

Q2 FY09 Post Earnings Conference Call Transcript

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Date: 29th October, 2008

Moderator - Melisa

Ladies and gentlemen, good afternoon and welcome to the Bharati Shipyard Limited Q2 Post Results Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder for the duration of the conference all participants' lines are in a 'listen only' mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. At this time, I would now like to hand the conference over to Miss. Kejal Mehta of Prabhudas Lilladher Private Limited. Thank you and over to you Miss. Mehta.

Miss. Kejal Mehta - Prabhudas Lilladher

Thanks. Good afternoon everybody, on behalf of Prabhudas Lilladher I would like to welcome the management of Bharati Shipyard, that's Mr. Kapoor and Mr. Doshi as well as all the participants on the call. We will start with the initial remarks from the management side after which we will open the floor for questions and answers. Over to you Mr. Doshi.

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Kejal, I will just give the brief.

Miss. Kejal Mehta - Prabhudas Lilladher

Ok, Mr. Kapoor will give us the brief.

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

The turnover and the sales in this quarter have been satisfactory and as we had projected we have achieved a turnover of 213 crores, just

21 crores on the subsidy account as compared to the corresponding quarter of the previous year of 148 crores and 13 crores with the subsidies. As far as the EBITDA margins are concerned, it will more or less remain the same and as far as the net profit, it is 33 crores compared to 25.75 crores in the previous quarter of the corresponding year. And also the delivery of vessels as well as the general working has been satisfactory.

Now I would like to take up the questions.

Moderator - Melisa

Thank you. Ladies and gentlemen we will now begin with the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to use handsets while asking a question.

Anyone who has the question may press "*" and "1" at this time.

Participants who have a question may press "*" and "1" on their touchtone telephone.

The first question is from the line of Miss. Neha Idnany of Angel Broking. Please go ahead.

Mr. Sulabh Agarwal - Angel Broking

Actually this is Sulabh Agarwal. I have a few questions, your current order book is around Rs4800 crores, are you expecting any cancellations on the back of the....?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

No we are not expecting any cancellation. There have been no cancellations primarily because all our orders are from genuine user party. There have been some cancellations in the industry, but those have basically been speculative orders. When the prices were going very high, a lot of speculation took place and then at a certain time, those orders got cancelled and they saw that those huge returns are not there.

Mr. Sulabh Agarwal - Angel Broking

I wanted to ask one more question. Currently, the global order book is around 40% of the total capacity globally. So are we expecting any slowdown orders for the next 1-2 years in this backdrop?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

This is a worldwide recession which is being talked about. Less cargo would be carried and there may be a slowdown on the cargo sector, but that, we estimate, would be temporary. It may be for the period of 1 year or 1.5 years but we already have an order book which takes us well into 2011. We are executing these orders by that time. So currently we don't expect any slowdown for ourselves. But as far as new orders on the cargo sector are concerned, for one year there may be a slowdown. You don't see any slowdown on the offshore sector; offshore sector which is maximum of our production.

Mr. Sulabh Agarwal - Angel Broking

Just one thing. The crude oil prices hike, they increase a lot during the first half of the year and all that stuff. They are now back to around 60 or 70 levels?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

No, they are back to about 65-67, which still is a price which is very conducive to offshore drilling and offshore exploration. I think 150 in any case was the artificial price which resulted in due to a lot of speculation and lot of futures trading.

Mr. Sulabh Agarwal - Angel Broking

So we consider the current level has to be the genuine global answer on the slowdown of orders.

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Yeah.

Mr. Sulabh Agarwal - Angel Broking

I didn't understand one thing on the strategy front kind of thing, what I wanted to understand is how do you go about your order book? Do you first create capacity to construct the vessels and then you go for developing the order book or you first build the order book and then go for a capacity?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

We have done both, a lot of our expansion plans were conceived and we took the orders accordingly. But then we expedited the execution of this when the order book came through so it was done both ways.

Mr. Sulabh Agarwal - Angel Broking

And Sir, what kind of order was the order book fresh editions i.e. for the order book what kind of visibility do we have for the next 1-2 years?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

I would say it would not be as fast as the last 2 years but definitely there will be order book growth. We are negotiating several important orders, I cannot give you the detail but they definitely are in the pipeline.

Mr. Sulabh Agarwal - Angel Broking

Sir I have few more questions. Sir your stock price is quite down nowadays. Do you have any kind of stock buyback or anything of that kind?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

At the moment I can't tell you but maybe we will think of something like that.

Mr. Sulabh Agarwal - Angel Broking

Can I know what is your capex plans for the next 1-2 years and is there any....?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Not capex plans, we are not changing those because of any slowdown or anything. I don't see that slowdown affecting our capex plans; they are going to remain same.

Mr. Sulabh Agarwal - Angel Broking

I just wanted to understand what kind of gross block are we looking for the company for next 1-2 years?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

We are exploiting capex of around 200 crores annually for the next 2 years.

Mr. Sulabh Agarwal - Angel Broking

That's great. One last question. How many vessels have we delivered in the current quarter? Can you give me that number?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

In the current quarter, we have delivered 1 vessel, last quarter we had delivered 2. Another 2 vessels are nearing completion.

Mr. Sulabh Agarwal - Angel Broking

And 2 are nearing completion. So will they be delivered in Q3?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Yeah.

Mr. Sulabh Agarwal - Angel Broking

Ok sir. That is all.

Moderator - Melisa

Thank you.

Moderator - Melisa

Participants who have a question may press "*" and "1" on their touchtone phone.

Moderator - Melisa

The next question is from the line of Mr. Amol Kotak of ASK Investment. Please go ahead.

Mr. Amol Kotak - ASK Investment

Hello Mr. Kapoor, hello Mr. Doshi.

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Hello Amol.

Mr. Amol Kotak - ASK Investment

I had couple of questions. You mentioned that the cargo segment is showing some sort of slowdown. If you could just elaborate more from the order books flow, the pipeline which we are talking. How much of that would be cargo?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

As it is, our production is 70% offshore and 30% non-offshore. Out of which, the sector that is facing a slowdown which is basically bulk cargo probably would be 15%. Now when there is a slowdown of the economy or recession there is going to be a slowdown of carriage of these kinds of goods. So this is what is anticipated but this sector would slowdown.

Mr. Amol Kotak - ASK Investment

What I am trying to say is that currently from your revenue it's a 70:30 ratio versus your OSV and the cargo, from the pipeline, in the order book you think it is only 15%?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

No what I am saying is that non-offshore side the slowdown is more. The bulk cargo sector which should be about 15%, half of the 30% which is non-offshore.

Mr. Amol Kotak - ASK Investment

And second question is how much of rig revenue has been booked in this quarter?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

I think something like 58-60% has been booked. This quarter the rig 99 crores rig revenue has been booked in this quarter.

Mr. Amol Kotak - ASK Investment

So how much has been booked in the first half as far as the rig is concerned?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

First half total booking is around 180 crores.

Mr. Amol Kotak - ASK Investment

And the balance would be pending for the second half. How much would that be?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

No, a total of 58% has been booked. So the pending is around 40%.

Mr. Amol Kotak - ASK Investment

That is about 280 crores?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Yeah.

Mr. Amol Kotak - ASK Investment

Just one more question. Just give us the status of subsidies. What is happening on that front?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

As far as subsidies are concerned, there has been some movement. What was holding it up so far was the cabinet note prepared by the Ministry of Transport. That has now gone for circulation to all the cabinet members. And the note is very positive and hopefully in the next few weeks, we should hear something about the subsidy. This is what has been told to us by the association and this is what I think we will come to know very soon.

Mr. Amol Kotak - ASK Investment

We had earlier spoken about the weight and the extension, so is it in that line or is there some changes which are expected?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

No, at the moment there are 2 aspects of it, one is the previous subsidy which is due till August 2007. It has gone with a very positive recommendation to the effect that this is a commitment made by the Government and these subsidies are due to the shipyards. And it is expected that the cabinet will approve that. And for the future subsidies from August 2007 there is just a general note that the proposal with the full details we will be coming, but they are recommending that the subsidy should be carried on.

Mr. Amol Kotak - ASK Investment

We have been hearing reports of fall in the rates and all that so is it in line with that?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

We have been hearing reports of?

Mr. Amol Kotak - ASK Investment

The fall from 30% to 25 or 20....

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

We think that is going to happen.

Mr. Amol Kotak - ASK Investment

And how about the realization of the subsidy prior to August.....?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

As I said, the recommendation has been made by the Ministry that so much subsidy has become due and infact even the details of the various subsidies has been given. The details of the various shipyards which have earned subsidy on the various ships have been put in the note and that should get approved. Once that is approved then it is a matter of the procedure only.

Mr. Amol Kotak - ASK Investment

Just one last question. On the oil prices which has fallen considerably, you being part of this OSV segment, what would be your _ I mean, do we envisage some sort of slowdown or its not

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

No, we don't see any slowdown in this sector, because oil is something that you cannot live without. You have to use oil. And even at this price it is very viable to drill in the offshore areas and a lot of the current new building is on account of old ships that need to be scrapped, which really should not be plying as per the present rules. So a lot of the production is for that only and then rest would come to make up extra drilling or extra exploration that is required for the high price of oil. We don't see any close down on that, on any slowdown on that sector.

Mr. Amol Kotak - ASK Investment

Are we seeing postponement of the orders or nothing of that sort?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

No, no, no, nothing of that sort.

Mr. Amol Kotak - ASK Investment

What would be on the rig market side? Is there some where we expect rig orders to also slowdown?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

No we don't expect rig orders to slowdown, not at all.

Mr. Amol Kotak - ASK Investment

Thank you sir. If I have more questions I will come back.

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Alright. Ok.

Moderator - Melisa

Thank you Mr. Kotak.

The next question is from the line of Mr. Divyash Shah of Pragya Equities. Please go ahead.

Mr. Divyash Shah - Pragya Equities

Hello. Good afternoon Mr. Kapoor.

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Good afternoon.

Mr. Divyash Shah - Pragya Equities

This is with regards the previous question about the oil rigs. Sir, up to what price of oil we are comfortable? Suppose today oil is at \$65 so suppose oil was down to \$50. So what can be our breakdown level, upto what price we are comfortable?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

I will tell you, I will just explain that. Some of the demand is because of the replacement. A lot of old rigs, a lot of old offshore vessels are plying which currently as per rules and in view of the latest technology they should not be plying. So these have nothing to do with price. It is purely that these are currently required for the market without taking into account there has to be increased production and increased drilling to meet the demand. This is just a demand that it was some years back, these required to be replaced. Some of the new constructions was because of that. Now as comes to the factor of increase the oil price due to which increased exploration is required and increased production is required, I think even a price of \$50 per barrel would compel drilling companies to go into offshore areas.

Mr. Divyash Shah - Pragya Equities

We are comfortable if the oil goes down upto \$50 then also it is a profitable business?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

But for the long period it will be the replacement demand itself, there is a huge replacement demand.

Mr. Divyash Shah - Pragya Equities

Sir there are reports in media about China. Majority of China's shipyard has closed down due to the lack of order or cancellation of order. So how are we different from that?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

They are not major shipyards. Some shipyards have closed down but as I said a lot of it was speculation. I don't know whether you were there on the previous question. Some of the shipyard has taken a lot of speculation orders, orders which were just to be taken for price that is going to go up and those orders will be passed on to somebody when the price has gone up. Now once the market has slackened, some of those speculation orders have gone.

Mr. Divyash Shah - Pragma Equities

Sir, how can we give comforts to the investor that out of 4,800 crores order, there can be no cancellation. If there is a cancellation we are not at loss?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

So far we had taken orders from the genuine operators, people who are actually operating in the market. None of these are speculative orders. That is why so far there is not been a single cancellation with us. But even if there is it will be very minor. I don't foresee any thing like this, but all the orders are backed by large advances. So the contracts are very clear that if any order is cancelled they have to leave them, they have to forfeit their advance. So we don't expect any thing like this, but even if there is a stray cancellation it will be very minor.

Mr. Divyash Shah - Pragma Equities

Infact, my second question is regarding the subsidies. Suppose subsidies come down from 30% to 20%, as it is reported in the media. So does our profitability come down?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

No, it won't come down. I will tell you the reason for this. Government has engaged some foreign consultants for the subsidy and they are the ones who recommended that the subsidy should be brought down from 30% to 20% because already the margins are good. So 20% is justifiable and the Government will probably go in for 20% for the future subsidy that is from August 2007. But till August 2007, 30% subsidies have been maintained.

Mr. Divyash Shah - Pragma Equities

Ok sir. Thank you.

Moderator - Melisa

Thank you, Mr. Shah. Participants who have a question may press "*" and "1" on their touchtone phone.

The next question is from the line of Mr. Devan Sangoi of ICICI. Please go ahead.

Mr. Devan Sangoi - ICICI

Good evening Mr. Kapoor.

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Good evening.

Mr. Devan Sangoi - ICICI

Just a couple of questions. One thing is that in the subsidy accounting, I think we have almost 180 crores+ of subsidies which are lying on the books for last so many years, I think more than 2.5 years. And we still continue to account for

the subsidiary in future orders. We haven't received anything. So what if this continues and that becomes a large part of our net worth. So how do you ensure that there is no write-off on the net worth on that front? When you receive cash and you account for it at that time, that will be the right way of accounting it rather than accounting on a profit which you are actually trying to inflate the net worth, but not cash flow impact?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Sir, we have discussed this issue across many times. But we have been asked to account on accrual basis following the guidelines issued by the Institute of Chartered Accountants. So there we do not have much choice because it is a policy announcement of the Government and there is nothing which is uncertain in the policy announcement because none of the members in the industry have received the subsidy.

Some shipyard has received it....

Mr. Devan Sangoi - ICICI

ABG has received 30 crores. But if you look at the amount which are sitting in the Balance Sheet in terms of that. Second thing is the approval cycle which involves a signoff and the valuer. Have all ships got documented and approved on the Government approvals that this subsidy is due?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

From the price satisfactory angle, we have got the approvals for all the subsidies. And infact, now I don't know whether you were there in the last question that was asked, you would be listening that it has taken a very positive turn....

Mr. Devan Sangoi - ICICI

I was there for the, by what time or what is the least surety of this money coming in the books and how fast?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Note by the Ministry itself, this is a committed amount by the Government and we have to keep to our commitment. It cannot be more than, this note is just shown last week, I would say within a matter of 4-6 weeks, it should get approved.

Mr. Devan Sangoi - ICICI

The third thing is there is some kind of a margin compression in this quarter if you look at both YOY and QOQ, how do you explain that?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

I think there has not been any major compression. If you look at the numbers without segment revenues, if you restrict to ship building segment only the margins are constant. So only in the windmill segment, there has been some slowdown. But if you look at the ship building segment, the segment results, margins are more or less constant. Even the windmill section there was accident and slowdown because of that. This will be corrected in the next 3 months.

Mr. Devan Sangoi - ICICI

The third thing is about the capex for the future. I think except for our capex which happened in South, there were plans for a JV with large group getting the cargo ship. So is that on track or would you now reconsider looking at the global situation about...?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

We would definitely have looked at that. But at the moment, we have not made any change in the plans. We are still at a stage of getting Government approval for the land and we have not changed anything as yet.

Mr. Devan Sangoi - ICICI

On the interest front, now I think the way looking at the current interest rates scenario and the debt also we don't have a concern on the FCCB but even the domestic rates have gone up. So are all your projects tied up and what will be the composition of debt in terms of rupee and foreign currency?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

All the projects have been tied up and the component is 1:1 between the rupee debt and the foreign debt which we have. Even the foreign debt which we have, the rate of interest is not very high. The rate of interest is 8% which is fixed for the term of the loan on the ECB component. That closure has already been done. Closure was done much before this crisis.

Mr. Devan Sangoi - ICICI

So we are safe on that front?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Yeah.

Mr. Devan Sangoi - ICICI

The third thing on the delivery of the rig, when do you expect its delivery? Earlier you said that it will be delivered by December. Now is there any delay on the rig delivery?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

No, there has been a change of date. There was change in the scope of supply and design. So now the delivery is March 30, 2009 and we are targeting that.

Mr. Devan Sangoi - ICICI

Can you start booking any further order on the rig?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Yes we can start.

Mr. Devan Sangoi - ICICI

Why haven't you booked any other order, or is there a question mark on the capability?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

There is no question mark on the capability. Infact negotiations are going on. I cannot give you more details. I hope you will understand that.

Mr. Devan Sangoi - ICICI

Sure. But definitely we will hear as we move on the rig front, some more orders coming in?, Lot of people have a concern that the order book growth has slowed down and because of the general environment, we are not able to book orders. So will this concern be off as we move forward?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

I think so.

Mr. Devan Sangoi - ICICI

The third thing is that steel was a major concern, which was a pressure on the margins and now as you see steel prices coming down...?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Steel prices are considerably....

Mr. Devan Sangoi - ICICI

So how does it benefit, looking at the global environment of easing commodity. So do you see constraints on the supply side?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

It won't be a huge benefit, but it will benefit us somewhat.

Mr. Devan Sangoi - ICICI

So, what will be the concern if the subsidy comes back. We are in a comfortable debt to equity ratio and you see this growth coming down. Do you see market share gain for you vis-à-vis other players in South East Asia?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Yes, a lot of other players are basically in cargo sector. Very few are in the offshore sector and we don't see the demand for offshore sector coming down until all the old ships have been replaced. Unlike in the cargo sector where it was uniform, some were old, some were moderate and some were new. Here mostly the ships were 90-95% very old. So those required replacement in any case.

Mr. Devan Sangoi - ICICI

Thank you very much sir. Thanks for your time.

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Ok.

Moderator - Melisa

Thank you Mr. Sangoi.

We have a followup question from Mr. Amol Kotak of ASK Investment. Please go ahead.

Mr. Amol Kotak - ASK Investment

Mr. Doshi, if you could just give us the debt figure as on September 30, 2008?

Mr. Parag Doshi - Chief Financial Officer, Bharati Shipyard

As of September 30, 2008, the working capital loan is 200 crores and the FCCB outstanding is 44m

Mr. Amol Kotak - ASK Investment

And part of the FCCB is up for redemption in December...?

Mr. Parag Doshi - Chief Financial Officer, Bharati Shipyard

That is 1.4 million.

Mr. Amol Kotak - ASK Investment

So in case that would not let you convert it, what would be the redemption or not?

Mr. Parag Doshi - Chief Financial Officer, Bharati Shipyard

1.4 million plus the interest on that. It is a small amount.

Mr. Amol Kotak - ASK Investment

That would go in the range of 10-15 odd crores.

Mr. Parag Doshi - Chief Financial Officer, Bharati Shipyard

Yeah, not more than that.

Mr. Amol Kotak - ASK Investment

Fine. Thank you.

Moderator - Melisa

Thank you Mr. Kotak.

The next question is from Mr. Raj Gandhi of Principal Asset. Please go ahead.

Mr. Raj Gandhi - Principal Asset

Hello. When you referred during the further cabinet note, you said that that was more regarding the disbursement of the past subsidy and not further extension....?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

There is a clear mention regarding the further subsidy, but the full details are not given like what will be the projection shipyard wise and what will be per shipwise. Like in the case of the past subsidy every detail has been given and that will get approved by the cabinet.

Mr. Raj Gandhi - Principal Asset

So even for the disbursement of the past subsidy, you will need to go through the cabinet approval and all because I thought that scheme was already...?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

The scheme was approved but the subsidy figure projected earlier was lower. Now the actual figures are available and normally the rule is that if it is within 10% they can disburse it without going to the cabinet, here it is exceeding 10%, infact more than 10%. So they definitely need cabinet approval. So now that note is gone and not only that shipyardwise, shipwise-specific subsidy amounts are mentioned so there should be no problem in dispersing that amount. Infact not only that the note also says that in the current year 800 crores should be disbursed.

Mr. Raj Gandhi - Principal Asset

Sir in Q2 of 2008, did you book any rig revenue, I suppose not, right?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

In Q...?

Mr. Raj Gandhi - Principal Asset

Q2 of 2008?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Q2 of 2008, yes we have booked. We have booked a substantial amount.

Mr. Raj Gandhi - Principal Asset

Ok, because otherwise I was saying, could you give me the amount how much did you book?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

I will just tell you that. This quarter or you are asking for last...?

Mr. Raj Gandhi - Principal Asset

Last quarter, previous quarter Q2 of 2008.

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Previous year, right?

Mr. Raj Gandhi - Principal Asset

Yeah.

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

I will get you the numbers. Till then, you can proceed to the next question.

Mr. Raj Gandhi - Principal Asset

Sir, just one thing more regarding the ONGC tender. ONGC has recently floated tenders for 17 OSVs, have you bid for that?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

We are in the pipeline for that, we are in the process.

Mr. Raj Gandhi - Principal Asset

There is a news saying that you are going for higher bought outs in rigs than earlier and margins even the pressure, anything of that sort?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Where is that? Is that a news item?

Mr. Raj Gandhi - Principal Asset

I don't recollect where, but basically it stated that in rigs you are going for outsourcing of parts and all vis-à-vis you are doing it yourself?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

No, but that is always the case. I mean not only for rigs but for every ship we go for outsourcing, every vessel. I mean we have hundreds of subcontractors. But that is a general practice followed world over. If the shipyard starts doing everything by itself, one is the cost will go up and secondly because our labour is more expensive than.....

Mr. Raj Gandhi - Principal Asset

But then are you doing more bought outs than earlier envisage to fulfil the delivery deadline?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

No, no, these are all planned.

Mr. Raj Gandhi - Principal Asset

Ok sir. Thank you.

Moderator - Melisa

Thank you Mr. Gandhi.

The next question is from Mr. Yohan Carvalho of Dalton Capital. Please go ahead.

Mr. Yohan Carvalho - Dalton Capital

Good evening Mr. Kapoor and Mr. Parag.

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Good evening.

Mr. Yohan Carvalho - Dalton Capital

A couple of questions. One was just wanted to confirm on the order book, is the figure 4,870 crores?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

One vessel was delivered. It is 4,831 crores.

Mr. Yohan Carvalho - Dalton Capital

And pending execution?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

3,459 crores.

Mr. Yohan Carvalho - Dalton Capital

And what is the number comprises. How many vessels?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

50 vessels.

Mr. Yohan Carvalho - Dalton Capital

And for this year, calendar year 2008 what is the delivery schedule, you have already delivered 2+1+1, is that correct?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

We have delivered 3, another 2 are ready for delivery, will be delivered in this quarter and may be another 1 or 2 in the last quarter. That will depend on how fast the deliveries take place there or they may spill over to April.

Mr. Yohan Carvalho - Dalton Capital

And what is the target for FY 10?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

The deliveries?

Mr. Yohan Carvalho - Dalton Capital

Yeah.

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

It will be much more, it should be exceeding 12. You are talking about 2009-10.

Mr. Yohan Carvalho - Dalton Capital

Right.

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

That will be accelerated very much.

Mr. Yohan Carvalho - Dalton Capital

And can you give me the figure for 2011 and whatever spillover is there for 2012?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

There has not been a spillover for 2012, balance will be 2011.

Mr. Yohan Carvalho - Dalton Capital

In this respect, has there been any form of delay by the client as far as the scheduling of the delivery is concerned rather than cancellation. I am saying delivery on the part of the client as to....?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

So far nothing.

Mr. Yohan Carvalho - Dalton Capital

So all of them are being delivered on time as per the original schedule?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

That's right.

Mr. Yohan Carvalho - Dalton Capital

Another question on the interest cost for this quarter. Could you give me a breakup as to how much would be due to working capital till debt and how much would be due to LC charges or any financial charges?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Around 60% of that is working capital and 40% is the charges.

Mr. Yohan Carvalho - Dalton Capital

And how is the change since the last quarter or may be you take it back to the fourth quarter of the last year?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Even last quarter it was the same.

Mr. Yohan Carvalho - Dalton Capital

And the fourth quarter sir?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Fourth quarter of course it was, the charges were more but the capital was less.

Mr. Yohan Carvalho - Dalton Capital

Fair enough. Just one last question I had the JV with Apeejay. What has been the progress as far as the land acquisition is concerned?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

It is still under Government approval and the matter is pending with the Government

Mr. Yohan Carvalho - Dalton Capital

But, have we because there was a news item couple of weeks back saying that you backed out of West Bengal. So are we focusing on Orissa right now?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Yeah. We are focusing on Orissa right now because West Bengal you know had the problem. There is still there in the pipeline, proposal is still pending with the Government. But the Government is going slow on that. But Orissa Government has taken up the matter.

Mr. Yohan Carvalho - Dalton Capital

So the capex total project outlay is about 1,500 crores, is that....?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

That's right.

Mr. Yohan Carvalho - Dalton Capital

And your contribution is as far as equity remains at 175 crores or...?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

That's right.

Mr. Yohan Carvalho - Dalton Capital

And how much has already been invested into this JV?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

At the moment not very much because we still haven't got the Government approval.

Mr. Yohan Carvalho - Dalton Capital

But for the land acquisition has there been any amount?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Government approval is for the land acquisition. We are taking the land from the Government.

Mr. Yohan Carvalho - Dalton Capital

But there has also been some acquisition that's been done by the company as well, right?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

No, not over there, not as yet. It is pointless doing it, suppose we don't get the approval from the Government, they will be done side by side.

Mr. Yohan Carvalho - Dalton Capital

Fair enough. Those are all the questions I had. All the best and Happy Diwali to both of you.

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Thank you very much. Happy Diwali to you also.

Mr. Yohan Carvalho - Dalton Capital

Thank you.

Moderator - Melisa

Thank you Mr. Carvalho.

The next question is from Mr. Saurabh Handa of Citigroup. Please go ahead.

Mr. Saurabh Handa - Citigroup

Good evening sir. Sir I just had a couple of questions, one is on the current order book, the unexecuted portion is 3,400 crores. How much more potential do you think there is in increasing this order as far say your revenue visibility is concerned over the next 3 years, as far as your capacity build out is concerned? How much more of orders would you be looking at?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

We can still book orders for delivery in financial year 2011-2012.

Mr. Saurabh Handa - Citigroup

So FY 10 and FY11 are fully booked, is it?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Yeah.

Mr. Saurabh Handa - Citigroup

And in FY12, how much of orders could you be looking?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

We can take more orders.

Mr. Saurabh Handa - Citigroup

Secondly, on your average interest cost, on the working capital loan that currently works out to what 10% or something or....?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Yeah, 9.5-10%.

Mr. Saurabh Handa - Citigroup

And if you were to go out and borrow in the market today, how much will the cost be?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

More than that. As you realize our interest are working something like 9%, 9% I don't think very many people are borrowing at 9% but is borrowing at 11-12% these days. We are getting 9% because of the export orders.

Mr. Saurabh Handa - Citigroup

And on the FCCB do you take any translation loss in your P&L or...?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

The accounting has been through capital WIP, now once the assets are put to use then yes definitely it will pass through the P&L.

Mr. Saurabh Handa - Citigroup

Currently nothing is going through the P&L?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Yeah.

Mr. Saurabh Handa - Citigroup

You were talking about the margins basically since most of your steel has already been as per your orders. Are the steel prices coming down unlikely to have any impact on your margins?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Yeah, yeah.

Mr. Saurabh Handa - Citigroup

We can expect margins to stay in the 19% range?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Yeah 18.5-19% is what we have been calculating. So it will remain in that range.

Mr. Saurabh Handa - Citigroup

And last question on the subsidy note which is being put up to the cabinet. Is there also a change in the process for receiving I mean the entire approval and disbursement process seems to be....?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Yeah certain things have been made more definite rather than earlier on when it was generalized. So to that extent yes there is an improvement.

Mr. Saurabh Handa - Citigroup

But that should help improve getting the....?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Carried out the process.

Mr. Saurabh Handa - Citigroup

Ok fine. That's it from me sir. Thank you.

Moderator - Melisa

Thank you Mr. Handa.

The last question is from Mr. Pritesh Chedda of Emkay Global. Please go ahead.

Mr. Pritesh Chedda - Emkay Global

Sir my question is any effects loss or gain in the current quarter if any?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

It is very minimal Rs. 7 lacs.

Mr. Pritesh Chedda - Emkay Global

And just to correct and clarify the subsidy book was 21 crores in this quarter versus 13 crores same quarter last year?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Correct.

Mr. Pritesh Chedda - Emkay Global

And the rig revenue booked in Q208 that is same quarter last year if you could tell us because the rig revenue...?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Yeah the question has been asked by someone, we will just get the thing.

Mr. Pritesh Chedda - Emkay Global

And you don't have it right away?

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

There would be a minor amount booked at that time. I don't think it is a major amount, approximate 5-10 crores that's it.

Mr. Pritesh Chedda - Emkay Global

No problem, all the best to you sir and have a Happy Diwali.

Mr. P. C. Kapoor - Managing Director, Bharati Shipyard

Ok. Thank you very much. Happy Diwali to you all.

Moderator - Melisa

Thank you Mr. Chedda.

Ladies and gentlemen that was the last question of the day. I would now like to hand the floor back to Miss. Kejal Mehta for her final comments. Please go ahead.

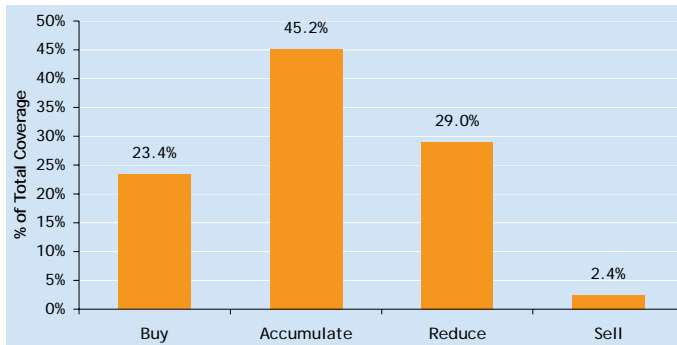
Miss. Kejal Mehta - Prabhudas Lilladher

On behalf of Prabhudas Lilladher I would like to thank the management as well as all the participants for attending this conference call. Thanks and have a nice day.

Moderator - Melisa

Thank you Miss. Mehta, thank you Mr. Kapoor, thank you Mr. Doshi.

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