Government of India has allowed us to merge 50% of DA with the basic pay. Also the 2nd Pay committee recommendations have come. Hence, there was a necessity to again revise upwards the wage revision provision. We have again re-estimated wage revision provision with effect from 1-1-2007 till 31-3-2009, i.e. for 9 quarters and it is coming 1,907 crores. We already provided 594 crores until 31-3-2008 thus the difference that is 1,907 minus 594 comes to 1,313 crores. This we have equally divided in 4 quarters of the current financial year. Thus the wage revision provision for the Q1, repeating for the Q1 it is coming to 328 crores and this will be 328 crores for the remaining 3 quarters of the current financial year also.
 - **Mr. Kenan - Voyager**
 - Thanks Sir.
 - **Moderator - Yashashree**
 - Are you through with your question Mr. Kenan?
 - **Mr. Kenan - Voyager**
 - Yes.
 - **Moderator - Yashashree**
 - Thank you. We have our next question from Ms. Shilpa Krishnan from JP Morgan. Ms. Krishnan please go ahead.
 - **Ms. Shilpa Krishnan - JP Morgan**
 - Good evening Mr. Ravi Kumar and Mr. Verma. I just have one query but I will appreciate you giving the perspective on this matter. In the recent past we have seen aggressive price competition from new entrants like Larsen & Toubro and also from new EPC players like BGR and Life Infrastructure. So what is your reading on the competitive situation and how willing would you be to lower your prices for BTG going ahead to maintain your market share?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - There are few specific segments in which we are operating. One is sub-critical segment, the other is super critical segment, there is advance class gas turbine segment, nuclear segment, industry segment and international operations. As far as competition is concerned we have developed 600 mega watts design only to take on competition from Chinese. 2 sets we have already won from TNEB and further we are quoting for 600 mega watts where we are very

competitive. The larger the size better it is, so the difference between 500 mega watts and 600 mega watts is only about 12% whereas the capacity increases by 30%. We are ready to take on Chinese on these sub-critical sets. Chinese appear to have increased their prices. I will not think that there will be great competition for us in in this segment in the next few years.

- As far as the super critical segment is concerned we have lost one order on TG to Larsen & Toubro, i.e. a one-off order and our order book on other segments is excellent. All the advance class gas turbine orders we have got and we are on way to get more such orders. As far as super critical segment is concerned we have already won Barh Boiler order and we are on course to win the boiler package in Krishnapatnam. We are establishing 2x 800 mega watts with equity participation from us. There will be a competition but our market share will be protected for next 10 years atleast.
- [Ms. Shilpa Krishnan - JP Morgan](#)
- Thank you so much for this Sir. Sir on the same note would you say that you will not be dropping your prices going forward in order to maintain your market share?
- [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
- I do not think so because we are getting our market share. There is no dip in prices as far as we are concerned.
- [Ms. Shilpa Krishnan - JP Morgan](#)
- Ok. Thank you so much Sir.
- [Moderator - Yashashree](#)
- Thank you Ms. Krishnan. We have our next question from Mr. Shirish Rane from IDFC. Mr. Rane please go ahead.
- [Mr. Shirish Rane - IDFC](#)
- Good evening Sir.
- [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
- Good evening.
- [Mr. Shirish Rane - IDFC](#)
- Sir just to clarify on the wage revision. Basically after accounting for this 1,907 crores of huge provisioning you would be through with even the performance linked bonuses everything as far as the wage revision committee report is concerned or there will be something which is still pending?

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- **Mr. C. S. Verma - Director/Finance, BHEL**
 - No this is a wage provision but performance linked incentive or the normal wages these things are separate or which are being provided in accounts as per the norm. Let me clarify that with this 1,907 which is from 9 quarters. Without wage revision our per quarter in the current financial year would have been 570 crores. But now this wage revision, this 570 crores will become 570+328 crores.
 - **Mr. Shirish Rane - IDFC**
 - Ok and this 570 crores would include your normal accretion to employees?
 - **Mr. C. S. Verma - Director/Finance, BHEL**
 - Plant performance and normal wages, everything.
 - **Mr. Shirish Rane - IDFC**
 - Everything, so basically what you are saying is 570 crores is the overall all inclusive wage cost over and above the provisioning on account of historical listing is 328 crores per quarter?
 - **Mr. C. S. Verma - Director/Finance, BHEL**
 - Yes, which were last year on quarter to quarter, this is on year to year basis it was 119 crores last year.
 - **Mr. Shirish Rane - IDFC**
 - Sir the second thing was on other cost, other cost also has jumped very sharply during the quarter. So is there any....?
 - **Mr. C. S. Verma - Director/Finance, BHEL**
 - There is only one. The other expenses have gone up from 404 crores to 528 crores an increase of 120 crores. This increase is coming because of more provisions that we have made. We create provisions, we write back provisions. Last year on a year to year basis the net of the provision last quarter on a year to year basis are 18 crores. This year we made fresh provision of 171 crores in the Q1 and we have written back 31 crores. So net provision which was made in the Q1 is 139 crores as against 18 crores. So there is an increase of about 120 crores. This increase is coming under the head other expenses.
 - **Mr. Shirish Rane - IDFC**
 - Sir these provisions were for liquidated damages...?

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- [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - That is contractual obligations and there are many other heads. We are creating provisions as per the policy which has been decided by the Board of the company.
 - [Mr. Shirish Rane - IDFC](#)
 - So all the heads put together these were the numbers, this was not on a one particular head?
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - No.
 - [Mr. Shirish Rane - IDFC](#)
 - And this is all on an estimated basis. This is not any actual liability?
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - You will see that in this quarter we had created such provision of 171 crores and wrote back 31 crores. Like in this year budget, there is a write back of about 596 crores. So we keep on creating provisions as per the policy, we keep on writing back the provision as per the policy.
 - [Mr. Shirish Rane - IDFC](#)
 - Sir and final thing, Sir any FOREX gain or loss on this...?
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - No, it is a very marginal, gain only is very marginal.
 - [Mr. Shirish Rane - IDFC](#)
 - So something like 5-10 crores?
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - Less than that.
 - [Mr. Shirish Rane - IDFC](#)
 - Ok Sir. Thank you very much Sir.
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - Thank you.

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- Moderator - Yashashree
 - Thank you Mr. Rane. We have our next question from Mr. Nainesh from Tata Mutual Fund. Mr. Nainesh please go ahead.
 - Mr. Nainesh - Tata Mutual Fund
 - Good evening Sir. Just wanted to understand your new capacity is currently at what capacities is operating and what kind of leverage are you expecting in terms of savings for the overheads for the new capacity that had come in Sir?
 - Mr. Ravi Kumar - Chairman & Managing Director, BHEL
 - We are currently at 10,000 mega watts. This includes both thermal, coal-based and gas-based and hydel etc. We are increasing this to 15,000 mega watts by end December 2009. But we are already operating at the rate of 115%, it is mainly by outsourcing. We have adopted three shift working and we have also recruited additional manpower.
 - Mr. Nainesh - Tata Mutual Fund
 - Sir just wanted to understand your depreciation expenditure has not increased by as much as you started utilising the new capacity but your depreciation expenditure has increased by just 5%. So is it that you have not completely started depreciating new plant or can you explain that Sir?
 - Mr. Ravi Kumar - Chairman & Managing Director, BHEL
 - Actually the capacity addition from 6,000 to 10,000 mega watts has come mostly in hydro and we have done 3 shift working and renovated the machine tools. So not much affect is there on the capital cost. For 10,000 to 15,000 we are adding new facilities, for which about 4200 crores is being spent and that affect will be felt only after 2009.
 - Mr. C. S. Verma - Director/Finance, BHEL
 - Let me give you the figures, gross block has increased to 4,477 crores as at end of June 2008 and that is against 4,167 crores as at end of June 2007. So net increase in gross block on year to year basis, I mean last one year is roughly about 300 crores.
 - Mr. Nainesh - Tata Mutual Fund
 - Alright Sir. No issues at all. Thank you very much.
 - Moderator - Yashashree
 - Thank you Mr. Nainesh. We have our next question from Mr. Laxminarayana from BNP Paribas. You may please go ahead with your question.

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- **Mr. Laxminarayana - BNP Paribas**
 - Good evening gentlemen. My first question is on again capacity utilisation. We talked about going from 6.5-10 giga watts for same hydro and you said the current facilities are being utilised at 115%. Can you just elaborate on how much scope is there if you just put the 3rd shift or capacity has lot of dimensions? One is just the machinery and second probably could be increase in the manpower; they could also give you additional capacity utilisation. So are we completely exhausted that and hence we are saying 115% or is there more room because you can add a 3rd shift?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - There is more room definitely; the production through put depends on many things. One is supply chain management which has more bottlenecks than in the production today. Production today can be outsourced or made in-house. We also have capacity in BHPV which we have acquired. This month we have produced about 600 tonnes of pressure parts in BHPV facility. So it can mean 600 tonnes of pressure parts immediately from next month. So there is an additional facility available there. We can get forged components. We can get finished machined components. We can go to 130% also. So there are enough capacities available in the country but only if we do ourselves the value addition will be more. That's the only thing but what is more critical is the supply chain management which we have to control.
 - **Mr. Laxminarayana - BNP Paribas**
 - Fair enough and one last question. We have seen a lot of strength in margins in the industry segment. Can you give us what actually contributed to that and if it is sustainable going forward?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - Industry has been on a growth path and we have seen 9% GDP growth. We used to get small orders from 30 mega watts to 40 mega watts from industrial sector. Margins on these are very low and competition is also very high in this segment. Now captive units are in demand for 120 mega watts or even for 250 mega watts. Recently we have received order 4 x 80 mega watts from Hindustan Zinc and NALCO is going in for 120 mega watts. So there is a big jump in the ratings and also captive plants are coming in a big way. In refineries we are able to get captive plant turnkey orders. So there is a big demand and we are getting larger orders where the margins are much better. And also the servicing business in industry sector giving a big turnover.
 - **Mr. C. S. Verma - Director/Finance, BHEL**
 - Especially in this quarter, the industry segment saw the execution of some profitable orders like Bharat Oman and IOCL Panipat. It has increased our profit margins especially in this quarter.
 - **Mr. Laxminarayana - BNP Paribas**
 - Ok. Fair enough. Thanks a lot.

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- Moderator - Yashashree
 - Thank you for your question Sir. We have our next question from Mr. Srinivas Rao from HDFC Mutual Fund. Mr. Rao please go ahead.
 - Mr. Srinivas Rao - HDFC Mutual Fund
 - Good evening Sir. My first question is on the order pipeline. Can you tell us how you are looking Government versus private in the power segment?
 - Mr. Ravi Kumar - Chairman & Managing Director, BHEL
 - Yeah, orders are still coming from State Government and Central Government, about 80% of it. Only 20% is coming from private sector specially from Tatas, Jindals and also we got orders from Bharat Oman Refineries in the industry segment. It is about 80:20, 80% is still coming from Government sector.
 - Mr. Srinivas Rao - HDFC Mutual Fund
 - So if I am looking for `09 in the current year do you think that share would be maintained or I thought the Government share will come down?
 - Mr. Ravi Kumar - Chairman & Managing Director, BHEL
 - I don't think so. Overall orderbook I mean can go up to 40,000 or 50,000 crore.
 - Mr. Srinivas Rao - HDFC Mutual Fund
 - Out of 15,000 mega watts?
 - Mr. Ravi Kumar - Chairman & Managing Director, BHEL
 - 50,000 crore.
 - Mr. Srinivas Rao - HDFC Mutual Fund
 - By and large...
 - Mr. Ravi Kumar - Chairman & Managing Director, BHEL
 - The issue will remain the same by and large (government vs private).
 - Mr. Srinivas Rao - HDFC Mutual Fund
 - Sir the next question is about the railway business. There was news reports about your bid for some foreign company in transportation. Can you tell us your strategy on the railway business?
 - Mr. Ravi Kumar - Chairman & Managing Director, BHEL

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- In the railway business we want to focus on 4 areas. One is diesel loco manufacturing, diesel electric loco manufacturing, coaches and electrics for various locos. These are the 4 areas where we are concentrating; we are not in signalling right now. We are already in the business of locomotives. About 60-70% locomotives are powered by electrics supplied by BHEL. We have received an order for 50 locos initially and we may get another order for 50 locos. For the proposed loco manufacturing factories, we are discussing with majors like Alstom, Siemens.
 - [Mr. Srinivas Rao - HDFC Mutual Fund](#)
 - Ok and they have already finalised one order Sir?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - I mean we have already got loco orders. Loco factory is still in the bidding stage and our position will become clearer as and when it is finalised.
 - [Mr. Srinivas Rao - HDFC Mutual Fund](#)
 - And what about this acquisition abroad. What is the strategy behind that?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - That's a prototype coach manufacturing company we are trying to acquire but it is in preliminary stages. We will come out with the news when suitable developments are there.
 - [Mr. Srinivas Rao - HDFC Mutual Fund](#)
 - Ok. Thank you Sir.
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Thank you.
 - [Moderator - Yashashree](#)
 - Thank you Mr. Rao. We have our next question from Ms. Aparna Shankar from SBI Mutual Fund. Ms. Shankar please go ahead.
 - [Ms. Aparna Shankar - SBI Mutual Fund](#)
 - Good evening Sir. I just wanted to have the breakup of your other income which we are seeing at higher as compared to the last quarter. What could have been there?
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - The other income has gone up by about 72 crores. Because we have short term investments, they have gone up from some 5,800 crores as at the end of last year first quarter on year to year basis from 5,800 crores to 8,475 crores. This year the investments have gone up. The increase is because of increase in interest income by 72 crores.

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- [Ms. Aparna Shankar - SBI Mutual Fund](#)
 - That could also be boosted by the scrap sale is it?
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - Can you please repeat the question?
 - [Ms. Aparna Shankar - SBI Mutual Fund](#)
 - This other income is also boosted by sale of scrap?
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - No, no basically interest income only.
 - [Ms. Aparna Shankar - SBI Mutual Fund](#)
 - I wanted to even understand your customers. Do you feel that from 95,000 crores worth of orders at any point of time do you feel that the parties are trying to, you know elongate the execution or something like that? Do you have any signs of that happening at this point of time?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - For the Commonwealth Games project, we have accepted scheduled for 36 months. Now a days we are accepting only 39-42 months deliveries. The delivery times have increased because of reasons of non-availability of castings and forgings in the world. This is true for every manufacturer.
 - [Ms. Aparna Shankar - SBI Mutual Fund](#)
 - Sir now also you are seeing that happening not from company's point of view but from the participant point of view, the client's point of view?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Customers are giving us orders at 39-42 months delivery but you know some customers like the ones for Commonwealth Games, they want a delivery period of 36 months. So it depends on contract to contract actually.
 - [Ms. Aparna Shankar - SBI Mutual Fund](#)
 - Ok. Thanks a lot Sir.
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Thank you.
 - [Moderator - Yashashree](#)

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- Thank you Ms. Shankar. We have our next question from Mr. Sachin Trivedi from UTI Mutual Fund. Mr. Trivedi please go ahead.
 - [Mr. Sachin Trivedi - UTI Mutual Fund](#)
 - Hi Sir. Sir first of all congratulations for good set of numbers.
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Thank you very much.
 - [Mr. Sachin Trivedi - UTI Mutual Fund](#)
 - Sir I have just one question. There was a lot of worry about metal price increase. So is it possible for you to quantify how much metal that we will consume this year and what will be the impact?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - I will give you the budgeted figures. I think we are more or less on track because on materials we have not increased very much this quarter.
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - On a year to year basis our material cost has come down. Last year on a year to year basis we had reported a material cost of 59.75% which in the Q1 in the current financial year it is 58.48% and last year, year as a whole, the material cost is 57.19%. Now on year to year basis the material cost has come down, infact it has not gone up, it has come down because there is increase in the shop turnover by 4%. As you are aware that more than 50% of the contracts are on PVC basis. We do expect any abnormal increase in the material cost.
 - [Mr. Sachin Trivedi - UTI Mutual Fund](#)
 - Sir but in absolute terms even the steel prices have increased and 50% of our order book is actually open. I am just asking how much metal we will consume this year and maybe, just if you can quantify that if possible?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - We can give quantified....
 - [Mr. Sachin Trivedi - UTI Mutual Fund](#)
 - Just rough cut, I don't want if you can just quantify that?
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - Yeah percentage is about 58% you can take for the turnover which we have planned.
 - [Mr. Sachin Trivedi - UTI Mutual Fund](#)
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- Ok Sir thanks a lot.
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Thank you.
 - [Moderator - Yashashree](#)
 - Thank you Mr. Trivedi. We have our next question from Mr. Venkatesh from Citigroup. Mr. Tiwari please go ahead.
 - [Mr. Venkatesh - Citigroup](#)
 - Sir this is Venkatesh from Citi. Coming back to raw material cost now most of the metal prices have gone up. Can you kindly explain how does? What exactly do you mean by shop turnover is increased by 6% that will help in keeping the raw material prices in control, is the first question?
 - The second question is in your price variation clauses. Are there any caps in terms of how much price variation is allowed maximum?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - As far as turnover is concerned it is based on sales and whenever we get a contract. In April 2008 if we get a contract and if we take a contract in December 2008 we always take into account the material prices from April 2008 to December 2008. In every contract we get at a higher price, we convince the customers that the prices have increased. The second thing what we are doing is to cut down the material cost. We are going in for 3D modelling of the structures. So it has got a good bearing on the structural rate that we are concerned with. There is a tonnage reduction which we are getting because of the 3D modelling that we are doing. The third thing is that we are going ahead with AMAs i.e. Advanced Manufacturing Actions. For all the 11 plan projects we have already ordered all the materials, castings and forgings. we have ordered all the materials and the prices are fixed.
 - [Mr. Venkatesh - Citigroup](#)
 - Ok Sir and in price variation clauses is there a cap to how much, like 15-20% cap on price variation clauses?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - It depends on contract to contract. There is a cap of 20% in most of the contracts. 15-20% is there but it is over a period of 1.5-2 years because the raw material procurement is getting over in 1.5 years. So 18 months they are providing and I don't think we are exceeding that anyway.
 - [Mr. Venkatesh - Citigroup](#)
 - Sir I guess you will be typically having a 1 year kind of contract with SAIL or somebody for steel. Is that time you will be procuring raw materials?

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- **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - Yeah we have a contact with SAIL where by we are procuring for 1 year. If you see our inventory it is quite high and the inventories are helping us in a little way.
 - **Mr. Venkatesh - Citigroup**
 - Sir my last question is you said you will maintain, you are confident that you will maintain gross margins or net profit margins. Is there a chance that you will improve it given that there is the operating leverage?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - That will be a delight for us. We will maintain that actually, that's all.
 - **Mr. Venkatesh - Citigroup**
 - Thank you very much and all the best.
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - Thank you.
 - **Moderator - Yashashree**
 - Thank you Mr. Tiwari. We have our next question from Mr. Yogesh Patil from Sahara Mutual Fund. Mr. Patil please go ahead.
 - **Mr. Yogesh Patil - Sahara Mutual Fund**
 - Good evening Sir.
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - Yeah good evening.
 - **Mr. Yogesh Patil - Sahara Mutual Fund**
 - The question is regarding the staff cost. As percentage of sales what do you expect and when it will stabilise?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - It has already stabilized. This year we are planning for a 25% growth in turnover. Long term we are planning atleast a 20% CAGR and we should have a turnover of 45,000 crores by 2011-12. And these wage revisions come once in 10 years so there will be a jump and then it will get stabilised. So this year it has to be little more. We are increasing our manpower capacity by 25%. So I don't think that it will have a major impact and the percentage of employee cost will remain same.
 - **Mr. Yogesh Patil - Sahara Mutual Fund**

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- Any outlook on non-power business additive of non-power business?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Non-power business I have already told that in the industry sector we are going in for oil rigs with AC drives. We have got some orders for refurbishment of oil rigs. We are also in the solar photovoltaic business where we are thinking of ramping up capacity from 8 mega watts to 80 mega watts. We are in talks with private sector partners on this.
 - [Mr. Yogesh Patil - Sahara Mutual Fund](#)
 - Any CAPEX figure?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - CAPEX will depend on whether it will have wafer facility or not. We have to think about it. With the wafer facility it will be much higher and without a wafer facility it is not be much. So at this stage it will be very difficult to tell the CAPEX cost with wafer or without wafer.
 - [Mr. Yogesh Patil - Sahara Mutual Fund](#)
 - Thank you very much.
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Thank you.
 - [Moderator - Yashashree](#)
 - Thank you Mr. Patil. We have our next question from Mr. Sachin Trivedi from UTI Mutual Fund. Mr. Trivedi please go ahead.
 - [Mr. Sachin Trivedi - UTI Mutual Fund](#)
 - Hello. Just one more question; what is our total CAPEX plan and spread over how many years if you can just clarify on that?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Our capacity to go to 15,000 mega watts will entail an expenditure of about 5,000 crores and from 15,000 to 20,000 may again be about 3,000 crores. By 2009 we are planning 15,000 mega watts and 20,000 mega watts by 2011-12.
 - [Mr. Sachin Trivedi - UTI Mutual Fund](#)
 - Sir this entire Rs. 5,000 crores of CAPEX will be done this year itself?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - No by next year.
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- [Mr. Sachin Trivedi - UTI Mutual Fund](#)
 - And how do we finance this project from the cash that we have?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - It will be from the internal accruals only.
 - [Mr. Sachin Trivedi - UTI Mutual Fund](#)
 - Ok Sir. Thanks a lot.
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Thank you.
 - [Moderator - Yashashree](#)
 - Thank you Mr. Trivedi. We have our next question from Mr. Abhishek from JM Financial. Mr. Abhishek please go ahead.
 - [Mr. Abhishek - JM Financial](#)
 - Good evening Sir. Congratulations for your fantastic results.
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Thank you.
 - [Mr. Abhishek - JM Financial](#)
 - Just wanted to know the industry side. In the last year we have received phenomenal orders in the industry side as well. Going forward what scenario do you see because in the first quarter we can see that there are no domestic orders in the industry side? Do we expect more domestic orders to come in? In Q2 or Q3?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - I think the industry sector has already booked orders of 2,532 crores in Qtr.I and actually it is quite high compared to last year. This year we booking 7,000-9,000 crore wouldn't be difficult.
 - [Mr. Abhishek - JM Financial](#)
 - As we see it is basically from the international markets in the higher interest rates scenario in the country, higher inflationary environment. Do we see more orders coming in, in the industry segment?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)

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- Industry segment is quite good. I think we are bidding for lot of projects. Industry segment is going for 2 x 250 mega watts captive also. So I feel that industry sector should do very well this year. We are also trying for other projects abroad. So definitely all the sectors are doing well.
 - [Mr. Abhishek - JM Financial](#)
 - Domestically are there any further enquiries that are coming in?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Yeah lot of enquiries for captive plants are coming in.
 - [Mr. Abhishek - JM Financial](#)
 - Ok. That's great. That's all from my side. Thank you so much.
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Thank you.
 - [Moderator - Yashashree](#)
 - Thank you Mr. Abhishek. We have our next question from Mr. Bhavin Vitlani from Enam Securities. Mr. Vitlani please go ahead.
 - [Mr. Bhavin Vitlani - Enam Securities](#)
 - Good evening Sir.
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Good evening.
 - [Mr. Bhavin Vitlani - Enam Securities](#)
 - Sir I have 3 questions broadly. Firstly as you mentioned that the gross block will increase by 300 crores. In the press statement it was mentioned that for the year FY `08 the CAPEX was roughly around 800 crores. So if you can just clarify the same?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - There are many CAPEX which are at the commitment level. Like when we finalise orders we open the LC but this is an accounting figure which I had given you.
 - [Mr. Bhavin Vitlani - Enam Securities](#)
 - So is there a significant amount sitting in the capital work in progress?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)

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- Yes there is a work in progress.
 - [Mr. Bhavin Vitlani - Enam Securities](#)
 - You can share that number Sir?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - The number I cannot right now.
 - [Mr. Bhavin Vitlani - Enam Securities](#)
 - Thanks. Second question is. Is the Barh order included in the 95,000 crores order book and if yes then what is the amount of that?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Barh SG we have already booked and TG we are yet to receive.
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - Barh SG order we have already booked and TG order we are expecting. It is not there in this quarter. It is expected in next qtr.
 - [Mr. Bhavin Vitlani - Enam Securities](#)
 - Ok so 95,000 crores order book does not include the NTPC Barh order?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - It includes the boiler order.
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - Boiler portion is included but not the TG portion.
 - [Mr. Bhavin Vitlani - Enam Securities](#)
 - Sir if you can share the boiler proportion value?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - It is roughly around 1,800 crores.
 - [Mr. Bhavin Vitlani - Enam Securities](#)
 - Ok. Fair enough. Sir the other question is you can share the debtors inventory loans and advances creditors and the cash balance by the end of current quarter and what was it in the previous quarter?
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)

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- We don't disclose these figures at the end of the quarter; we disclose only the operating results. But they are very much comparable.
 - [Mr. Bhavin Vitlani - Enam Securities](#)
 - Sir if you can just give a cash in cash equivalent by the end of current quarter?
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - I had given that figure when I said interest income has gone up. Cash in bank is roughly about 8,500 crores.
 - [Mr. Bhavin Vitlani - Enam Securities](#)
 - One last question. You had mentioned that you tend to 6.8 giga watts to 10 giga watts significant increases largely in the hydro. Sir could you share the details of what is thermal within that, coal, gas and the breakup what was it and what has increased? And what are we planning to increase going forward?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - 2,500 mega watts is in hydel. About 6,000 mega watts is in thermal, i.e. gas and coal and the rest is captive. And the additional 5,000 mega watts will be only in thermal coal.
 - [Mr. Bhavin Vitlani - Enam Securities](#)
 - And what is the plan from 15-20 giga watts?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - That also we are planning only in thermal.
 - [Mr. Bhavin Vitlani - Enam Securities](#)
 - And Sir one question pertains to the industry in general. Are there any fights from our state utilities that there is a financial crunch within them and are we seeing any issues pertaining the payment or is it slowing in the payment from the state utilities in particular?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Absolutely no, because we get projects only after the financial closure and the funding is already tied up. I don't think there is any problem of funding; it's the problem of sometimes giving the bills and verifying what's right and going to the head quarters, that's the only delay we are having.
 - [Mr. Bhavin Vitlani - Enam Securities](#)
 - So are there any projects within the existing order book where there are issues pertaining to land acquisition or basically our material would be ready at the factory but at the site we will have issues pertaining to erection?

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- [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - No I did not think there are any specific cases but if there are such cases we get contract extension to that extent.
 - [Mr. Bhavin Vitlani - Enam Securities](#)
 - Ok. Fine. Thank you very much.
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Thank you.
 - [Moderator - Yashashree](#)
 - Thank you Mr. Vitlani. We have our next question from Ms. Shilpa Krishnan from JP Morgan. Ms. Krishnan please go ahead.
 - [Ms. Shilpa Krishnan - JP Morgan](#)
 - Just one follow-up question. Sir do you have some contingent liabilities for liquidity damages in your Balance Sheet and could you quantify the amount and kindly can you tell me if it has seen a substantial increase in the recent past?
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - Yes there is a clause of contingent liability in the Balance Sheet but you can refer to some 7-8 Balance Sheets. We don't give the contingent liabilities figure at end of every quarter. This amount is not very large also, the contingent liability which is shown in the Balance Sheet.
 - [Ms. Shilpa Krishnan - JP Morgan](#)
 - At the same time you are saying that it has not seen a significant increase either?
 - [Mr. C. S. Verma - Director/Finance, BHEL](#)
 - No. It keeps on updating with the passage of time. Many of the items of the contingent liability will be deleted with the passage of time and many new item will be added but by and large the amount has been the same and which is very very negligible.
 - [Ms. Shilpa Krishnan - JP Morgan](#)
 - Ok. Thank you.
 - [Moderator - Yashashree](#)
 - Thank you Ms. Krishnan. We have our next question from Mr. Nalad Ladiwala from Shanti Asset Management. Please go ahead with your question.
 - [Mr. Nalad Ladiwala - Shanti Asset Management](#)

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- Sir just wanted to confirm that there is this rule that all the orders, outside players will not be getting orders if you don't have manufacturing facilities in the country but we have seen that BGR Energy has managed once. Would you explain that I mean how the industry rules option on this?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - Actually this is a the subject of Power Ministry in the centre to encourage domestic manufacturing. If you want to supply to China you must have manufacturing base in China. So this is the intent of the Central Government but as it is a concurrent subject states are free to take decisions, and they have taken certain decisions.
 - **Mr. Nalad Ladiwala - Shanti Asset Management**
 - So in that case could we tell how much is the ratio of the power expectation that we take and the Central Government in terms of power gradation which is expected to take place in the next plan?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - In this plan the share of Centre will be around 35% and of the state it will be around 45% and 20% will be from private sector.
 - **Mr. Nalad Ladiwala - Shanti Asset Management**
 - And could you give us comment on the competitiveness of BHEL vis-à-vis other players now that Yuan has also appreciated? So how do you see it stand and what would be your comment on this?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - There are 2 things. One is there is this issue of quality of Chinese equipment which the customers have realised due to certain failures in turbines. Secondly the experience of Chinese in EPC is not good. They are not any more bidding for EPC jobs. It is only the Indian players who are trying to integrate various systems of Chinese. I do not think it will be a very successful model and I do not foresee any major competition for BHEL in this regard.
 - **Mr. Nalad Ladiwala - Shanti Asset Management**
 - Sir on quality issues, the argument is that the Chinese are adding huge amounts of capacity on annual basis; we would probably do a 5 year plan. And if they are adding as much capacities, quality certainly would not be the issue...?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - Recently we had independent reports and CEA is already investigating different equipment supplied by Chinese. There are problems in dealing with Indian conditions, one is Indian coal and another is grid condition. And thirdly if you see there are operators would not know much about Chinese equipment. There are 4 manufacturers and there are different makes of sets coming into India.

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- **Mr. Nalad Ladiwala - Shanti Asset Management**
 - Leaving aside the quality aspect on economic parameters, how do you think BHEL will tackle vis-à-vis the competition?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - Actually what has happened earlier was that we were asked to match sizes of 600 mega watts with our 500 mega watts. So when you were having a tender showing 500 mega watts to compete for a 600 mega watts size and secondly the 600 to 500 mega watts was evaluated on mega watts basis, large units always gets some benefits. So with that now the thing has gone, we have already developed 600 mega watts machine. So, I do not think that there will be a problem for us to compete with Chinese now.
 - **Mr. Nalad Ladiwala - Shanti Asset Management**
 - Ok so would we say that we are at par or may be more competitive?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - I won't say we are not more competitive, but maybe we are slightly higher. The customer will see the sales, service and quality when they give order to us.
 - **Mr. Nalad Ladiwala - Shanti Asset Management**
 - Sir wouldn't we know the way we look at it as actually perspective of how the rupee has behaved and how the yuan has behaved. Yuan is actually up by 10+% and rupee is down by 10+%. And if we were to say that it is still a bit expensive then there are questions would be raised on the competitiveness. Of course one argues that the Chinese companies are subsidised and all that. Nevertheless is this environment going ahead do you foresee issues within?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - I do not foresee any issue on this basically because customers realise our quality vis-à-vis the Chinese equipment. As I told you we are already comparable with Chinese equipments and Chinese appear to be moving away from EPC business. While integration, there will be so many problems. Everybody is not as good as Tatas. So it will be a problem for anybody to integrate various equipments. I foresee lot of problems in integrating various equipments. I do not think Chinese threat is a big problem.
 - **Mr. Nalad Ladiwala - Shanti Asset Management**
 - Just sorry to extend the argument Sir, but 65% of the target addition is open to Chinese competition the state sector and in the private sector. Within this are we well placed? I am sure we will have a sense of that. During the _ which are rolled out for the state sector. In fact what I read today was West Bengal statement saying today they will consider the Chinese equipment.
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
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- But there is already a committee going into that. I don't want to go into those details. We are not targetting 100% actually. We have always been getting 60-65%. That market share will be protected and if you see this plan period, this time also we have got about 40,000 mega watts out of 70,000, which has been ordered. So we are expecting a market share of 60-65% it will be protected.
 - [Mr. Nalad Ladiwala - Shanti Asset Management](#)
 - Could you give us the market share in the state sector?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - It will be very difficult but overall the share is around 60-65%. Every plan has been like that.
 - [Mr. Nalad Ladiwala - Shanti Asset Management](#)
 - Ok Sir. Thank you.
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Thank you.
 - [Moderator - Yashashree](#)
 - Thank you for you question Sir. We have a question from Mr. Sumit Agarwal from HSBC. Mr. Aggarwal please go ahead.
 - [Mr. Sumit Agarwal - HSBC](#)
 - Hello. Congratulations for a good set of numbers.
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Thank you.
 - [Mr. Sumit Agarwal - HSBC](#)
 - Sir, apologies if I might be repeating on the competition side. What I am looking at is the increased competition from the domestic manufacturer. I agree the Chinese would have the quality issues but what about the competition from the domestic manufacturer and especially the new entrant viz. Larsen & Toubro.
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - As far as Larsen & Toubro is concerned, I do not want to comment on them. If you see they are getting the models done at Japan. It will take them 3-4 years for establishing the facilities. For a brownfield expansion it will take 2 years. Definitely the Greenfield expansion will take 3-4 years. One advantage we are having is that we are a very integrated facility. We have got a good base. We not only manufacture boiler and turbines but also manufacture all the heaters, ESP, CEP, motors, pumps etc. So our value addition is definitely higher. If we

can manufacture effectively with our optimised processes and machines, I do not think we should be having any problems facing domestic competition.

- **Mr. Sumit Agarwal - HSBC**

- But if I look at the recent bid of AP Genco where you lost to L&T by a big margin inspite of you having all the operating leverage or you have your plant ready versus L&T which might be probably importing. Why was there a big difference of 20-25% cost difference?

- **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**

- One project I can get at any cost, there is no problem. Recently in ONGC tender we were L1 by nearly 15% to L2. We can always get 1-2 projects when you are having order book of 95,000 crore. If I am bent on getting one project we can always get it. But we have to protect our margins.

- **Mr. Sumit Agarwal - HSBC**

- Sir does it mean that L&T would have bid or your competitor L1 bidded at very low margins and probably you are looking at maintaining 19-20% margins?

- **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**

- Normally we don't talk about competitors. But I have explained that if I am bent on getting a job I will always get it.

- **Mr. Sumit Agarwal - HSBC**

- I understand, I definitely understand that if you want you can definitely get it. Also Sir just wanted to take forward this margins thing. If I remember correctly in the Q4 last year you were talking of margins compression. This quarter probably you are talking of margins to be more or less maintained. What is the reason for this change in the stand?

- **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**

- Actually we are expecting that we will grow with 25% increase in turnover this year. But in some quarter it will be more and in some quarter it will be less.

- **Mr. Sumit Agarwal - HSBC**

- No Sir I am talking of the margins because if I look at the Q4 probably, the increased staff was provisioning would not have been that it is only in the phenomenon of the Q1 and inspite of that you are saying margins to be maintained?

- **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**

- As far as the last Q4 is concerned, as Mr. Verma had explained that we were providing for possible wage revision at the rate of 25% in the first three quarters and we increased it to 40% in the last quarter. So we had to provide for 15% for the first three quarters outside the

last quarter. Gratuity and other provisions also have been considered in the last quarter, along with leave encashment and other things.

- [Mr. Sumit Agarwal - HSBC](#)

- Yes Sir I am talking of your guidance for the full year and for `08?

- [Mr. C. S. Verma - Director/Finance, BHEL](#)

- Full year we are expecting a 25% growth in the turnover and this is what our target is and we are quite confident we will be in a position to maintain it.

- [Mr. Sumit Agarwal - HSBC](#)

- Sir just wanted to know this order backlog of Rs. 950 billion that you have all the projects are financially closed and you would have taken advances against those orders. Are you seeing any orders or your client asking you to slowdown because of the financial crunch from the client side?

- [Mr. C. S. Verma - Director/Finance, BHEL](#)

- We haven't received any request until now. We haven't received it.

- [Mr. Sumit Agarwal - HSBC](#)

- Ok. Fine. Thanks a lot Sir.

- [Mr. C. S. Verma - Director/Finance, BHEL](#)

- Thank you.

- [Moderator - Yashashree](#)

- Thank you Mr Aggarwal. We have our next question from Mr. Abhishek from JM Financial. Mr. Abhishek please go ahead.

- [Mr. Abhishek - JM Financial](#)

- Just a couple of follow-up questions. The clarification on NTPC project, has the TG package has been finalised Sir?

- [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)

- TG package we are expecting during this month or early next month.

- [Mr. Abhishek - JM Financial](#)

- The price negotiations are going on?

- [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)

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- We have just closed the technical negotiations last week and price negotiations will be from this week.
 - **Mr. Abhishek - JM Financial**
 - A quick comment on the bulk ordering side, basically CEA has come out with recommendation that L1 bidder will get 5 and L2 bidder will get 4 and BHEL will be give an option to match. L1 tries to get 4 units, BHEL is not L1...?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - We will get 4 units of 660 mega watts if we are not L1 and 2 units of 800 mega watts if we are not L1 as far as bulk ordering goes. We have already got following orders for boilers : Barh 2x660 mega watts project and Krishnapatnam 2x800 MW we are expecting. We have taking equity in TNEB project for 2x800 MW sets.
 - **Mr. Abhishek - JM Financial**
 - But my concern is that CEA has actually distributed the boiler and turbine packages. Considering the difference which was there earlier for the AP Genco project which is about 30% do we feel that we are competitive enough to get those orders in the TG space as well?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - The option is ours. If we can match the L1 price we will get it. We will see at that time how L1 price behaves.
 - **Mr. Abhishek - JM Financial**
 - But there would be strategy behind that whether they are entering into 660 mega watts TG would be the priority or maintaining the margins would be the priority for the company?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - We will have slightly reduced margins in super critical sector basically because the import content is higher. So we will sacrifice certain amount of margins but we will not go under loss.
 - **Mr. Abhishek - JM Financial**
 - Ok, you mean to say that some margins depression would be there but you can still get orders?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - Yeah definitely. First we will take these things and after that we will have our share similar to sub-critical.
 - **Mr. Abhishek - JM Financial**

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- Sir any comments on the operational performance for the equipment given by the competitors and given by you. Is your equipment better?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - Ours is the best. If you see the opening of the Krishnapatnam tender our parameters are the best actually. Even if you see the TG package we are having a technical advantage.
 - **Mr. Abhishek - JM Financial**
 - What could be the ideal growth in our 800 mega watts segment?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - In supercritical sets the super heat temperature is 565 and the Reheat temperature is 593. But if you go to 600 mega watts, these temperatures will be less.
 - **Mr. Abhishek - JM Financial**
 - So for 800 mega watts you are going till 565 Reheat temperatures?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - 565 for super heat and 593 for Reheat.
 - **Mr. Abhishek - JM Financial**
 - Just last comment on the CAPEX cycle we are doing about 5,000 crores in 2 years to enhance our capacity from 10,000 to 15,000, that is completely greenfield?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - They are all brown field expansions.
 - **Mr. Abhishek - JM Financial**
 - I just could not get the comparison, Larsen & Toubro is doing a CAPEX of about 1,600 crores to set-up the 4,000 mega watt capacity for both TG and boiler?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - As I told you we are doing everything. If you see our Hyderabad unit is already doing feed pumps, CEP, BFP. In the case of boiler they want to do pressure parts certainly and in the case of turbine only manufacturing of the modules. But we have a total facility here. I don't think there is any compulsion between the two.
 - **Mr. Abhishek - JM Financial**
 - So 3 times, cater to 3 times...?
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**

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- Yeah if you want to make everything then CAPEX will increase to that extent.
 - [Mr. Abhishek - JM Financial](#)
 - I believe L&T is doing some pressure parts as well as...?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - They are doing only pressure parts. Actually we are doing not only pressure parts we are doing others also. Things can be done at site but we have taken a decision that we will do it at manufacturing unit.
 - [Mr. Abhishek - JM Financial](#)
 - Alright Sir. Thank you so much for the comment.
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - Thank you.
 - [Mr. Apurva Patel - Prabhudas Lilladher](#)
 - Can we have the last question please?
 - [Moderator - Yashashree](#)
 - Certainly Sir.
 - We have our last question from Ms. Aparna Shankar from SBI Mutual Fund. Ms. Shankar please go ahead.
 - [Ms. Aparna Shankar - SBI Mutual Fund](#)
 - This is just a follow-on question on the discussions we had. We had such a healthy order book so does your management has a feel that there is a scenario from where it emerges that we are hands full and may be we can slowdown the order intake and have more focus on the margins or are we still feeling that we are more committed to the economy growth?
 - [Mr. Ravi Kumar - Chairman & Managing Director, BHEL](#)
 - We are first a public sector, we are committed to the nation so we would definitely try to help the nation in adding capacities. Even if we have to do structures and have to get assemblies, we make it ourselves. Outsourcing the assemblies and all that we will try to do. We are importing the generator to shorten the time for Commonwealth Games. We are doing a lot of things for the country as a whole. Our aim is to expand business and commit to the growth of power sector in the country.
 - [Ms. Aparna Shankar - SBI Mutual Fund](#)
 - So, irrespective of any quantum of our order books will still go ahead and have the orders with the margins intact?

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- **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - Yeah, I think that's what the scenario we are seeing right now but how it will change we have to see.
 - **Ms. Aparna Shankar - SBI Mutual Fund**
 - Ok. Thanks a lot Sir and congratulations for your good set of numbers.
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - Thank you very much.
 - **Moderator - Yashashree**
 - Thank you Ms. Shankar. I would now like to handover the conference to Mr. Apurva Patel. Over to you Sir.
 - **Mr. Apurva Patel - Prabhudas Lilladher**
 - Thank you Mr. Ravi Kumar and Mr. C. S. Verma and thank you everybody.
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - Thank you.
 - **Mr. Apurva Patel - Prabhudas Lilladher**
 - And all the best to you for your future quarters Sir.
 - **Mr. Ravi Kumar - Chairman & Managing Director, BHEL**
 - Thank you very much.
 - **Moderator - Yashashree**
 - Ladies and gentlemen this concludes your conference for today. You may please disconnect your lines now.
 - Thank you.