

AGGRESSIVE BID BHEL's low offer surprises many in industry; some raise concern over the engineering major's ability to execute the project at such low margins

BHEL Beats L&T, Doosan to Win 2,400-mw Project

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Mumbai: State-run engineering major BHEL has emerged the lowest bidder in the tender to build a 2,400-MW joint NTPC-Jharkhand government power plant, surprising the industry with its aggressive offer.

BHEL beat Larsen & Toubro and Korea's Doosan, which were eyeing the contract which includes engineering, procurement and construction of three 800 MW units coal-fired power plant being built by NTPC and the Patratu Thermal Power Station. The project was estimated to be worth around ₹14,000 crore, but BHEL's is slated to win it with the lowest bid of ₹11,628 crore, three sources in the know told ET.

"BHEL's bid is remarkably low as steel prices have gone up almost 20% in the last two quarters and the pro-



The contract includes engineering, procurement and construction of three 800 MW units coal-fired power plant

For the power project, estimated to be worth ₹14,000-cr, BHEL's bid was ₹11,628 cr as against L&T's ₹13,220 cr and Doosan's ₹22,792 cr



ject also includes air pollution control system, which will make it expensive. The industry did not expect the bids to be cheaper than ₹6 crore per megawatt," said a top executive from a power company that was not in the race for the project.

BHEL's bid was worth ₹11,628 crore translating into ₹4.8 crore per MW. It

is 13.7% cheaper than L&T's ₹13,220 crore. Doosan's bid was significantly higher at ₹22,792 crore, sources said.

The companies were keen to bag this project as it was one of the rare active bids in the beleaguered thermal power sector, where generators are not taking up new projects due to lack of demand from state-run power distri-

bution companies. With few major investments in the conventional power sector, companies such as BHEL, L&T and Thermax have been left with weak order pipelines and low capacity utilisation of 25-30%.

While the low bid will benefit NTPC, some industry executives raised concerns over BHEL's ability to execute the project at such low margins.

"BHEL's bid does not factor in the current input cost, let alone the likely increase in costs going ahead," another senior industry executive said.

NTPC declined to comment since it has not yet made a formal announcement. BHEL could not be reached for a response.

In a report last month, Axis Securities said that on a like-for-like basis, boiler and turbine-generator pricing has increased by 15% over the past 12 months due to "return of rational bidding".