

Bharat Heavy Electricals

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Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst

Thanks, Aman. Good afternoon, everyone. Welcome to the Q1 FY '19 Earnings Conference Call of BHEL. The management today is being represented by: Mr. Atul Sobti, Chairman and Managing Director; and Mr. Subodh Gupta, Director Finance. I would now like to hand over the call to Mr. Atul Sobti for the initial remarks, post which we will open the call for the Q&A. Over to you, sir.

Thank you, Shrinidhi. Good evening, friends. I'm Atul Sobti, CMD, BHEL. I have with me: Shri Subodh Gupta, our Director Finance; Shri D. Bandyopadhyay, our Director HR; Shri S. Biswas, Director Engineering; Shri Akhil Joshi, Director Power; and Shri S. Balakrishnan, our Director Industry; along with the Board: Mr. Dipankar Guin, ED Corporate Strategy; and Mr. G. K. Hedaoo, ED Power Sector Marketing are also present. Once again, a very warm welcome to all of you.

India is the fastest growing major economy in the world. It is [expected] to become USD 5 trillion economy by '25 and USD 10 trillion by 2030 on the present USD 2.6 trillion. We need to use demand and opportunity in the energy and infrastructure sector. For example, railways, sports, harbor infrastructure, environmental solutions and basic material like cement, coal, steel, petrochemical, all [see the need for] massive investment in the coming years. In short to medium-term, government is taking 7 steps for revival of the standard projects in thermal power sector. State Bank of India, their consortium of banks, along with POC have identified 11 stressed operators with a combined capacity of 12,460 megawatts for expeditious resolution under the [summer run] scheme. Rural Electrification Corporation is also working on a similar initiative.

Opportunities for business from emission loans, particularly LGD has started growing. Wind power, we expect the momentum to pick up further. [During this activity we have seen the] replacement of 48 megawatt of thermal generation capacities associated with [national] electricity plant. And on 5.5 megawatt of replacement projects like (inaudible) have already been ordered [with it] on BHEL so far. We expect ordering for replacement to grow in the near future. Therefore, overall sentiments in the sector are now seems to be encouraging. Coming to agreements specific to BHEL, the company has entered into technology collaboration agreements with NANO Korea for design and manufacturing of SCR catalyst for De-NOx application in coal-fired power plants. With this, BHEL will be the first Indian company to possess technology and manufacturing capabilities for plate-type SCR catalysts as part of [the ongoing] initiative. During the quarter, ladies and gentlemen, BHEL booked orders INR 4,371 crore, which is 2.5x of the orders received during the quarter 1 financial year '18.

Some of the significant orders received during the quarter are: in Power Sector, LGD package for 800-megawatt Kothagudem; LGD packing and modification of boilers as well as ESP for 270-megawatt Bhadradi of TSGENCO;

blast furnace with coke oven gas-based 1x120 megawatts captive plant from Tata Steel; on international front, BHEL secured a prestigious order for 900 megawatt Arun-3 Hydroelectric Project in Nepal.

In transportation business, major orders from Indian Railways are: 94 sets of IGBT-based propulsion systems for electric locomotives; 263 nos of traction motors; 13 sets of IGBT-based 3 Phase electrics for AC-EMUs; and 91 sets of controls and 93 sets of transformers for MEMUs.

In solar, 30 megawatt of power project from Gujarat Alkalies and Gujarat State Fertilizer & Chemical Limited were received.

With this, the total order booking as on 30th June, 2018, stands at around INR 117,000 crore, which is more than -- 17% more than last year at that point of time.

Coming to financial performance, I'm sure all of you have seen the performance results. BHEL registered a turnover of INR 5,790 crore during the quarter 1 of the current financial year, which is 8% of year-on-year growth. Profit before tax and profit after tax for the quarter stands at INR 226 crore and INR 156 crore, respectively, within year-on-year growth of 109% and 93%, respectively. Thank you all, once again, for joining this conference call. We will take the questions now.

Questions and Answers

Operator [1]

(Operator Instructions) The first question is from the line of Renu Baid from IIFL.

Renu Baid, IIFL Research - VP [2]

Three or four questions from my end. First, if you could just help us highlight, it's been now the second quarter where we have seen gross margins improving materially. Fourth quarter, we did said it was a combination of the mix, but this quarter, we have seen the gross margins still -- or RM to sales being at a fairly comfortable level. So in your view, you had beginning of the year guided for 58% to 60% RM to sales for the year. Do you think there could be opportunities to reduce that further up to the 50% to 57% level?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [3]

Any other questions?

Ashish Shah, IDFC Securities Limited, Research Division - Analyst [4]

Yes. Second question would be, if you can -- if the Director of Finance can help elaborate, on what was the total staff expenses for the quarter, including...

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [5]

Total?

Renu Baid, IIFL Research - VP [6]

Total staff expenses for the quarter, including the wage provision for both executives as well as workers. And what proportion was booked under other expenses and staff? My third question is, how would you read into the FGD pricing, which has been seen in the recent times in NTBC bulk tenders and what would be your view on the overall pipeline of FGD-based projects, coming in the current financial year? These 3 to start with.

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [7]

Okay. We'll start with the first question. Direct material as you mentioned that as a percentage has been lower. We had earlier also mentioned we are expecting that 58% to 60%. And this year, it has come down to 58.2%. In fact, material [convention] as a percentage depends on a host of factors like composure, turnover, [the shelf life of ordered] items or still worse. Or depending upon the projects that what kind of weather it is going to be [they're in there, the] projects including some of the projects then the remuneration is not much. It depends a lot of combination of factors. But we are taking -- we have taken a series of measures to reduce the cost, through cost optimization and as I have been mentioning because a series of 800-megawatt orders have come on each year, so we have placed our orders on bulk also on many of the suppliers. That has also helped us to reduce the cost to 58.2% to this level. Coming to the future if at all, then it will depend on the composition of various compositions the kind of product mix, of the kind of product mix inside the shop floor and [whatever] item as it is on other projects. But we are quite hopeful that the kind of measures BHEL has taken that will be giving good dividends for the organization.

Renu Baid, IIFL Research - VP [8]

So there could be scope for upsides to the range to which you had mentioned?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [9]

That will depend basically -- suppose, in particular quarter there is certain increase in the [order]...

Renu Baid, IIFL Research - VP [10]

I'm not asking from a quarterly basis, specifically from annual basis because I'm sure we have some annual predictions in terms of what projects are due for completion and what phase of execution they are into? So on an annualized basis you think that range of 58% to 60% can have...

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [11]

58% to 61% you can say close to that percentage -- close to 60%, somewhere plus minus we will add. 60% is a good number, 60 plus/minus we will continue.

Renu Baid, IIFL Research - VP [12]

Sure.

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [13]

Coming to the second point. You also have the employees benefit expenses. You would have seen that in the quarter 1 of '17/'18 it was 1,409 in the natural head. And for quarter 1 of 2018/'9, it was 1,418. Okay? During this period, in fact, this quarter -- the last one year period, our manpower has come down from 39,044 to 36,829. I repeat 3-9-0-4-4 was at the end of the quarter one '17/'18. And now at the end of quarter one '18/'19, it has come down to 36,829, which is a reduction of almost 2,215 numbers. This has also given us benefit. And this is the employee's benefit expenses, 1,409 versus 1,418. Anything else you would like to know about it?

Renu Baid, IIFL Research - VP [14]

What is the value -- total value of the wage-related provision that we've done? And they are under which heads? Because in the fourth quarter, we had partially restated the executive-related wage revision to staff expenses versus provisions, which is to come under?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [15]

Okay. The executive-related wages because executive-related wages have already been announced. So executive-related wages have already gone under the natural debt. And then, for the supervisors and workers, these are going under the lease provisions, which are on the order of...

Atul Sobti, Bharat Heavy Electricals Limited - Chairman & MD [16]

90 executives and 10 supervision.

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [17]

Which is on the order of INR 100 crore. So basically the wage revision for the executives has already gone under the natural head.

Renu Baid, IIFL Research - VP [18]

What is the value of so far executives?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [19]

Almost close to INR 90 crores, yes.

Renu Baid, IIFL Research - VP [20]

Okay. So this INR 90 crore is already a part of INR 1418 crore?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [21]

INR 1418. Yes.

Renu Baid, IIFL Research - VP [22]

And prior to that, INR 100 crore from other expenses, which is the rate...

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [23]

Other expenses are

Atul Sobti, Bharat Heavy Electricals Limited - Chairman & MD [24]

Close to 100, maybe plus/minus some figures would be there.

Renu Baid, IIFL Research - VP [25]

Okay, perfect. And the third on the FGD pricing, the pipeline of FGD orders. How are you looking at the market evolving now? If orders are coming at profitable orders are not?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [26]

Very correct to mention. FGD, we are watching the market. And you know that we have been very successful also, especially for the projects we ourselves are executing the projects. Orders have been given to us on nomination basis. I can tell you the numbers also, how much orders have come. But if we talk about bulk -- the total orders, which I just mentioned about the first of all, how many orders have you been received by us. If I take into account what is our FGD alone, FGD alone orders, we have already received so far close to INR 4,900 crores. And we are further favorably placed and close to INR 2,862 crore. So totaling is coming close almost INR 7,800 crore. These are the figures I'm telling you about [so far the] business. I'll repeat again. So far, in the LGD, we already secured orders close to INR 4,900 crore and we are favorably placed in more than INR 2800 crore, INR 2900 crore of orders. Now when we are talking about the pricing you mentioned, prices we have seen in fact, there is a lot of competitive prices, which are being quoted by different players in the market. We are also keeping rules on watch on this and then deciding other strategies. In the bulk tenders, as you know, whatsoever tenders are there, only 3 numbers one company can get. That like in the bulk 1A or 1B, 2 tenders are there. In 1A, we already got -- one project we already got and in the bulk 1B, also we have got 1. We are waiting for the other tenders to participate, and then we'll see. Prices definitely are -- overall prices as you've seen, have gone down below our expectations.

Renu Baid, IIFL Research - VP [27]

And what would be the assessment of the total market of FGD orders in terms of number of units or megawatt that is likely to hit in FY '19?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [28]

If you take total FGD plus what you call, all other recognitions, et cetera taking into account it's close to INR 100,000 crore of the order book orders available is there. But if we talk of FGD alone, the total orders in the megawatt terms, which we are -- which have been -- which are there in for the offer is 57 units, totaling to 37,000 megawatt -- 36,690. This includes your bulk 1, bulk 2 and other factors of the tenders.

Operator [29]

The next question is from the line of Abhishek Puri from Deutsche Bank.

Abhishek Puri, Deutsche Bank AG, Research Division - India Utilities Analyst [30]

So 2 things, one, in terms of the provisions, what will be the overall provisions for the quarter if you can give the details. Second, in terms of order pipeline, if you can highlight any of the new tenders that are coming? And lastly, if you can highlight -- there are some changes in the capital employed structure, so for the Power Sector we've seen a 25% increase on a Y-o-Y basis. Even sequentially, it has gone up quite a bit. So if you can provide details there, what has led to that? Have the receivables gone up or gone down?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [31]

Okay. I think, the first question is first about the orders of pipeline. I mean, where we are favorably placed and where we are at, as of now, if we talk about the power sector, in the power sector close to INR 14,000 crores orders are such which where we are favorably placed. I'm talking of power sector alone. This includes [the future,] where we are expecting the order shortly then Singareni we are negotiating and a series of water modification that have FGD tenders associated. Then coming to Industry Sector, we are over INR 1,300 crore orders, we are favorably placed. In international operation also, around INR 1,600 crore, we are favorably placed. So around INR 17,000 crore orders of such where BHEL is today favorably placed. Then, of course, it will depend on the customers when they place order. But we

expect these orders to be placed shortly. I hope this replies to the question of orders in pipeline. In addition to that, there are number of projects, where we are participating. Like (inaudible) is there, that is [650] megawatt (inaudible) and post-bid discussions are going on, then [NOC release] is there, 2x660 megawatt. There are certain opportunities, which are coming [as the Boxer] (inaudible) [NLC] (inaudible) is there and Singrauli NLC is also expected and (inaudible) replacement is also expected. So this is the orders in pipeline. Second question was regarding?

Atul Sobti, Bharat Heavy Electricals Limited - Chairman & MD [32]

Provisions.

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [33]

If we talk about the provisions which have been made, in the quarter one '18/'19, we made the provision of INR 309 crore as against INR 239 crore in the corresponding period last year.

Abhishek Puri, Deutsche Bank AG, Research Division - India Utilities Analyst [34]

Why has it gone up, sir? Can you give the details?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [35]

It has gone up primarily due to one private sector, which was we had provided for all the whole project of the private sector. In one project, INR 80 crores we have provided. Additionally, INR 80 crore have been provided. Just to be on safer side.

Abhishek Puri, Deutsche Bank AG, Research Division - India Utilities Analyst [36]

And lastly on that capital employed in Power Sector?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [37]

Capital employed in Power Sector? Where is, I don't have....

Atul Sobti, Bharat Heavy Electricals Limited - Chairman & MD [38]

[First one] (inaudible) minus segment...

Abhishek Puri, Deutsche Bank AG, Research Division - India Utilities Analyst [39]

Yes, segment [asset financing] liabilities have gone up from INR 16,200 crore to INR 19,000 crore. Is there a restatement or receivables have gone up?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [40]

Actually if we look at the segment assets in power sector, in quarter one of '17/'18, [cost was] INR 3,786 crore. It has gone up to INR 4,309 mainly because of [plate service] as well as other assets.

Abhishek Puri, Deutsche Bank AG, Research Division - India Utilities Analyst [41]

So can you give us the number of other current assets and receivables?

Atul Sobti, Bharat Heavy Electricals Limited - Chairman & MD [42]

I'll tell Director Finance. Offline you please contact him, he will give you the details of this.

Abhishek Puri, Deutsche Bank AG, Research Division - India Utilities Analyst [43]

Sure, sir. Okay.

Operator [44]

The next question is from the line of Jay Kakkad from Haitong Securities.

Jay Kakkad, Haitong International Research Limited - Team Leader [45]

Just wanted to understand what are the total receivables now as of date? Or as of quarter-end?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [46]

Okay, I'll tell you. The figures about the total receivables. The total receivable. First, I'll tell about the current receivables. The current receivable as of date, at the end of the quarter one on INR 23,807 crore. And the total receivables are, INR 37,870 crore.

Jay Kakkad, Haitong International Research Limited - Team Leader [47]

37?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [48]

37. And I like to clarify because many other people will also ask this question. In terms of that, number of days revenue from operations, current receivable, there has been a good control over the last 4 years. In '15, '16, current receivable as a number of -- as in terms of number of days of revenue from operations in '15/'16 was INR 302 crore, which were brought down to INR 254 crore at the end of the '17/'18. And despite -- I mean, being the mid-year after being the first quarter end, it has not gone up substantially from INR 254 crore. At the end of the year, it has gone up only INR 261 crore. There is a lot of control, which is being, I mean, made progress with receivables.

Jay Kakkad, Haitong International Research Limited - Team Leader [49]

If there is unbilled revenues, which are going up, so are the new contracts that you are taking, are they having different terms of payment, or...

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [50]

Okay, I'll tell you about that also. Basically what has happened, the payment terms is also having a lot of impact on this. So that's the reason we are not -- another point I'd like to clarify to you and others also. These total receivables may comprise of 3 types of customers; one is the government customer; and other is the private customer; and third is exports. From the government customer, these are 82%. From the private customer, it is 14%. And from exports, 4%. So majority of the receivables are from the government sector. Now you talked about the basically, about the payments terms. Payment terms have undergone substantial change in the recent past. Many projects in fact, advances are not there or we didn't opt for the advances. I'll talk about -- I'll take example of Tamil Nadu. In case of Tamil Nadu, we've received -- as you know we've receive certain projects. We, although advance was available but it was interest-bearing advance. So we didn't go for the interest-bearing advance, and we didn't take any advance. And majority of the money will be coming as a part of dispatches. Earlier advances in most of the places used to be 10% to 15%. That is another one changed. Everything in NTPC case also, payment terms are undergoing change. Payments also definitely undergoing change.

Jay Kakkad, Haitong International Research Limited - Team Leader [51]

So those dispatches generally they're 30 days, so has that term -- payment terms in terms of Post-Dispatch Billing also undergone change?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [52]

You mean to say actual receipt or [increasing pay?] In case of...

Jay Kakkad, Haitong International Research Limited - Team Leader [53]

After dispatch, general they're 30 days after dispatch or 60 days after dispatch. Has that term also changed?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [54]

No, no, that remains the same. That remains the same. There is no change in there. [What is in there] or dispatch. The only thing which is -- I'll just repeat again. Originally, what used to happen earlier days, advances used to be 10% to 15%. Dispatches used to be 65% and MRC used to be 10% to 15%. And (inaudible) used to be 5%. And BHEL used to be 2% to 5%. These things have undergone changes in case of Tamil Nadu. But in the case of Tamil Nadu, there is no advance. And 75% is going through dispatches, 10% going through MRC and (inaudible) through the different milestone. But if we talk about Patratu, which is NTPC project. The advance is only 5%. And again, dispatches is 30%. MRC is 5%. So these are the payment terms I just give you some flavor of payment terms, which are undergoing change. But if you see 30 days or 60 days, payment will be received after the billing that -- there is no change of that part of the order -- our operation.

Jay Kakkad, Haitong International Research Limited - Team Leader [55]

NTPC, advance 5%, 30% on dispatch. What is the rate then so the end milestones of [NTPC is] increased? Is it?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [56]

Well, MRC is 5%?

Atul Sobti, Bharat Heavy Electricals Limited - Chairman & MD [57]

[1% to] 5%. 24% is again milestone [prior to] the erection event. Partial payment particularly on full notes, synchronization, commissioning and tile operation and (inaudible).

Jay Kakkad, Haitong International Research Limited - Team Leader [58]

Okay. So out of total receivables, what amount would be related to BG test for the past projects?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [59]

If we talk about basically, INR 23,807 crore, current receivable. Let me talk about current receivable. In the current receivable, we are more concerned at the moment about the current receivables. Out of these current receivable, close to INR 6,900 crore as such, which are billing to the deferred. Deferred means where we have to complete, do some BG test or trial operation, obviously. That INR 6,900 crore, out of these INR 23,807 crore.

Jay Kakkad, Haitong International Research Limited - Team Leader [60]

Okay. Out of INR 23,807 crore.

Operator [61]

The next question is from the line of Aditya Bhartia from Investec.

Aditya Bhartia, Investec Bank plc, Research Division - Analyst [62]

Sir, in the last conference call you had indicated that employees expenses this year could go up by anywhere between INR 500 crore to INR 800 crore. Given the sharp reduction in manpower that we've seen, do you still think that manpower expenses would be going up by that level? And by when do we expect these negotiations to get over?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [63]

So as of now, these are our conservative principles. The final what you call negotiations with our staff are yet to take place. We expect that on the whole -- around the net impact of this [region] will be close to INR 800 crore. And we'll be somewhere ending up around INR 6,200 plus/minus, of course, I'm giving very ballpark figure to you. [There's] much will depend on that what is the final decision take place. We are expecting it will be close to INR 6,200 crore plus/minus for the staff cost.

Aditya Bhartia, Investec Bank plc, Research Division - Analyst [64]

For this year?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [65]

For this year, yes. It could be plus/minus anything, depending upon what kind of negotiation takes place.

Aditya Bhartia, Investec Bank plc, Research Division - Analyst [66]

And et cetera.

Atul Sobti, Bharat Heavy Electricals Limited - Chairman & MD [67]

There are other variable factors also. Like (inaudible) leave encashment. So because of those assumptions also there may have some little change in the percentage. As we have said, it will be within 1% plus/minus to INR [5,200].

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [68]

INR [5,200] crore. we're not giving the final. I told approximately these are -- it could have approximately with anything.

Aditya Bhartia, Investec Bank plc, Research Division - Analyst [69]

Correct, correct and et cetera and et cetera. If INR 5,200 crore is the expected number, are we making provisions, which are -- which will be covering the whole cost or you think that there's a possibility of one-time provisioning happening close to the time when these negotiations are getting such...

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [70]

No, no. We are making continuously provision. There also we have made provisions. We are making continuous provisions. It will all be one time provision at any point of time. There will not be any problem all the time.

Aditya Bhartia, Investec Bank plc, Research Division - Analyst [71]

Understood, sir. And sir, also wanted to check, if there is any ForEx income that we've recorded in this particular quarter?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [72]

INR 55 crore. Yes, exchange rate variation. Exchange rate variation is received. In fact, This is an interesting point, which I like to share with all the people. That exchange rate variation, again, in this quarter is INR 85 crore. INR 85 crore as against the last year, the quarter one exchange rate variation was INR 213 crores. It means the difference of INR 128 crores. If this exchange rate variation would have been at the same level then you can imagine our profit would've gone up by INR 128 crores. That we have operational profit that has gone up substantially. I will again repeat. This year exchange rate variation gain

is only INR 85 crores as against to INR 213 crores of the last year for quarter one. So INR 128 crore last year, [that is the --] that is [the running total.]

Aditya Bhartia, Investec Bank plc, Research Division - Analyst [73]

And sir, this exchange variation is now getting netted off from other expenditures, right?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [74]

Yes, yes. Correct.

Aditya Bhartia, Investec Bank plc, Research Division - Analyst [75]

Sir, if you kind of adjust for this then it appears that our other expenditure excluding ForEx income would've gone up fairly sharply?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [76]

[No, no. I just --] other expenses -- first of all, I'll explain to you what these other expenses which you're seeing it holds for. There are basically 5 components of these other expenses. One is the other expenses of manufacturing, administration and selling and distribution. Second is provision. Third is power and tools. Fourth is the indirect material. And fifth is exchange rate variation, gain or loss. So basically, at our level what we are trying to control is the other expenses to large a large extent. If we talk about other expenses, other expenses have gone down. This is a very big achievement for the organization, the way we are working to control cost. Now other expenses, despite increase in the turnover by almost more than 8% have gone down by 4%, 4.2% in the quarter one of '17/'18. These are expenses of INR 474 crore. And they have gone down to INR 454 crore in the first quarter of the current financial year. So although turnover has gone up by more than 8%, but the other expenses have gone down by 4% -- 4.2%. You are thinking that other expenses have gone up, no they have, in fact, gone down.

Aditya Bhartia, Investec Bank plc, Research Division - Analyst [77]

I didn't get that, so, because the number that I was looking at, was around...

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [78]

[It's just] with respect to this because these include (inaudible). I'll repeat again. Basically, quarter one, you're seeing other expenses INR 676 crore, you're referring to those numbers?

Aditya Bhartia, Investec Bank plc, Research Division - Analyst [79]

Correct, correct.

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [80]

And for the quarter one of '18/'19 it is [INR 63] crore.

Aditya Bhartia, Investec Bank plc, Research Division - Analyst [81]

Absolutely, sir.

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [82]

Absolutely. Now I'll explain to you, I was telling you, it comprises of 5 components. First component is [the] other expenses of manufacturing, administration, selling and distribution, which last year, it was INR 474 crore. This year it is INR 454 crore. So reduction of INR 20 crore. Clear?

Aditya Bhartia, Investec Bank plc, Research Division - Analyst [83]

Understood.

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [84]

Now come to the provisions. As we just mentioned, provision last year was to INR 239 crore. This year it is INR 309 crore. Now coming to the indirect material. There also we have control. Indirect material, last year was INR 79 crore. It has gone down to INR 67 crores. Then exchange rate variation gain is a major culprit. Last year it was INR 213 crore minus, which has gone down to minus INR 85 crore. Power and fuel, last year it was 98. It has gone up to 117 primarily due to increase in lost unit cost although in physical terms, the total consumption has gone down but because of fuel cost has gone up, electricity cost has gone over certain places. That's the reason. Oil and crude is slightly up. I hope it's clear to you now?

Aditya Bhartia, Investec Bank plc, Research Division - Analyst [85]

Understood. And now we're also having around INR 100 crore of wage provision, which is

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [86]

Yes, yes. It is correct.

Aditya Bhartia, Investec Bank plc, Research Division - Analyst [87]

And that is residing in INR 309 crore.

Atul Sobti, Bharat Heavy Electricals Limited - Chairman & MD [88]

Yes, yes, yes, very right.

Operator [89]

The next question is from the line of Renjith Sivaram from ICICI Securities.

Renjith Sivaram, ICICI Securities Limited, Research Division - Assistant VP [90]

Just wanted if you can tell us some color what will be our MOU target for this year in terms of revenues, if you have already finalized?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [91]

Yes, yes. In terms of revenue impact, as you know, in terms of -- in the MOU basically, it's not exactly turnover, which is taken into account. It is revenue from operations results. Revenue as for the revenue operations, it mentions INR 30,000 crore is very good, and INR 32,000 crore, excellent category. And this in fact, correspond to INR 32,000 crore -- I'll just again repeat it. It corresponds to INR 32,000 crore revenue from operation at excellent and INR 30,000 crore at what you call very good. And this INR 32,000 crore correspond to INR 31,366 crore.

Renjith Sivaram, ICICI Securities Limited, Research Division - Assistant VP [92]

So why there is

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [93]

The rest is other operation income. And if you [get] very good, then it will come to close to INR 29,366 crore.

Renjith Sivaram, ICICI Securities Limited, Research Division - Assistant VP [94]

So this is a net sale, [as I understand.]

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [95]

This is a?

Renjith Sivaram, ICICI Securities Limited, Research Division - Assistant VP [96]

Net sales of, you mean to say.

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [97]

Yes, yes. I'll again repeat it. In the MOU, that turnover, which we did the excise duty et cetera that in their operational income is added in their [call it] revenue from operations in MOU definition. As per the MOU definition, our excellent is INR 32,000 crore and very good is INR 30,000. And if you exclude the other operational income, then it comes to at the excellent INR 31,366 crore, and very good is INR 29,366 crore.

Renjith Sivaram, ICICI Securities Limited, Research Division - Assistant VP [98]

Okay. Sir, you see -- look at last year in the first quarter, there were from excise duty in both the revenue item and also the cost item. So what is the reason for that? There is a INR 252 crore in the -- below the revenue and also there is a INR 226 crore in the ...

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [99]

First, basically excise duty, that's started from the July onward, but these figures, which we have given the comparison for the growth of 8.2%, there both excise duties are excluded from last year also and this year also. Last year, because our results were declared, excise duty were included and was a part of that. Now excise duty is not part of that.

Renjith Sivaram, ICICI Securities Limited, Research Division - Assistant VP [100]

Okay, that's why the net of your

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [101]

Just to make it like-to-like comparison, we have given a figure of add excise duty. Because of the results which we have declared, last year was 5,607, which included INR 252 crore of the excise duty component. If we exclude the excise duty it was coming INR 53 crore, INR 55 crore. So about 53 -- [55, we have gone to 5790.]

Renjith Sivaram, ICICI Securities Limited, Research Division - Assistant VP [102]

Okay. And you had mentioned in the order pipeline INR 14,000 crore worth of thermal orders are there.

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [103]

Yes.

Renjith Sivaram, ICICI Securities Limited, Research Division - Assistant VP [104]

Of that, like -- so what is the target for this year? Will it be more than this or ...

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [105]

It will be more than this. I want to say because I mentioned to you INR 14,000 crore, close to INR [6,343] crore, which we now environment players have already taken place. We can expect it any day now. Now I think we start making statements after that. I hope that in this quarter it will come. At the end of the final stages of negotiation. That also the order we are expecting. Then I told you that we are participating in many opportunities, already is there. NMC is there. SJVNL is there. In fact, [Singareni because it] is submitted in the March '18 and post-bid discussions are underway. And that NLC plus Neyveli, this is the 2x660 megawatt, there also we're going, I mean, we're submitting the offers. Then there's are more opportunities, which we're quite hopeful was still 8 to 9 months are left. They will get finalized during the current financial year.

Renjith Sivaram, ICICI Securities Limited, Research Division - Assistant VP [106]

Okay. And lastly, our industrial segment, there was a decline in revenue this quarter. Anything to worry about on that front?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [107]

There is nothing as such in physical terms. As such there is -- in fact there is a very marginal reduction is there. Primarily due to the (inaudible) I'll tell you. We were expecting that this may go up because locomotives were to be here last year, you know 50 locomotives order. These locomotive orders now what we call, we will start dispatching it from the September onward . So once they come up, then I'm hopeful that this will go up. Then next point was that -- what you call, there is -- there was certain in the solar area a lot of items are ready for supply at our Bangalore plant, but unfortunately, EESL, they are not, I mean, picking of that, which we are quite hopeful this is close to almost INR 40 crore, INR 50 crore. We are quite hopeful that they will be picking up now shortly. And there was TVG project. There was -- this also will come in the second quarter or soon. So there is nothing to worry about that reduction in the industry segment. I told you one reason is primarily, certain solar areas where items are already in the tangible inventory, lying in our walls, but ESL has to come for specific projects. Nothing to worry about there.

Operator [108]

The next question is from the line of Venkatesh Balasubramaniam from Citi Research.

Venkatesh Balasubramaniam, Citigroup Inc, Research Division - Director and VP [109]

The first question is, you had a Tata Steel order in this captive power plant order. Can you tell us what is the size of the order?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [110]

Yes. This is 1x 120 -- this Tata Steel is INR 327 crore, which is 120 megawatt. This is close to INR 327 crore, INR 328 crore.

Venkatesh Balasubramaniam, Citigroup Inc, Research Division - Director and VP [111]

Okay. Sir, the second question is, your MoU target suggests in terms of revenues from operation it suggests 11% growth, at around INR 32,000 crore. Now your revenue from operation growth in the first quarter has been 6%. So do you think that your revenues will accelerate and the growth will actually pick up in the remaining 3 quarters? Are you confident of that?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [112]

Yes. we are confident of -- basically as such the MoU target normally are taken as very good targets. And excellent is a stretch which are given, orders are very good. I am quite confident that -- I mean, we will be able to achieve these targets, we are working toward that. There should not be any...

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [113]

And you are confident on achieving that very good or excellent?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [114]

I don't like to say. We will strive to achieve excellent, let's see where we reach. We will try to achieve that.

Venkatesh Balasubramaniam, Citigroup Inc, Research Division - Director and VP [115]

Sir, and the next question is, at the end of the fourth quarter you said that you are favorably placed in around INR 16,000 crore of orders.

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [116]

Yes, yes.

Venkatesh Balasubramaniam, Citigroup Inc, Research Division - Director and VP [117]

Now some of those orders, I believe, you must have booked in the first quarter. So what is that number at the end of the first quarter? Can you give

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [118]

Yes, please complete your question -- sorry.

Venkatesh Balasubramaniam, Citigroup Inc, Research Division - Director and VP [119]

Yes, at the end of the first quarter, what was that number?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [120]

You want to get the total number for all the sectors, no?

Venkatesh Balasubramaniam, Citigroup Inc, Research Division - Director and VP [121]

Yes.

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [122]

We are favorably placed over INR 17,000 crore of orders.

Venkatesh Balasubramaniam, Citigroup Inc, Research Division - Director and VP [123]

Okay. Then you say favorably it is like either you're L1 or you are -- you got nominated on that, correct?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [124]

Yes, yes, correct.

Venkatesh Balasubramaniam, Citigroup Inc, Research Division - Director and VP [125]

Yes, so one is we understand one is obviously [Patratu], the other one is Singareni. Could you give us some idea about ...

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [126]

(inaudible) There are a number of FGD orders or emission control orders which are over INR 3,000 crore, INR 3,300 crore approximately. There we are favorably placed in case of what you will have FGD. And there are certain space orders, some of are from Karnataka and certain FGD retrofit orders from over MAHAGENCO. And in industry sector, with MAHAGENCO in 2, 3 projects, we are favorably placed for the solar side also. And there are another SPV projects with certain [orders] associated with this. There also we are favorably placed. In international operations, one other tender in [Pundani] also we're favorably placed. Where, in fact, we had got certain small advance also, but that's booking -- let's see. That one's booking second quarter. So today, over INR 17,000 crores as on date, either we are lowest or nomination basis or [if not nomination, are in] negotiation, discussion.

Venkatesh Balasubramaniam, Citigroup Inc, Research Division - Director and VP [127]

Okay. Sir, what is your belief, can you get to an order inflow which is similar to last year? Can you get to those kind of levels? You did almost INR 40,000 crores of orders last year. Can you get close to that number?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [128]

I'll not like to guess for that, but again, the reply would we strive to become closer to that. I will not like to say. It all depends, like I mentioned to you, so many tenders we are going ahead, where we're targeting the tenders. Now it depends on the customers when they finalize and place the orders. Opportunities are definitely there. I can't confirm about opportunities. Opportunities are definitely there to reach that number. But it will depend and whether customer will take the decision to [buy and become our customer.]

Operator [129]

Next question is from the line of Nilesh Bhaliya from Macquarie.

Inderjeet Singh Bhatia, Macquarie Research - Head of Research [130]

Hi, this is Inderjeet. Thanks for the opportunity. 2, 3 questions. First is on the gross margins. As you've talked about trying to keep gross margins roughly in the vicinity around 60%. Now please let me know if my understanding is wrong. Is that we will be executing a lot of negotiated or nominated orders this year and next year, especially if some of the early [term] orders where we also had equal kind of partly constructed equipment earlier or manufactured. So shouldn't the gross margin should be better than that number? Because as we kind of finish our negotiated orders, there is likelihood of more contested orders coming through, which will actually deteriorate our gross margins?

Atul Sobti, Bharat Heavy Electricals Limited - Chairman & MD [131]

This is -- and what is the other question?

Inderjeet Singh Bhatia, Macquarie Research - Head of Research [132]

Okay, the second is, if you could just break your ordering closed in this quarter into 2 parts, into the industrial and power? And my third question is, whether there is any write back of provisions because we've been having some write backs earlier last year. So if you could just clarify on that?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [133]

Okay. Regarding the first question, I am not like to either to guess what will happen. But efforts are all to increase this EBITDA, as there is an increase of almost 25% from as compared to the last year in absolute terms. And in fact, as a percentage of turnover also it has gone up from 7% to 8%. We will definitely -- and if you take the last year, last year in fact, at the year-end, this was 9.4%, which was a quite a good number, 9.4%. And in the first quarter also it has gone up from 7% to 8%. Now let's see, we will -- I mean, we will be working towards betterment of the numbers day by day, but I will not like to mention that what percentage will it be and what will be the volume. But definitely, efforts are on to reduce the cost and increases. Coming to the second point which you asked regarding the breakup of the INR 4,370 crore. This INR 4,370 crore which has been achieved, although that's in the power sector, we've achieved INR 2,147 crore, which comprises of 2 portions: one is for the main equipment and other for [order] spares. For the main equipment, it is INR 1,265 crore and for the spares, it is INR 882 crore. And if we talk about the industry segment. Industry segment, there is a good jump. Industry

segment, we have been able to get INR 1,597 crore. And in the international operation, INR 626 crore. So INR 2,147 crore is the total in power sector, industry sector INR 1,597 crore and international operation INR 626 crore. Any other questions?

Inderjeet Singh Bhatia, Macquarie Research - Head of Research [134]

Write-back and provisions?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [135]

Write-back and provisions, I'll just tell you. He is just asking, there used to be a target for the vacation of provision. Already is provided amount without. [Okay, let me see here --] actually we have kept a target of around INR 400 crore this year for the vacation of already provided provisions. When in up to quarter 1, we were able to vacate some around INR 87 crore [I think] already provided amount. This is around INR 87 crore. INR 87 crore has been [given] up to quarter 1.

Inderjeet Singh Bhatia, Macquarie Research - Head of Research [136]

Just one follow-up on my first question. Is that assumption right that the contribution of these nominated orders are going to be higher in FY '19, [based on the...]

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [137]

[That's] nominated. Basically, there are [cases --] there are definitely the orders from the Telangana and the [SJUNL] orders and Tamil Nadu orders. Those will be contributing results for the current year turnover. There is a judicious -- there is a mix of both orders, whether it is nominated as well as -- there are certain turnover originally coming from the NTPC projects also in a big way, [not [to underestimate] there. And [normally we give -- we'd] also be giving a big turnover. So these are -- I can't say that whether it's higher lower, we are most of the same [generally speaking.]

Operator [138]

The next question is from the line of Pulkit Patni from Goldman Sachs.

Pulkit Patni, Goldman Sachs Group Inc., Research Division - Equity Analyst [139]

Most of my questions are answered, just one question. What is the stage of execution on the Bhadradari project right now. The reason I'm asking that question is if I understand correctly, the equipment there was quite ready before we got the order. So I am just trying to understand, if anything changes for us in terms of raw material, percentage of cost going forward in the next few quarters, assuming this project is executing well at this stage?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [140]

You're talking about Bhadradari, now?

Pulkit Patni, Goldman Sachs Group Inc., Research Division - Equity Analyst [141]

That's right, sir.

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [142]

(inaudible) or Bhadradari?

Pulkit Patni, Goldman Sachs Group Inc., Research Division - Equity Analyst [143]

Bhadradari.

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [144]

That particular project was 4x270 megawatt. I'll just talk of the basically at that point in time, two major orders had come. One was 4x270 megawatt Bhadradari and another project was 800-megawatt Kothagudem. Okay. Regarding -- first I'll talk about Kothagudem, just started, of course, this was not a part of your question. But I like to say that Kothagudem, 800-megawatt has been synchronized last month. Synchronized. And we are hopeful that in a month or so or less than a month, we'll be achieving the full load work, 800-megawatt Kothagudem also. Coming to the Bhadradari, in fact, our material is -- as most of the material has already reached the site. In between, there were certain issues relating to what you call some raw materials, et cetera and the work was -- [what I was speaking, was --] about 81 [work] (inaudible). Now the work is at full swing. And there was -- in between, there was some rains also had come because the work was affected. Things are at full swing now. That we hope that next year -- rather in this current financial year, last quarter, we hope that some of the unit [we permission] also. Work is going on full swing now.

Pulkit Patni, Goldman Sachs Group Inc., Research Division - Equity Analyst [145]

Sir, overall, FY '19, should we expect that your synchronization will be higher than what you did in FY'18.

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [146]

Yes, yes, definitely.

Operator [147]

The next question is from the line of Abhineet Anand from SBI Caps Securities.

Abhineet Anand, [148]

My first question is of the order book of INR 1.17 lakh crore. What is the private sector exposure in this?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [149]

How much will it be? INR 1 lakh 17 crore. Let me work it out. I think offline, I'll discuss that how to give you the figure. But immediately, I don't have that distribution with me. We'll give you the figures separately.

Abhineet Anand, [150]

Okay, sir, no issues. And of INR 37,000 crore overall receivables, what is the number of private sector here?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [151]

82% is from the government, 14% are from the private and 4% from the exports.

Abhineet Anand, [152]

In terms of payment terms that you said the changes that have happened, these are the change in the retention money that we used to have in terms of percentage?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [153]

Roughly, most of the terms earlier let's say if it was around even 10% to 15% retention amount, particularly, linked to the last 2, 3 years deferred milestone, which was under the contract. But recently as we've seen the Patratu. Patratu almost 24% of [recent reduction] and rather 36% basically have gone under that deferred payment, which is linked to the last milestone of the units. Very changed now, particularly. Similar condition everybody is affecting our receivables also.

Abhineet Anand, [154]

Sorry, can repeat the number sir?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [155]

36% roughly.

Abhineet Anand, [156]

That comes after the project gets completed?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [157]

Almost completed. Synchronize it to (inaudible)

Atul Sobti, Bharat Heavy Electricals Limited - Chairman & MD [158]

Basically, after the -- [a little time] after the project completion, it is -- the 36% is between synchronization to [completion.]

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [159]

[As I guess] earlier 15%. Only it was [15%]. This is typically in case of only one of the project, only Patratu. We hope that in the future projects, these conditions will undergo change in NTPC also.

Abhineet Anand, [160]

Okay. okay. And just my last question. You said that your bids for target has been put. Any other bids for sizeable power project? I think, has been put, right? [You said...]

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [161]

Yes, yes.

Abhineet Anand, [162]

So I just wanted to understand if any other large bid would be already put or expected in the next 1, 2 months?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [163]

Yes, yes. We have committed the bid, I mentioned to you. One bid has been submitted for [both] (inaudible). Already, it has been put and then this NLC Neyveli, we're expecting to submit in the month of August. And then, these are [some of the things.] [Tulchur], I told you that we're expecting the order. [It's already and any day] it will go in the month of August. And Singareni is in the final stages of negotiation and NLC Neyveli also in the month of August bid submission. And we are expecting shortly this -- (inaudible) have already been issued, PHDC and [Boxer] is expected any moment.

Abhineet Anand, [164]

And if I can just have one. What is the outlook [could you tell of] replacement demand? 5.5 rewards have been awarded out of the [remaining awards.]

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [165]

(inaudible)

Abhineet Anand, [166]

So what is your expectation that F '19 or over the next 2, 3 years, what could be the ordering in that category?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [167]

If you take [money -- it] depending upon the [level] I was mentioning that how the order placement takes place by the respective customers, I'm expecting that total orders for the main equipment, that's for the (inaudible) during the current financial year will be close to 8 to 10 megawatt.

Abhineet Anand, [168]

Okay, okay, but none of them has the bids and none of them...

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [169]

[It is minor.] [First one] I mentioned [1320] megawatts, [Singrauli is] 615 megawatt. All these I am talking about, actual order placement, I am saying ordering. Singareni, Neyveli, all these thing put together also there is a huge number, which has already been submitted or which is getting submitted in the month of August or September.

Operator [170]

The next question is from the line of Ashish Shah from IDFC Securities.

Ashish Shah, IDFC Securities Limited, Research Division - Analyst [171]

Just a question, again, on the employee cost. You said that you could be looking at INR 6,200 crore plus/minus. So this would be -- and the provisions of INR 100 crore, would be within the other expenses, will be over and above this, right? So that would continue?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [172]

No, that is including there. Okay, results -- in fact, I'm talking, including the provisions, the total employees cost is expected to be of the order of INR 6,200 crore plus/minus what (inaudible).

Ashish Shah, IDFC Securities Limited, Research Division - Analyst [173]

Right. So

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [174]

(inaudible)

Ashish Shah, IDFC Securities Limited, Research Division - Analyst [175]

Sure. So what is included under other expenses and under the employee cost, both put together should be about INR 6,000...

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [176]

INR 6,200, ballpark, yes.

Ashish Shah, IDFC Securities Limited, Research Division - Analyst [177]

Ballpark, sure. Sir, what would be the employee -- sorry, the slow-moving orders in the order book currently?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [178]

In the order booking currently, in fact, there is a -- if we talk about slow -- if we talk about -- all the numbers have come down, so [frankly,] total I mean as of now, it is the figure is INR 20,000 crore, less than INR 20,000 crore -- INR 19,000 crore. There also in fact, INR 5,000 crore value as such is yet to start, 0 [there is] yet to be there. And there is -- we're expecting that close to INR 6,000 crore to INR 7,000 crore orders will not take out further. And there are certain orders which are sensitive to [certain disturbances] there is INR 2,300 crore. In fact, effectively stressed projects are hardly INR 4,400 crore, which are also out of that two projects are the government projects. One is this DVC, the last one, which we hope that things will move. We are already in the touch with DVC and the Ministry of Power. I'm hopeful that this project should move. Second project is Ramgarh in Rajasthan, there also we're talking to highest levels and at the political level also in Rajasthan, Ramgarh project also should move.

Ashish Shah, IDFC Securities Limited, Research Division - Analyst [179]

So sir the INR 6,000 crore, INR 7000 crore, which you said would probably not move, which is this order?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [180]

Yes, let me tell you, we're 0 rated, yet to start, first of all. There is in case of hydro projects, as we talk. In case of hydro, this (inaudible) is [there.] It has not started so far (inaudible) but value is very small, hardly INR 276 crore and (inaudible) INR [336 crore]. But these (inaudible) project, which is 800-megawatts, where RPCL, which is joint venture. Just -- I mean, 800-megawatt, we're expecting. We're taking a decision whether to do it at (inaudible) or existing location itself, which is 800-megawatt. Then there is a 300-megawatt, Abhijit was there, we're 0 rated, just to start 300-megawatt. The likely canceled -- the orders to be canceled, which we're mentioning are basically, one is the [the last in] phase 2. Second is the (inaudible) Phase 2. And the third is the (inaudible) Power. These are 3 projects.

Ashish Shah, IDFC Securities Limited, Research Division - Analyst [181]

Sir, any particular reason, I mean, it's quite certain that these projects would probably not go ahead all of these at 3. So why are we yet not removing them from the order book?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [182]

We will -- basically cases of arbitration are still going on with these parties. At an appropriate time, we'll see that what decision is to be taken from it. But based on the provisions what we made, I told you that all the hold projects of the private sector provisions have been made.

Operator [183]

Ladies and gentlemen, due to time constraints that was our last question. I will now hand the conference back to Mr. Shrinidhi Karlekar for closing comments. Thank you and over to you, sir.

Shrinidhi Karlekar, HSBC, Research Division - Analyst [184]

Thanks, Aman. On behalf of HSBC Securities, thanks to all the participants for joining this call. We would also want to thank management of BHEL for giving us the opportunity to hold this call. Sir, do you have any closing comments to make?

Subodh Gupta, Bharat Heavy Electricals Limited - CFO & Director [185]

I'll just like to mention that we are working on multiple fronts, as you have seen in alignment of our strategies for increasing the business from one full business such as transportation, defense, water and renewable energy besides also sustaining our leadership in the core business, a series of steps have been taken. At least we are [considerably] very happy with the first quarter results in the present environment, and we hope in the coming months, things will improve further. A number of steps have also been taken for development of technology [all through we know it] supports as well as ties us with the global leaders. With these various improvements initiated in the company, we're positive about our future performance, and we are thankful to all the investors for their interest in BHEL. Thank you. Thank you very much.

Operator [186]

Thank you very much.