



## “Bharat Heavy Electricals Limited Q4 FY '24 Earnings Conference Call”

**May 21, 2024**

### **BHEL**

**MANAGEMENT:**     **MR. K SADASHIV MURTHY – CHAIRMAN & MANAGING DIRECTOR , WITH  
ADDITIONAL CHARGE OF DIRECTOR FINANCE**

**MR. JAI PRAKASH SRIVASTAVA – DIRECTOR (ENGINEERING, RESEARCH &  
DEVELOPMENT)**

**MR. KRISHNA KUMAR THAKUR – DIRECTOR (HUMAN RESOURCES)**

**MR. TAJINDER GUPTA – DIRECTOR (POWER)**

**MS. BANI VARMA – DIRECTOR (INDUSTRIAL SYSTEMS & PRODUCTS)**



*Bharat Heavy Electricals Limited*

*May 21, 2024*

**Moderator:**

Ladies and gentlemen, good evening and welcome to the BHEL Q4 FY'24 Earnings Conference Call hosted by ICICI Securities.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "\*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mohit Kumar from ICICI Securities. Thank you and over to you, sir.

**Mohit Kumar:**

Good evening. On behalf of ICICI Securities, I welcome you all for Q4 FY'24 and FY'24 Earnings Conference Call of BHEL.

We are very pleased to have with us today, Mr. K Sadashiv Murthy – Chairman and Managing Director and BHEL's management team, to discuss the results.

We will start with “Brief Opening Remarks from CMD sir,” following which we will open the floor for Q&A. Over to you, sir.

**K. Sadashiv Murthy:**

Good evening everybody. I am K Sadashiv Murthy – CMD, BHEL with Additional Charge of Director (Finance).

I have with me Shri Jai Prakash Srivastava – Director (E, R&D), Shri Krishna Kumar Thakur – Director (HR), Shri Tajinder Gupta – Director (Power), and Ms. Bani Varma – Director (Industrial Systems & Products). Also, along with me, senior colleagues from business sectors, finance and corporate strategic management are present here.

A very warm welcome to all of you. The Indian economy is growing steadily, leading to a robust growth of power and infrastructure sector. BHEL is also aligning itself to be a part of the nation's growth journey.

Let me start by giving you the highlights of our order book for FY'23-24:

We have received orders of 9.6 GW last year from our Thermal Power Sector division totaling to around Rs.52,000 crores. All these thermal sets are of 800 MW rating. Our industry segment also witnessed the highest ever order book inflow of around Rs.22,000 crores. With the above, we recorded BHEL's highest ever order book of around Rs 78,000 crores in FY'23-24.

Some of the major orders which we have received last year are:

EPC orders for Talabira, Yamuna Nagar, Singrauli and Lara Supercritical Power Plants,  
BTG package for Mahan and Raigarh supercritical power plant from Adani group,



Electromechanical package of the 2.8 GW Dibang Hydropower Project, the largest in the country,

Spares and services business of around Rs.3,500 crores,

80 Vande Bharat trains for railways,

20 Super Rapid Gun Mounts for naval ships,

10 Extra High Voltage substation packages, power transformers and the other equipment in the transmission business,

Gas turbine rotors and parts from UAE in the in the international business, and

Also, Remote Monitoring and Diagnostic Services from BPCL, Mumbai in Industry 4.0 Solutions segment.

Now, coming to our accomplishments in the project execution field in FY'23-24:

We have completed execution of over 7 GW projects globally last year. Out of this, 5 GW of power generation capacity was added and around 2 GW was commissioned and synchronized.

Some of the key achievements include:

Inauguration of Unit-2, 660 MW of Maitree Super Thermal Power Project in Bangladesh, jointly by the Hon'ble Prime Ministers of India and Bangladesh,

Dedication of North Karanpura and Telangana thermal power plants to the nation by the hon'ble Prime Minister of India,

Capacity addition for Unit 3 of Kakrapar Atomic Power Project,

Trial operation of Unit 1 of Polavaram Rangareddy Hydro Project,

In transportation, supply of 22 electric locomotives of 6000 HP to the Indian Railways,

In solar business, commissioning of 100 MW Raghnesda-I and 8 MW Tamarind Falls, Mauritius Solar Project, and

In the new growth areas, successful implementation of flexible operations for Adani's Raigarh project, WBPDCS Sagardighi and Tata Trombay plants.

Talking about our diversification efforts and strategic partnerships, we are continuously updating ourselves and forging alliances and partnerships for addressing new business opportunities. Some of them are:

Joint Venture agreement with Coal India Limited for setting up a coal to Ammonium Nitrate plant of 2,000 TPD,

Strategic partnership agreement with M/s HIMA Middle East, Dubai for addressing railway signaling business.



Now, let me give you the highlights of our Financial Performance:

BHEL's revenue from operations for FY'24 is 23,893 crores, an increase of 2% over the last year. Profit After Tax for FY'24 is Rs.260 crores.

Thank you all once again for joining the conference. The house is now open for the interaction please.

**Moderator:** We will now begin the question-and-answer session. The first question is from the line of Jonas Bhutta from Birla Mutual Fund. Please go ahead.

**Jonas Bhutta:** A couple of questions. Firstly, sir, can you list out the power projects that are expected to be awarded or tendered out over the next one to two years, if you can list each project and what's the size?

**K. Sadashiv Murthy:** You want to know the list of projects which will be awarded?

**Jonas Bhutta:** Yes, which are in the pipeline, can be awarded in the current financial year or probably the year after, so FY'25-26?

**K. Sadashiv Murthy:** It will start with one Darlipali stage 2, and Sipat Super Thermal Power Plant stage 3, that is from NTPC. Second one is Koradi unit 11 and 12. One more is Singareni, then Neyveli Thermal Power Station 2<sup>nd</sup> expansion, Ukai unit 7, Koderma Phase-2, Korba West, Amarkantak unit 6 and Satpura unit 12, last two were from MPPGCL, Madhya Pradesh. So, these are the power plant projects which are in line and tenders are out in the market.

**Jonas Bhutta:** So, the total pipeline in terms of MW and rupees crores would be how much, sir?

**K. Sadashiv Murthy:** Around 10 GW. Most of the projects are 800 MW, few are of 660 MW.

**Jonas Bhutta:** My second question was on the balance sheet. So, while we've won almost 75,000 to 78,000 crores of orders, and half of them came in the first half of the year. Why is it not reflective in the customer advances? So, I am seeing your cash flow statement and there is just a change of roughly 1,200 crores on the customer advance where one would have assumed that this 78,000 crores of orders would have come with some bit of advances?

**K. Sadashiv Murthy:** In fact, I think more than 3,000 crores of advances have been received last year and all these advances and orders come in the later part of the year, means 3<sup>rd</sup> and 4<sup>th</sup> quarter only.

**Jonas Bhutta:** Lastly, if you can give a breakup of the contract assets and receivables as you do every quarter?

**K. Sadashiv Murthy:** As on 31st March '24, our trade receivables are approximately 8,000 crores and contract assets are approximately 27,000 crores, so total is 34,000 to 35,000 crores.



- Jonas Bhutta:** 22,000 crores is the contract assets, right?
- K. Sadashiv Murthy:** Contract assets are 26,700 crores.
- Moderator:** The next question is from the line of Ranodeep S from MAS Capital. Please go ahead.
- Ranodeep S:** Sir, can you throw some light on the FGD opportunity that we are sitting on? as per some reports, there's a 97 GW to be ordered, which is a 60,000 crores opportunity. Can you share some insights on this opportunity and how BHEL is shaping up for this?
- K. Sadashiv Murthy:** You're talking specifically to FGD projects?
- Ranodeep S:** Yes, sir, FGD, Flue Gas Desulfurization.
- K. Sadashiv Murthy:** Mr. Sisodia, our ED, Power Sector Marketing will speak out.
- RPS Sisodia:** Approximately 130 GW of the FGD projects has been tendered out, out of this BHEL share is roughly 30% or so. State sector has also come up forward also, but majority of the state sectors are yet to give a tender enquiries for setting up the old power station, sir.
- Ranodeep S:** So, my question was, there's a report mentioning that 97 GW is yet to be ordered and the opportunity size is almost 60,000 crores. So, wanted to understand in the coming years, are we looking at tapping this big opportunity?
- K. Sadashiv Murthy:** Yes, definitely. As you rightly said, around 100 GW bidding will be there and that's what our executive director was telling, and normally earlier our market share is around 30%, and we are targeting this area.
- Ranodeep S:** My next question is, I think you rightly pointed out we bagged last year the super rapid gun mount order and kind of forayed into the defense space. What are our thoughts for this defense space? I understand we've kind of explored an SPV or a JV with a Germany's Rheinmetall. How are we progressing in those SPVs and anything that you can share from a futuristic forward?
- K. Sadashiv Murthy:** Ms. Bani Varma, our Director will talk.
- Bani Varma:** So, in defense, there are certain initiatives. In fact, defense is an area that we are definitely focusing on. So, like SRGM, as you know that now we have got a large volume of orders over the last 1.5 years only. I mean, like just to give you a sense of the orders, we were getting like in 30 years we got orders for 44 guns, and in 1.5 years we've got orders for 38 guns. So, that's the scale at which we are looking at the SRGM Business. Other than that, what we are looking at in the defense space is air defense guns. That's a very major big ticket opportunity for which we have already responded to the army. We have already submitted our bid also for this and here we have to give a prototype. So, for bid, we have tied up with OEM, European OEM again and along with them, we are preparing our prototype, which will be delivered in this financial year,



and on basis of that I mean the technical trials, field trials will take place and we are hopeful that we will be successful in that. So, that's a very big area that we are looking at. Other than that, there is marine gas turbines. Again, that's one area for the Navy, which is a new area for us where we have already again tied up with another company in Europe and we have already submitted our bid for these, and hopefully this financial year or probably early next financial year quarter, this bid is going to be open. Other than that, we are looking at strategic equipment for the Navy. I will not be able to explain exactly in much detail, because it's highly confidential, but that is one area where BHEL is doing everything by its own. That is the engineering competence that we have, is being used by the Indian Navy to develop some very unique one-of-a-kind strategic equipment that we are working on. That's a very big area that we are looking at. And, other than that in the Air Force, we have got orders from HAL for 83 compact heat exchangers for the LCA Tejas MK1A. Another 93 I think HAL has got an order for, which in turn, we expect, they'll be ordering on us. So, this is a very good opportunity that our Vizag plant is doing and so these are the main areas that we are looking at Rheinmetall, I am not sure, but we are definitely looking at different partnerships to carry this business forward.

**Ranodeep S:** We were exploring a tie up with TERI in the battery energy storage system. Any update that you can share in that regard?

**Bani Varma:** We are executing in fact an order of around 400 kW or so, three substations with TERI are already under execution. So, I think they'll be completed in this quarter. But that is only specifically for three substations. Other than that, we are trying you now, because this is a big opportunity, I mean like 47 GW is expected by 2030, so we are now exploring this time, talking for the other customers so that we can do our EPC packaging for the BESS projects and address this opportunity in that manner.

**Moderator:** We have the next question from the line of Girish from Morgan Stanley. Please go ahead.

**Girish:** I just had two clarification questions. This ECL provisioning accounting change that has happened which is 699 crores for nine months ending, if you had continued the same accounting practice, is it fair to assume that it will be another 200-250 crores of provisioning? And the second one was that for the year ending FY'24, if you can break up the total provisions and any break up of provisions that you can share for the full year basis?

**K. Sadashiv Murthy:** See, these provisioning details they are already in the balance sheet. Total impact is Rs. 1,093 crores in the financial year and balance details, we will share offline.

**Girish:** And, just one follow up. In terms of your order backlog currently, can you quantify for us like what quantum of your power projects have a proper pass-through in terms of raw materials so that we can understand the underlying profitability in the foreseeable future, how that can turn out to be?



- K. Sadashiv Murthy:** See, as of 1st April, our order outstanding is around Rs. 1,31,600 crores approximately, out of which basically power sector orders are Rs. 92,559 crores, and out of these Rs 92,000 Crore Rs 52,000 crore orders are received in this financial year. So, old orders were around Rs 40,000 crores.
- Girish:** Is it fair to say that 52,000 crores will have raw material pass-through variation clauses in place and the balance 40,000 crores could be at legacy prices?
- K. Sadashiv Murthy:** No, no. See, normally whenever we book the order, both type of order comes to us, firm price contracts as well as PVC. So, it will be a mix of things. Whatever order book we are executing that also is having some price variation clause and these Rs 52,000 crores also there is a mix of things. Firm price contracts are also there and price variation clauses are also there.
- Girish:** So, can you break it up like how much would we be having as a complete parcel?
- K. Sadashiv Murthy:** We can share afterwards. Readily, we don't have that figure.
- Girish:** And in the next 12 months, which is FY'25, how should we think about order bookings with your non-power segment. What is the aspiration here realistically in terms of how much order inflow can you have and any large orders that you want to call out on our side?
- K. Sadashiv Murthy:** If we see the previous year, it is 70:30 ratio, 65- 70% is from power sector and balance is from industry sector, and our perspective is that we want to go for 50:50%, 50% from the power sector, 50% from the industry sector in long term. And, from industry sector, our main areas will be transmission, transportation, defense, these will be the three major areas which we are targeting.
- Moderator:** The next question is from the line of Madanagopal from Sundaram Alternates. Please go ahead.
- Madanagopal:** First one, just to the previous caller, you mentioned that you are targeting railways and transmission. If you can elaborate a bit on both these segments on what kind of products that we will be supplying to? I understand in railways you got the order for Vande Bharat where you will be supplying the traction motors and other propulsion-related products. Do you get the similar opportunity for the India coach factories like ICF, another coach factory?
- K. Sadashiv Murthy:** Yes, yes. We are already supplying propulsion system, transformers, and traction motors, all those things to the railways. That is the existing business itself. And, in Vande Bharat, these are our input materials.
- Madanagopal:** So, you expect in the future when the Vande Bharat orders increase, you get additional orders from these coach factories?
- K. Sadashiv Murthy:** Definitely, definitely.



- Madanagopal:** And then transmission, there is a large momentum in orders coming through. What are our scope of work here, particularly in the 765 kV transformer, what kind of market share that we envisage?
- Bani Varma:** The transmission is definitely going to be a big area, especially when the 500 GW of RE transmission will kick in. So, the main area what we are seeing here is the HVDC. In fact the high value and steady margin are in this HVDC business. We are foreseeing that over the next two years, four major HVDC projects which are going to be tendered out. The first one is Fatehpur Badla, for which bid has been submitted this month itself. Then, after that, there is another one for which the tender is also out, that is Khavda Nagpur, again for which we are submitting our bid and then there are two other projects, VSC-based HVDC projects which are Leh-Kaithal and one South Olapad which are also on the anvil. For the first two projects, we have already tied up with an international partner, with an OEM, and we have already submitted our bid for the first project. For the second one also, we are in advanced stage. So, this is from the HVDC side. Other than that, we are also looking at the substations for 400 as well as 765 kV substations and complete substations as well as we're also giving the loose products like our transformers, GIS, AIS-based equipment, all those are also being supplied. So, yes, this is a big opportunity and these are the items that we will be supplying there.
- Madanagopal:** My second question is on the execution front. If you look at the number of large, particularly in the balance of plant space in the power generation, a lot of players have left the space. Now, as we got the new orders in the last one year, how are we planning to avoid delays in execution, getting into, say, execution of the new project that you got, because many of these players, particularly if I look at the coal handling plants, a lot of these players who used to be there are now no more interested in doing the EPC project of those. How are we going to handle this scenario as we start executing the new projects?
- K. Sadashiv Murthy:** Our first and the foremost thing is we want more and more vendors, and new vendors should join. So, for that we have full dedicated teams are working to bring the more and more new vendors, and at the same time, as you rightly said, people who have left, we are having a continuous interaction with them. So, that while interacting we can say that why they have left the job, we want to handhold them and we should bring them in. So, we are working on both the things, existing vendors who are there who have now stopped working, we are interacting continuously with them and we want more and more new vendors should come. As you rightly said, with so much order book we have to have partners.
- Jai Prakash Srivastava:** I will just add, we are also looking at our policies to bring lot of comfort for our vendors.
- Madanagopal:** Exactly. That is the main point. In the past, we have missed these orders, lack of orders, second, cash flow used to be an issue and also margins used to be a problem. Have we bid in the new project sufficiently enough to address these issues for our vendors so that we will provide them sufficient margins and cash flows for them to come back into the system?





- K. Sadashiv Murthy:** See, that's why I said that we are working on both the things. As far as new vendors are concerned, we are trying to get new vendors and the existing vendors also, we are trying to interact with them, find what are the issues and we are trying to bring them back.
- Moderator:** The next question is from the line of Khadija Mantri from Capri Global. Please go ahead.
- Khadija Mantri:** So, my first question is that the government plans to add 88 GW by 2032 on the thermal side. So, by when do you think all these orders would be awarded and how much has already been tendered out and what is left? And so, do you think that we can assume six to seven GW on an annual basis?
- K. Sadashiv Murthy:** See, all these projects what government plan is by 2032, and they want to finish this ordering of 80-plus GW. And we are expecting that there will be definitely around 10 GW ordering. So, to have a break up, 10 GW is already tendered out, 27 GW is under construction and after that 40 more GW will be tendered. So, what we are expecting is that in the next few years, every year there will be around 10-12 GW ordering.
- Khadija Mantri:** So, the capacity installation would go beyond 2032?
- K. Sadashiv Murthy:** By '32, this capacity installation will be completed.
- Khadija Mantri:** In industrial, I see that our EBIT margins have dropped. So, is there any reason or it is just project-specific and we shouldn't read too much into it?
- K. Sadashiv Murthy:** No, no. It is basically due to some provisions it got like that. It is nothing much to be read in to. In this financial, year due to some provisions, it got like that. It is project-specific. As you rightly said, it was due to some projects.
- Khadija Mantri:** So, on consistent basis, how should we look at EBIT margin for the industry sector as such?
- K. Sadashiv Murthy:** See, we cannot give the guidance on EBITDA margins basically. Issue is in the product profile of industry sector. There is a huge variety of products there, products as well as projects, which we have in transportation, defense, transmission, various products. So, that's why we cannot say that which line will be how much EBITDA margins. Actually, it is a mix basket.
- Khadija Mantri:** Can you give a sense about the execution in FY'25 since we have a large order book now and in the past two years, the revenue has been consistent at about Rs. 24,000 crores. So, this year, can we see a decent growth?
- K. Sadashiv Murthy:** Basically, as far as capacity addition is concerned, around 10 GW capacity addition, we will be doing and exactly speaking we cannot give revenue guidance, but definitely we are targeting some 12% to 15% of CAGR year-on-year because whatever order book we are having we have to execute also. This we are telling by seeing the age of the orders as well as the execution potential.



- Khadija Mantri:** On Vande Bharat train order, the execution has started from main site for the propulsion systems?
- K. Sadashiv Murthy:** Around 24 months is the first prototype. So, it is not yet due. The process is on. Basically it is under manufacturing at various places at BHEL, Bhopal, Jhansi, Bangalore, and it is within schedule.
- Khadija Mantri:** So, the revenue recognition you are saying would take another 18 to 24 months?
- K. Sadashiv Murthy:** Yes, yes. From June '25, contractual delivery will start, i.e from next year onwards.
- Moderator:** The next question is from the line of Subhadip Mitra from Nuvama. Please go ahead.
- Subhadip Mitra:** So, two questions from my side. Firstly, if I look at your overall contract assets and trade receivables, how much of these would be for the older NTPC plants which are under execution and by when do we look at these older dues getting cleared?
- K. Sadashiv Murthy:** See, we can share this information offline because customer-specific details, we will not share here. One thing I want to say, whatever earlier NTPC projects we were having, we are targeting that their execution will be finished by next financial year.
- Subhadip Mitra:** That in by end of FY'25 by March?
- K. Sadashiv Murthy:** Very true, very true.
- Subhadip Mitra:** Typically, the cash inflow for those projects follows within one to two quarters ?
- K. Sadashiv Murthy:** Within a quarter, we can say if some of the things are milestone related so we finish the milestone in one particular quarter, next quarter we will get the cash.
- Subhadip Mitra:** So, you should be certainly looking at your cash flows and your working capital situation getting better by March?
- K. Sadashiv Murthy:** 100% true.
- Subhadip Mitra:** Secondly, with regard to the balance of plant, right, so while BTG is the bread and butter for BHEL, I understand much of the balance of plant also, BHEL has started manufacturing in-house. But, are there any key components which are still not manufactured in-house for which there is still a dependence on outsourced vendors or vendor base, any particular components that you would like to highlight?
- Tajinder Gupta:** See, as such for balance of plants as on date we are not exactly manufacturing anything in totality. The systems like DM plant, AHP, CHP, we are dependent still on the other OEMs. And in future also, see, we are working on some, but it's on a very primitive stage, we were thinking



of doing some action in-house, but I think that's still in primitive stage and not finalized. So, as such if you see balance of plant in totality is normally outsource kind of thing. So, we are still manufacturing BTG only.

- Subhadip Mitra:** What about the ESP, the electrostatic precipitator?
- K. Sadashiv Murthy:** That is a part of BTG and it is getting manufactured at Ranipet.
- Subhadip Mitra:** So, if I understand you correctly, the water DM plant, those are the key areas of outsource dependence?
- K. Sadashiv Murthy:** See, other system which are added nowadays like FGD, SCR etc. that's our own manufacturing. But as far as the pure BoP, which we consider like DM plant, AHP, CHP, that we are not doing, that's we are outsourcing only.
- Subhadip Mitra:** And do you see any challenges in terms of the vendor base over there like I think one of the earlier questions is also around that, that probably many of the vendors over the last decade have moved out of these businesses. So, do you see this as becoming a hurdle or a big challenge or you see that most of -?
- K. Sadashiv Murthy:** The challenge is there. But, I think we are working on it. We have formed a corporate central procurement cell in Noida. So, we are doing things centrally. We are relaxing our PQRs, applying in consortiums, and we are relaxing our terms, we are making a bit lucrative to ensure that financial cash flow is better than earlier. So, I think actions have been taken and we are getting real positive response, people who were away, now they're coming back. So, in pre-bid enquiries, we are getting better response. Many vendors are coming to us with further enquiries. So, I think the challenge is there but things will improve surely.
- Subhadip Mitra:** Lastly, with regard to the larger NTPC bulk orders that we are winning. One, are you seeing those having the commodity cost pass-through clause typically because I believe all NTPC orders will probably have similar terms? And secondly, are you seeing better terms in terms of payments and advances for such jobs?
- K. Sadashiv Murthy:** Yes, definitely. Earlier, there were one or two projects, but now we are seeing the change of payment terms. What we are getting now is with the changed payment terms and all with the variation clause.
- Moderator:** The next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.
- Sumit Kishore:** Could you spell out the executable order backlog in power and industry out of the total order book of Rs. 1.31 lakh crore? Are there any slow-moving contracts or non-moving contracts?



*Bharat Heavy Electricals Limited*

*May 21, 2024*

- K. Sadashiv Murthy:** See, in Rs. 1,31,600 crores roughly around Rs. 7-8,000 crores are non-moving orders, balance around Rs. 1,24,000 crores are all executable orders. And if you want a break up of those things, around Rs. 92,000 is from power sector and around Rs. 31-32,000 is from industrial sector.
- Sumit Kishore:** Historically, you used to share the MoU target for excellent rating in terms of revenue. Could you please share it for FY'25 or give us a sense of your MoU target?
- K. Sadashiv Murthy:** This is still to be finalized and we are expecting it in the month of June or July, we will be signing the MoU with DPE. It is not yet finalized, it is under discussion.
- Sumit Kishore:** And what was the net provisions in FY'24?
- K. Sadashiv Murthy:** You are asking net vacation?
- Sumit Kishore:** No-no, net creation of provision, not the gross number, net number which is impacting your other expenses in the P&L?
- K. Sadashiv Murthy:** Rs. 1,037 crores.
- Sumit Kishore:** Just trying to understand, this was a year of low single digit top line growth. Your net cash from operating activity was (-3,712) crores versus (-740.7) crores in FY'23. So, basically the cash flow seems to suggest that your receivables as listed in the cash flow filed on BSE, has gone up by close to Rs.2,469 crores, your payables have come down by Rs.962 crores and despite having the record year on order inflows, the advances have gone up only by Rs.1,244 crores. Given that this was a record year of order inflow, I know previous participant had also asked but this is not making sense to me. I know there has been big focus on reducing trade receivables, so I don't understand, could you please give a more detailed answer on how the working capital performance is?
- K. Sadashiv Murthy:** You are very right. Basically, what happened that major order booking happened in the last quarter, February, March, and we started getting the advances in this financial year. See, most of the ordering as I was telling earlier also, ordering happened in Q3 and Q4. We have collected the advance more than Rs.3,000 crores previous financial year and whatever ordering which has happened in the last quarter in February and March those advances we started getting in this Q1 of this financial year. And, because advances are now not like earlier, that along with the order itself, they will give the advance. Now, what people started giving is initial advance will be very less, after that some progressive payments will be there like after ordering of some equipment. So, all those things, we started getting in Q1FY25. That is the reason that you are finding that after so much order booking also, still, advances are not like that.
- Jai Prakash Srivastava:** It is milestone-linked.
- Sumit Kishore:** So, has there been a tightening of the clause on advances or in general a tightening of clause on award of contracts which we should be aware of?



- K. Sadashiv Murthy:** No tightening, nothing like that. Rather, we got a better payment terms. What I would like to say is projects which we have got in suppose February and March and if they are having some initial milestones that after ordering we will give so much 5% advance. Those orderings we could complete in the first quarter in April, and then we got the advance. Like that, it has happened now.
- Sumit Kishore:** Why have the payables come off?
- K. Sadashiv Murthy:** The payables have come down, around 1,000 crores.
- Sumit Kishore:** Payables have come down, which is not helping your working capital because -
- K. Sadashiv Murthy:** No, no. You are seeing the net payables have come down. If you see last year, our cash outflow towards material is highest. So, that is what we will be getting the execution in this Q1 and Q2. So, last year, if you see the absolute terms, my cash outflow towards material is highest.
- Sumit Kishore:** Also, briefly on profitability. If I look at gross margins, let's forget about the provisions which are non-linear. This is the seventh straight year from FY'18 where your gross margin has been declining on a year-on-year basis. So, FY'18, I mean depending on how you calculate, you are at 44%, you are at 29.7% in FY'24. So, basically in your calculations, look at the trend, last seven years, gross margin has been coming off year-on-year. So, is this the bottom? Is this trajectory going to turn or is this the new normal?
- K. Sadashiv Murthy:** This trajectory is going to turn.
- Sumit Kishore:** And that is going to happen because?
- K. Sadashiv Murthy:** That's what I want to say. In the last 2-3 years, the commodity prices and all those things which have gone in COVID period, our supply chain got disturbed and there was a delay in the execution also. So, all these things when we start executing, and as I said earlier also, we are trying to bring the new and more vendors, whoever vendors have left the field, we are trying to bring them back. So, once we start working on all these things, then automatically vendors will give a better prices. So, we are trying to handhold the vendors so that we will have a better prices. We will improve the execution also so that all these will contribute to the improved gross margin.
- Moderator:** The next question is from the line of Koundinya Nimmagadda from Jefferies. Please go ahead.
- K Nimmagadda:** A couple of questions from my end. So, starting with the nameplate capacity, we all know that 40 GW and 20 GW nameplate capacities. But if the industry were to execute 10 GW per year, what is the on-ground realistic capacity that a), BHEL has and b), industry as a whole has, if you can throw some color on that please?



- K. Sadashiv Murthy:** See, BHEL, I would like to confirm that we are having a capacity of around 10 GW every year, year on year we can do it. Earlier, we have demonstrated up to 12 GW also in previous year, but what we are saying is we can always have a capacity addition of 10 GW.
- K Nimmagadda:** And what is the total capacity that you have, sir, I mean 10 GW if you can execute and what is the total capacity BTG plus the BoP if you can put together?
- K. Sadashiv Murthy:** BoP, as we were telling, we are taking from the market. So, BTG only, we are manufacturing inside the plant.
- K Nimmagadda:** Yes, sir, I get that. The reason I asked this question is that, as you rightly alluded some of the vendors have left, so in that context, what is the realistic -?
- K. Sadashiv Murthy:** No, no, we are not foreseeing any issue in that. As Director (Power) was telling, we are already reaching out to the vendors. Vendors are now coming and last 2-3 months, what we are seeing more and more vendors are quoting in our tenders. So, we are not foreseeing much of an issue.
- K Nimmagadda:** And for the industry, where would that number be, sir, against all you covered?
- K. Sadashiv Murthy:** I don't want to comment on others.
- K Nimmagadda:** Second question is on the profitability front. I mean this was asked in different forms earlier as well. I mean for the new orders, what are the different kind of checks that you're building so that a), the orders are profitable at PAT level, at EBITDA level as well and also at cash flow level, I mean with respect to working capital. If you can throw some color because 10 GW is a great number, but ultimately it should also result into cash flows?
- K. Sadashiv Murthy:** See, I want to say in one line, it is a timely execution. That is the way we are seeing. As I have made it clear that payment terms have improved by customers, so now it is only a question of timely execution. Automatically, profitability will increase and cash flow also will increase.
- K Nimmagadda:** If I were to ask you, I mean, out of every 100 crores of EBITDA how much will be the cash flow from operations be, CF EBITDA conversion if you were to look at it that way?
- K. Sadashiv Murthy:** Sorry, we cannot give that guidance.
- K Nimmagadda:** Not the guidance. I mean, what is that you're targeting, just trying to understand because some of your industry peers -
- K. Sadashiv Murthy:** We can discuss offline, but we cannot be talking that -
- Jai Prakash Srivastava:** BHEL is a very complex organization with lot of products, so it cannot be ascertained like this.
- K. Sadashiv Murthy:** There cannot be a straight answer or simple answer to your question, sorry.



- Moderator:** The next question is from the line of Abhineet Anand from 3P Investment Managers. Please go ahead.
- Abhineet Anand:** You talked about 10 GW tenders and you did name projects as well. Just trying to know this 10 GW you expect in FY'25 or what is the time period for that?
- K. Sadashiv Murthy:** Yes, FY'25 only.
- Abhineet Anand:** And in one of the other questions you talked about 27 GW is under tendering. So, fair to assume that -
- K. Sadashiv Murthy:** 27 GW is under construction.
- Abhineet Anand:** Apart from this, 10 GW that you talked, what could -
- K. Sadashiv Murthy:** It's tendered out.
- Abhineet Anand:** So, for '26-27, you are confident that there could be another 10 GW on an annual basis, right?
- K. Sadashiv Murthy:** Yes, yes, definitely. That is the minimum thing because they want to complete the ordering by '27.
- Abhineet Anand:** And last one sir is on the gross margin side and one of the participants did ask on that, just trying to understand on quarterly if you see first nine months, our gross margins was lower, this quarter especially 4Q it seems to be better off than the first nine months. So, is 4Q a more representative or the yearly number more representative, just trying to understand, there is almost a 300 basis points difference.
- K. Sadashiv Murthy:** Okay, I will say yearly. And we are trying to even it out. Your point is very correct that Q4 is more. So, we are trying to even it out also as per our operations.
- Moderator:** The next question is from the line of Sai Siddhartha Pasupuleti from Kotak Securities. Please go ahead.
- Sai S Pasupuleti:** So, there has been a few restatement of the financial statements in the quarter, right? I just wanted to ask what would be the effect of the same incrementally in future years as in how to take this in terms of the way we look at other expenses?
- K. Sadashiv Murthy:** So, basically it is a one-time thing. We don't foresee anything in future.
- Sai S Pasupuleti:** So, how do we look at the other expenses because there has been a reclassification, right, like how do we look at the other expenses as in, if we see the provisions, is it the right way to see the previous before the reclassification or after the reclassification?



- K. Sadashiv Murthy:** The other expenses are more or less stable.
- Moderator:** Ladies and gentlemen, we will now take the last question for today from the line of Sandeep Dixit from Arjav Partners. Please go ahead.
- Sandeep Dixit:** Sir, my understanding is that a large part of the problem that we faced over the last two years was because of legacy orders and the margin compression that happened as well because of the fixed price contract. Any guidance on how much of those legacy orders are still pending on your books and when will they go away?
- K. Sadashiv Murthy:** See, as I was telling basically around 50,000 crores order book is still there which was earlier to this financial year, other than some defense, nuclear or this Vande Bharat, which we will be finishing by next financial year.
- Sandeep Dixit:** But you also mentioned that out of this 50,000, many of them have a pass-through. So, I am just understanding out of the 50,000, how much would be still at fixed rate basis?
- K. Sadashiv Murthy:** That data is not readily available with me. You can take it from offline from my colleagues.
- Moderator:** I would now like to hand the conference over to the management for closing comments. Over to you, sir.
- K. Sadashiv Murthy:** Thank you all for your patient hearing and we had a really nice interactive session. Thank you once again for attending this session. Thank you all. Good-bye.
- Moderator:** On behalf of ICICI Securities, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.