



GE T&D India Limited

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February 22, 2021

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The Manager
Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, Bandra Kurla Complex, Bandra (East)
MUMBAI 400 051

Code No. 522275

Symbol: GET&D

Sub: **Transcript - GE T&D India Limited Earnings Call for Investors held on February 17, 2021**

Dear Sir,

Please find enclosed a copy of the Transcript of earnings conference call with analysts/ institutional investors held on February 17, 2021 in respect of unaudited financial results for the third quarter and nine months ended on December 31, 2020.

You are requested to take note of the same.

Thanking you,

Yours faithfully,

For GE T&D India Limited

Manoj Prasad Singh
Company Secretary



“GE T&D India Limited Third Quarter Ended December 31,
2020, Earnings Conference Call”

February 17, 2021



**MANAGEMENT: MR. PITAMBER SHIVNANI – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER
MR. SUSHIL KUMAR – CFO
MR. NAGESH TILWANI – WHOLE-TIME DIRECTOR
MR. SANDEEP ZANZARIA – COMMERCIAL LEADER
MR. MARIASUNDARAM ANTONY – PROJECT BUSINESS
LEADER
MR. MANOJ PRASAD SINGH – COMPANY SECRETARY
MR. ANSHUL MADAAN – COMMUNICATIONS LEADER
MR. SUNEEL MISHRA – HEAD OF INVESTOR RELATIONS**



*GE T&D India Limited
February 17, 2021*

Moderator: Ladies and Gentlemen, Good Day and Welcome to GE T&D India Limited third quarter ended December 31, 2020, Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, 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. Suneel Mishra – Head of Investor Relations, GE T&D India Limited. Thank you and over to you, Sir.

Suneel Mishra: Thank you, Lizanne. Ladies and Gentlemen, Good Afternoon. I wish everyone of you are safe. Welcome to today's conference call with GE T&D India Limited Management team. As we know, this conference call has been organized to present and discuss financial results for the third quarter and nine months of the current financial year ended on December 31, 2020.

Now, let me first introduce my Management team available on this call. We have with us Mr. Pitamber Shivnani – Managing Director and Chief Executive Officer, we have Mr. Sushil Kumar – CFO, Mr. Nagesh Tilwani who is our Whole-Time Director, Mr. Sandeep Zanzaria who is our Commercial Leader. We also have with us Mr. Mariasundaram Antony who has replaced Mr. Shailesh Mishra as project business leader. Mr. Maria is a 21-year GE veteran and prior to GE, he worked with BHEL and TVS, so we Welcome onboard Mr. Maria on this call. We also have with us Mr. Manoj Prasad Singh, Company Secretary, and Mr. Anshul Madaan, Communications Leader.

Please note that this conference call is scheduled up to 3:30 PM. I hope you would have received the investor analyst presentation and the same has been uploaded at our website . I hope you have also read the disclaimer as per Slide Number 2. I would now request Mr. Pitamber Shivnani to begin this conference call highlighting key events of the quarter. Thereafter, Mr. Maria and Mr. Sandeep Zanzaria will give us an update on operations and market, respectively, followed by Mr. Sushil Kumar who will be mainly speaking on financials.

I now invite Mr. Shivnani to begin the conference with his opening remarks beginning with initial pages of the presentation. Over to Mr. Shivnani.

Pitamber Shivnani: Thank you Suneel. Ladies and Gentlemen, Good Afternoon, thanks for joining the call. We hope you are doing well and are also keeping your family and loved ones healthy and safe. Likewise, safety and health of our employees and also our contract employees is also of paramount importance to us. We always stay a step ahead to ensure the well-being of our employees and this is reflected by the countless initiatives that we continue to take quarter-on-quarter besides keeping a never-ending vigil during the day-to-day operation at our plants on sites. Today, I would like to start with profoundly thanking our employees who have been serving on the forefront lines since the beginning of the pandemic days, right from ensuring timely fulfillment of customer commitment to ensuring round-the-clock support for utilities for maintaining the power equipment. Our team never rested for even a single day during the COVID times and I am happy to share that all our plants and sites are fully operational now. I am proud of a



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meaningful progress the company made in Quarter-3 of Financial Year '20-21. We have gathered good momentum and intend to build on it, but before we update you on Quarter-3 results, I would like to share with you on a couple of announcements.

First is about the appointment of Mahesh Palashikar on the Board as Chairman. Mahesh will assume the role of GE T&D Chairman effective March 1st and succeed Vishal Wanchoo who resigned from the Board upon assuming new responsibility with another company after retiring from GE. Mahesh is president of GE South Asia and Chairman of GE Power India Limited. The Board also co-opted Emanuel Bartolini on the Board of Company as Director with effect from March 1st over the date of allotment of Director identification number, whichever comes later. Emanuel is a global Chief Commercial Officer of GE's grid solution business. Nagesh Tilwani who is a Whole-Time Director has resigned from the Board in view of the increased responsibilities within the GE Group. We are delighted to have both these gentlemen join GE T&D Board. They bring wealth of experience and deep knowledge from leading diverse set of business. I would also like to express my sincere gratitude to Vishal Wanchoo and Nagesh Tilwani, their able leadership and wise counsel has always been highly appreciated by all the members of the Board.

Coming back to Quarter-3 Results:

As I mentioned earlier, we made good progress in all financial KPIs during the third quarter. We significantly improved our cash performance and profitability despite the still difficult macro-environment though the growth in orders remained pressured primarily because of prevailing market condition due to pandemic, but the good news is that we were able to secure a deal with Nepal Electricity Authority for upgradation of three 400 kV GI substations in Nepal, which have a delivery timeline of 36 months. The three sub-station that GE T&D will upgrade are critical part of Nepal's South Asia subregional economic cooperation, power transmission, and distribution project which is backed by funding from ADB and Nepal Government. Thanks to the magnificent performance by our team, we were able to reduce our net debt by 268 crores in Quarter-3, which reduced from 443 crores to 175 crores. Our sales during the quarter went up by 10% year-on-year to around 1034 crores. Our operating profit, profit before interest, exceptional items, and tax for the quarter stood at 64 crores against the operating loss of 31 crores in quarter ended December '19. This result is backed by the strong execution and numerous cost saving actions taken by our operation team.

India is making great strides towards renewable energy generation and has committed to more than double its non-fossil fuel target to 450 Gigawatts by 2030. As a recent report released by the Institute of Energy, Economics, and Financial Analysis, this increased focus on renewable energy sector is set to bring investment to the tune of around \$ 500 billion in India's renewable sector. Out of this \$ 500 billion, 150 billion investment is estimated for expanding and modernizing transmission and distribution. This will open a steady stream of evacuation opportunities for grid industry primarily driven by increased green energy capacity expansion of Central and State utilities growth in industrial sector and restructuring of ageing assets. We are



also expecting a growth of opportunities in our neighbouring countries like Nepal, Bhutan, and Sri Lanka as they are strengthening their power infrastructure. In fact a new development strategy recently unveiled by the Bangladesh Government as a part of '20-21 to '25 development plan is targeting aggressively efforts and immediately providing required policy support to enhance energy generation from renewable. This reflects the growing seriousness of adapting green energy in South Asia region to decarbonize our plant and India is showing the way. With its proven delivery capabilities backed by world-class technology and strong manufacturing footprints in India, GE T&D is strongly positioned to collaborate with leading EPCs and utilities to strengthen the regions grid infrastructure to drive sustainable profitability and incremental revenues in this emerging market, our belief is selectively acquiring profitable business remains undeterred.

We remain committed on delivering the projects timely and with a high quality by continuously strengthening our delivery capabilities. We leverage the first three quarters of Financial Year '20-21 to drive lean initiatives across organizations to improve our operations, cash collection, supply chain recovery all of which help us to deliver a better quarter in terms of profitability. Going ahead, we will continue to drive this optimization and improvements wherever required. Cash over revenue remains our mantra. Now, growth in order is also our mantra. I am confident that with these efforts will help us to perform better. Our order book remains healthy with backlog of 4900 crores, which is equivalent to roughly 1.5 years of company's revenue. With that, I will turn it over to Maria to talk on operational highlights for Q3.

Mariasundaram Antony: Thank you Pitamber. Good Afternoon, Ladies and Gentlemen, it is my pleasure to really update you on the operations front which GE T&D did with our customers as well as internally. In terms of delivering for our customers, we continued on the momentum which we created on the two quarters of '20-21 and on the third quarter, we had actually implemented, energized a commission project creating evacuation infrastructure solution for our customers across length and breadth of the country. Taking some of the projects which we have listed down here, we did actually commission a project of 400 KV/132 KV, air insulated switchgear in Tripura which is in Surajmaninagar and then we also did on something definitely big projects on the South with our KSCB customers in Kallur as well as in Brahmapuram, and then on the Westside we actually provided evacuation infrastructure for our customer Azure Power in Bikaner and on the East side we also commissioned projects in Dhamtari, Chhattisgarh, which is the 400 KV, 220 KV, 33 KV, 315 mVA substation there, so we continued to really make impact in terms of creating evacuation infrastructure for our customers across the length and breadth of the country and the momentum continues and in talking about the internal operations, we continue to provide spotlight for all our factories in terms of every quarter and in Q3 of '20-21, our spotlight was in our also Hosur plant where we actually manufacture world-class air insulated switchgears up to 1200 KV voltage levels and this is one of the first manufacturing unit in the world to have designed and manufactured and supplied 1200 KV capacity CV transformer and what we really did there was to really provide I think our MD and CEO, Pitamber did a Gemba walk, spend time with the team to really I think drive the message around safety as well as quality, delivery,



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and cost, and we continue to do that with all our factories and actually really thank the team which has really stood up during the tough time in terms of COVID and then provided the support for our whole overall business and for our customers. With that, I will give the mike to Mr. Sandeep.

Sandeep Zanzaria:

Thanks Maria and Good Afternoon everybody, so the market due to COVID scenario remained muted for the quarter and of course for the nine months as well. The TBCB projects which we were earlier expecting to happen in the last quarter September to December got delayed and now the five packages have been finalized that they have got finalized in this quarter. The market was down in terms of the finalization. State Electricity Boards have not yet picked up till now, but now we are seeing some traction at least happening in many of the States with new tenders being planned and few tenders have already been floated. For the quarter we have booked an order for the company for about 695 crores and the total order intake for the nine months stood at 1677 crores. The major order for the quarter were Khimti what has already been talked about by Pitamber. This is basically three substations of 400 KV generation in Nepal and if you remember in the quarter before this, we had taken one more order of 400 KV GIS in Nepal. From Power Grid for hydro project. With these two projects, we will have a very strong base in Nepal. We also took an order for 400 and 220 KV GIS supplies from Techno Electric for the Sterlite TBCB project, so most of the Sterlite projects which have been done under TBCB, the base has been built by GE T&D only, so that is an additional step into reinforcing our base and of course our relationship with Techno Electric. We have also secured a main and a backup control center for remote operations of various transmission substations of HP. A large part of HP transmission system which includes 400 KV GIS, 245 KV GIS, and 132 KV GIS has been built by GE, so with this we will be reinforcing our presence into HP and this project was also funded by ADB. In the past few reactors for Lalitpur Power Generation Company and when they again require the reactors for the additional line to be put in, they turned to their reliable partners at GE T&D, so thanks and now I hand over to Sushil.

Sushil Kumar:

Thanks Sandeep, so moving to the last part on the financials, first talking about Quarter-3 financial performance. During the quarter, we registered a revenue of 1034 crores, this is 10% higher than the corresponding quarter in the last year. Our earnings before interest, tax, and depreciation was at 57 crores, this was significantly better than last year where we had actually a 25 crores loss at this level and in terms of percentage, we improved from negative 2.7% to positive 5.6% of EBITDA, so this was possible by the increase in revenue as well as control over the cost that Pitamber mentioned in his communication. In addition to the EBITDA, we had 23 crores of other income, I will actually call it as an operational as an income because this comes from the reversal of provisions of warranty or reversal of some of the tax provision, which are the operational items in nature. In addition to the 23 crores of other income, we had 26 crores of exceptional gains from the sale of one of the residential guest house property and net of the litigation method of one another property, so adding these two elements, we registered a profit before tax of 75 crores versus a loss of 50 crores in the last year. Moving to the nine month financials, our revenue was 2% higher than the last year. For the nine month period it is about



2550 crores. Again, on the same line, continuing the cost control, making operational improvement in the projects, the EBITDA was higher at 3.9% about 100 crores of EBITDA compared to about 1% EBITDA in the last year and including the other income and exceptional gains of this year, on a nine month basis we had a profit before tax of 62 crores against a loss of 121 crores in the last year. Last year 121 crores loss as highlighted in the presentation also included 53 crores of exceptional impairment of one of the factory plant and machineries.

I would like to highlight that current financial year performance of nine months also includes the Quarter-1 and Quarter-2, which were impacted by lockdowns and lack of activity, so we had to absorb cost for that period also in this financial year. Now other than the P&L performance, as Pitamber highlighted and in line with our earlier communication of cash over revenue and targeting a debt free situation for our company, we improved our debt position significantly and we came down by about 270 crores in the quarter. The end of September we had a net debt of 440 crores and end of December, our net debt came to 175 crores. In addition to this position as you are seeing in the postal ballot that has been communicated and announcement made to the stock exchange, we are in agreement with another GE company to sell the non-core activity of engineering COE and that can also help us to realize further 87 crores from the sale of this non-core activity and will help the reduction of debt further, so that was on the financial performance of P&L and cash. With that, we will open up for the questions. Thank you.

Moderator: Thank you. Ladies and Gentlemen, we will now begin with the question and answer session. The first question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: Hi Sir, Good Afternoon and congratulate on good set of performance, overall looking at the order intake which we have this quarter, so do you expect this momentum to continue and how are we placed in terms of L1 for the order intake in the next quarter and you can give some more outlook regarding the FY '22 what are the large orders in the pipeline, we have been hearing about green energy corridor, so what is the status of that?

Sandeep Zanzaria: Basically, we are presently L1 in about 300 crores of packages out of which primarily we have three large packages of transformers and reactors of green energy corridor, which we will be getting the orders from Power Grid or maybe two orders we have already received two days back and one order we will be receiving by first week of March.

Renjith Sivaram: Sir, if you can help us regarding the outlook like what are the major tenders in the offing, and which are the major states that are currently very active in terms of ordering, so how do you see the overall outlook?

Sandeep Zanzaria: Renjith, presently the traction what we are seeing is within few states like Orissa, Delhi, Rajasthan, Gujarat, Karnataka West Bengal. There the tenders which have started coming, so that is a good sign and I think with that we see further activity building up in other States as well, but yes in these States the tendering activity has already started. I think going forward we expect few more States like UP and Himachal also to catch up as well as Northeast and then Power Grid



is also expected to come up with few tenders of Northeast etc. We are expecting the commercial activity to now pickup, the lull which was there in last year due to COVID scenario, we expect to turnaround starting next quarter. The tender which have come in, the bids will be put in and then price will be open, so the activity will start from next quarter.

Renjith Sivaram: Okay any status on that HVDC order which was expected, which comes under the green energy corridor, what is the status there, is there any progress in terms of that?

Sandeep Zanzaria: No, as of today what we understand is that the Ministry of Power is working on finalizing the whole scheme, but still the tenders have not been planned. This year nothing is there, but we may expect these tenders to come sometime in next year.

Renjith Sivaram: Sir, lastly on the revenue and the order mix breakup in terms of central utility, State and private which we generally give if you can throw some quantitative details regarding that, Central, State, and private of order book and revenue?

Sushil Kumar: I have the breakup of order book about 80% of the order book is from the private and the rest 20% is from the Central and State utilities.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Good Afternoon team and congratulations for decent performance, my first question is to understand first on the ordering side, what could be the broad opportunity from these neighboring countries because Nepal has been a good market for us in the last two quarters when domestic market was weak, so if you look at all these neighbouring countries what would be the addressable opportunity for the next 12-15 months for GE T&D India on this side?

Sandeep Zanzaria: Basically in Nepal they have multiple projects which have been planned, few of these projects have funding from Millennium Corporation as US grant. This is quite a large project in terms of substations and transmission lines and apart from that there is a project pipeline in Bangladesh as well. There is a good amount of pipeline somewhere between about 500 to 700 crores coming from these two countries in next 12 to 15 months. The only thing is that there are certain approvals which have to be given by the Nepal Parliament what we understand for the grant projects, but because of the political uncertainty, is slightly getting pushed, so otherwise the project have been conceived and the fundings have been kind of tied up but then the procedural part is still to be completed.

Renu Baid: Got it, second if we look at the broad as in ordering have been modest, we have 4900 crores of backlog at the end of nine months and even its execution is modest the way you have seen in the last two quarters and the fourth quarter, can one expect that given the short cycle nature of the new order flows which are coming especially in the green energy corridor segment, the overall revenue book should be now back to close to FY '19 levels which was closer to 4000 crores



levels, would that be a right assumption or you think that the execution timelines of new projects are not on the same page?

Sandeep Zanzaria: The execution timelines for renewable projects, are shrinking like for example earlier 400 KV substation used to be like 24 to 30 months, but today the clients are demanding somewhere between 15 to 18 months. For products also, the execution timelines are shrinking as when EPC is getting an order for 15 months, so he is expecting the products to be delivered in six to eight months, so that is the scenario in the market and maybe for one or two excluding one product line, we are totally geared up to deliver these kind of requirements.

Renu Baid: Sure, at least we do not anticipate in the production bottlenecks or capacity bottlenecks for transformers, reactors portfolio?

Pitamber Shivnani: I do not think there is any bottleneck on transformers and reactors, we have enough capacity available in the factory.

Renu Baid: Sir, third question is to Sushil here, if you look at the overall average spend trend in the last couple of quarters, we have very well continued less than 100 crores on a quarterly basis and this quarter, A, are there any exceptional item in the other expense, some write back to foreign exchange because of which the number has been slightly lower sequentially and from a medium term perspective from a 12 to 15 months, should one broadly expect other expenses now to remain in this 100 crore range with a similar execution of thousand crores on a quarterly basis?

Sushil Kumar: Other expenses do not include any reversal, as I mentioned in my opening remarks, reversals of operational items like warranty or tax provision or any other such reversal are a part of the 23 crores other income, however, operationally as the Management, we will consider that as a part of operational item because whenever there is a corresponding charge that forms the part of other expense and then all of us as well as investors classify that as a part of the operational performance of the company. I will not give you any forward-looking number, yes, there will be some pockets where there will be increase because of the increased activity, there need to be travel and so on, but as you have seen in the last few quarters, our effort is to contain costs and offset from where we can save and Pitamber talked about lean, so that lean concept goes on not only in the cost of production, but of the organization, so it is not just the other expenses even the optimization of organization strength, cost of production, everywhere we are targeting to maintain the cost or improve the cost so that we deliver better performances.

Renu Baid: Got it, and one last question if I can add what is the update on the SL project, we have heard the project has started to move now, so what is the revenue execution timeline that we have in the mind and are there any likely revision in the project cost estimates or the order value from the new customer that are developing for us?

Pitamber Shivnani: We are in discussions with Adani on this and we have still not zeroed down on many things, so as soon as we zero down we will get the letter of intent from them.



- Renu Baid:** Okay, but mostly the execution should begin somewhere in FY '22 for us, first half?
- Pitamber Shivnani:** Yeah.
- Sushil Kumar:** In terms of operational movement as mentioned in the notes to the accounts till last quarter all of us were awaiting the CVRC approval for the project to be transferred from the promoters or existing company to the new promoter which is Adani, now that approval has come and there is a traction on the project.
- Before moving to the next question, I would like to make a small correction to the earlier question that Renjith had asked, I will give the revised number for the order backlog. About 65% of the backlog is from the private segment, about 20% from the State and 15% from the Central utilities.
- Moderator:** Thank you. We will move on to the next question from the line of Bhavin Vithalni from SBI Mutual Fund. Please go ahead.
- Bhavin Vithalni:** Thank you for the opportunity and good performance on the balance sheet front, my first question is on the announcement that has been made on the engineering division, would appreciate if you could give the thought process of the Management regarding the same?
- Sushil Kumar:** This engineering division sale as clarified in the stock exchange announcement that we made, this division serves to the internal other GE grid entities across Europe and other territories, and generally they provide services on man hour basis and in fact we have two specific teams within the company one serving for the internal and the core projects for Indian customers and the rest providing captive services to the global entities. Now, globally the grid solution company at the GE Grid Paris level, they have a plan to expand the COE that they already have in the other entity in India and to optimize on scale, have common tools and processes and make much more efficient services in place for the global engineering activity that the business needs. Because this was a non-core activity for GE T&D and the main purpose of this entity is to serve the customers with high voltage equipment, setting up the substations, it was decided to exit from this activity and realize the value which will then help us to reduce the debt of the company also.
- Bhavin Vithalni:** So this is actually not in line what we see in the other entity which is listed entity GE Power, wherein the earnings call they clearly mentioned that the opportunity for the global engineering services will be part of that listed entity, so we are little surprised that why is it taken out private and that too at such a cheap valuation and moreover why are we minority investors not being given an opportunity to participate in that?
- Sushil Kumar:** I will not be able to comment on the strategy of the other listed entity. In terms of valuation, it is a fair valuation done by the professionals who are renowned in the industry, it is a fair valuation done as per the profitability of this division and accordingly this price has been arrived at, so the minority shareholders will gain in terms of the value that comes to the company and



accordingly this will also help us to reduce the debt of the existing company. In addition, this business have had a bit more about the rational, there is no specific commitment or long-term commitment that we had from the global counterpart. The business had its own risks because this was non-core, we did not have exactly the kind of competencies that the customers may expect in the long term, so as a result looking at the overall situation and the immediate benefit that comes at a fair valuation by a professional company, the decision was taken to realize the value which is at the fair value.

Bhavin Vithlani: Just a bookkeeping question, if you could help us with a few balance sheet details on the debtors, inventory, and payables or day sales also could be helpful, how they have changed over the last quarter?

Sushil Kumar: I will say that most of the improvement in the balance sheet has come, the debt reduction has happened because of better performance of the working capital, so we have been able to improve our receivables versus the payables that we had, so with the pickup of the activity the payables have increased but we reduced the amount of receivables by about Rs. 100 crores and we also optimized the **inventories** which resulted into the improvement of cash flows of about 250 crores. Now, in terms of days of sales of working capital, at present we have a working capital for about 680 crores and this represents about 80 days of revenue.

Moderator: Thank you. We will move onto the next question from the line of Ashwini Kumar, an Individual Investor. Please go ahead.

Ashwini Kumar: Good Afternoon Sir, my question was that with intervention of more of renewable, there are two types of opportunities, one which will be for making new grids which are required to transmit from States where these renewable assets are being setup to States where the electricity is being transferred, that is one? Second is on the grid upgradation program, because grid within the State, the State grids and the Central grids, would they require any further investment and is that back ended or do you see that happening in the next two or three years, I just wanted to have your thought process on the same?

Sandeep Zanzaria: Basically when you have a power which is flowing from the States where the power is getting generated to the States where power is getting consumed, so where the power is getting consumed, there is an upgradation which is required in those States as well. Where the power is getting consumed because once power will come up then you need to have the infrastructure to receive that power and once that power comes into State then you have to transmit, if it is at 765 kV then you have step down to 400 and then from 400 you have to step-down to 220 kV and all, so obviously whatever power is getting added, you need to build that infrastructure that is one. Second, yes, I agree that many of the assets which are quite old now, so that one eventually be coming for refurbishment or renovation, modernization, and in fact we have seen in many of the States selectively we are seeing this activity happening, but primarily it is more happening on the generation side rather than on the substation side.



Ashwini Kumar: My question was basically you gave a number, Mr. Pitamber gave a number of \$ 150 billion which is a longer term number for 475 reaching those levels of renewable capacity, so before that whatever we have set up and whatever we do, let us say we do 100,000 megawatts additional renewable capacity, so do we need to invest more in transmission in the next two or three years because this will not take four-five years or six years to build like a thermal power capacity, so does it require a very front ended kind of investment rather than as you explained rather than 36 months, it could be 18 months, so are we seeing an investment in transmission required for incremental renewable capacity which will be coming up in the system now?

Pitamber Shivnani: If you see the present TBCB packages which we expect in the calendar year because of renewable energy evacuation itself will amount or somewhere around 250 to 270 million US dollars actually.

Sushil Kumar: I think Ashwini one of the aspects what you have said is that whenever there is a new renewable project which is announced, so normally the timelines which is there for the project is close to about 21 months from the execution once the tariffs are given by the Government and parallelly your transmission system also takes around that much time to build, so once the projects are there, when the Government announces the project, so the process is when the Government announces the project and then a developer wins it and he decides to put in a project in one particular geography then he will go there and sign LTSA with the Government that okay I am going to put, for example, 700 Megawatts capacity here in this and I would like to have a connectivity with this substation, which is the nearest substation so than the Government will define a timeline and based on that the investment and the transmission comes, so when Pitamber is saying is 450 Gigawatts, of course 450 Gigawatts, the target is to reach up till 2030, the only thing is yes it is going to be an incremental, but if today for example we are at 95 Gigawatts and if you have to reach 450 Gigawatts by 2030, so that will be requiring close to about 40-50 Gigawatts in a year and today our capacity addition is like 10 to 15 Gigawatts in a year, so that would require a good amount of transmission investment as well.

Ashwini Kumar: The only thing was that is it going to be quite front ended, let us say if you do 50 Gigawatts of investment in renewables in the next two years, the equivalent transmission infrastructure which you require within the State or the longer one, is it required in the same year in the same timeframe, do we see that happening in two or three years or is it back ended, that is what I was trying to understand?

Sandeep Zanzaria: It is front ended because eventually what happens is that once the power will come then you will require the transmission system to evacuate that power, so you will require it front ended, but not back ended.

Ashwini Kumar: Fantastic, thanks a lot and wish you all the best!

Sandeep Zanzaria: Thank you.



Moderator: Thank you. We will move onto the next question from the line of Jonas Bhutta from Phillip Capital. Please go ahead.

Jonas Bhutta: Good Afternoon Gentlemen and congratulations on a great set of numbers, just some bit of bookkeeping questions from my side, so if you can highlight what has been the exports, we had about 350 crores at the end of the first half, what is that now at the end of nine months and added to that with this engineering business sort of going out I would presume that there was largely exports, so that 80 crores from next year will be nonrecurring, so to that extent we will have to adjust exports next year, is that understanding correct, that is the first question?

Sushil Kumar: That understanding is correct, on a nine-month basis our order that we booked, within those orders about 51% of the orders are from export side and about 49 balance is from the domestic market.

Jonas Bhutta: In the revenues, Sir?

Sushil Kumar: Revenue, about 25% revenue is export and balance 75% of revenue is on the domestic side.

Jonas Bhutta: The other part was if you can quantify the reversal that sitting in the other income this quarter, last year we did call out the various LDs and the warranty provisions that were part of the other expenses, so just wanted to see how much of that is actually getting return back now?

Sushil Kumar: During the quarter, we had another income of about 23 crores, of this about 12 crores is coming from the warranty provision readjustment and about 6 to 7 crores is coming from the tax provision reversals and the balance is mostly on account of products and bad debt recoveries.

Jonas Bhutta: Got it and my last question was Sir this arithmetically seems that your order book is being reduced by about 150 crores because we had an order book of roughly 5350 at the end of Q2 and now we are seeing is 4900, if I add that 700 crores of order than net of the 1000 crores of revenue, I get somewhere close to 5050 as the order book, so if you can clarify about 3% of the opening order book was knocked off?

Sushil Kumar: We have revenue of 1030 crores approximately and the order book is about 700 crores, which means that the backlog reduction should be in the range of 330 crores. In the beginning of the quarter we had a backlog of close to 5300 crores and reducing 330 crores from that will take us in the range of 4900 to 4950 crores, so not sure how you got.

Jonas Bhutta: Sir, there is no reduction in that, that is all I wanted to check?

Sushil Kumar: That is about 40 to 50 crores of small value orders which got cancelled or adjusted for the price let us say, the exports order pricing adjusted due to Forex, but other than that mostly it is on account of higher execution, as I explained it is mostly the Delta between the new orders of 700 crores and the revenue of 1030 crores.



Jonas Bhutta: Got it, and lastly Sir if I can squeeze in one more, this 1030 crores revenue that you have executed, what some bit of this pent up as in some of it could have been missed from the first half that could be bunched up and just trying to understand whether this run rate would be replicable in the fourth quarter or this is in a way not during the year because of the weak 1H that we had?

Sushil Kumar: Definitely, because there was a lockdown in the first quarter and many social distancing and other Government restrictions in the second quarter, so it includes a lot of catching up also for the previous two quarters, nonetheless, we will not be giving any forward-looking statement, but at the same time as Pitamber mentioned and Sandeep talked about the short cycle project, the effort is to execute on time, improve the first **past yield**, make on-time delivery better so that we execute revenue faster and as per the customer requirement in the future quarters.

Moderator: Thank you. The next question is from the line of Rahul Kapoor from Goldstone Capital. Please go ahead.

Rahul Kapoor: If I look at the company's performance at operational level and I am not talking about this quarter, but over eight or 10 quarters, the company has been reporting EBITDA margins of sub-10%, even if one were to reverse what is written-off, given the stature of the company, I think this just reflects that there is little pricing power, do you see any changes in the marketplace which gives you this confidence that pricing power for the company and for the sector would come back and could report margins of excess of at least 12%-14%?

Pitamber Shivnani: Rahul, I think transmission is comparatively quite a competitive space in India and especially with of course you know now there is some embargo on the company from the neighbouring countries etc., but otherwise at one point of time I would say in terms of manufacturing there is an overcapacity in the country and of course with COVID situation etc. even the price was also not going up in the market, so it is not that we are into a buyers market and most of our customers being either the State Government or companies like Power Grid etc., so I think it is a very, it is quite a competitive scenario.

Rahul Kapoor: You see the changing with the kind of capacities which are coming up on the renewable side, do you see that overall environment and plus probably maybe you can throw more light on it with restrictions on import from China, do you see margins for your company moving up at least 12%-14% because operating at 5%-6% is extremely low margins?

Pitamber Shivnani: No, but if you see even with bordering countries going out, the demand supply gap is still huge actually. The demand is less and supply is more even without neighbouring country factories in India, I will say competition is quite stiff in spite of that.

Rahul Kapoor: Gross margins in this quarter was about 24% to 25% which almost are at the lower end of what I see in past couple of years, do you see the margin improving in the current quarter or with raw material prices in the quarter, prices moving up, it could be even lower in the ongoing quarter?



Sushil Kumar: The quarter margin had impact of the mix, I mean the execution of low margin projects as well as the prolongation of some of the project sites which then increases the cost and the last being some impact of the commodity price increase, so given the significant quantum of commodity price increase, this remains one of the headwind for the short-term and that with the recent budget announcement and Government stepping in, hopefully, the prices will improve and company is also having its own strategy to mitigate this impact for the future quarter.

Rahul Kapoor: Okay, one last point, this was just a suggestion from an accounting point of view that whatever provisions or whatever write-offs we take off in a quarter, if we just mention it by way of note, otherwise one has to wait at end of six months September or March to see the cash flow statement and understand what kind of write-offs and exceptional items were there, so whether it is provisioning or write back, both if it could be mentioned by way of note that would be very helpful in understanding the performance?

Sushil Kumar: We will consider this suggestion, however, I would like to clarify that the exceptional items have been given in detail in the notes to the financials, other income as per Ind-AS does not necessarily require a disclosure, but we will consider this suggestion and try to have more visibility around this.

Rahul Kapoor: Yeah, this note of net write-offs or write backs of bad debts, so that will be very helpful, thanks a lot.

Sushil Kumar: Sure, we will consider that.

Moderator: Thank you. The next question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: Sir, if you can throw some clarity on your exports for the nine-month, what percentage of revenues were from exports and what is our outlook regarding the export opportunity that we have?

Sushil Kumar: Renjith, I will maybe explain again because I mentioned in one of the answer to the previous question that for the nine-month period, our export was about 25% of the revenue and the domestic turnover was around 75% and I will ask Sandeep to explain now about the export opportunities that we foresee.

Sandeep Zanzaria: Thanks Sushil, so basically as I said that of course from the neighbouring countries we are seeing, for example, Nepal, Bangladesh, also as the activity would be picking up in the other geographies of Africa etc. as our factories are supplying products there and Middle East, so yes we are looking at a stable market there as well and also we are trying to expand our presence in Sri Lanka as well where we have the national load dispatch centre which has been built by your company, so I think there we are also trying to expand our profile by adding more product supply to that geography, so we are also constantly focusing on export because of course what we have



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seen in the COVID as the State Electricity Boards had actually reduced, so yes definitely there has been added focus on the export market as well.

Renjith Sivaram: Okay, Sir there is this, the commodity prices which are currently going up, so what percentage of our order book is fixed in nature and do you see margin getting impacted because of this what is the overall status on that?

Sushil Kumar: Renjith, I do not have the exact number of the firm price orders versus variable price orders as of now, but as I mentioned in the earlier question, definitely it's a headwind not only for us but across the industry, but with the recent Government announcement, we hope there will be correction in the prices also and we are internally having the different strategies to mitigate this impact in some shape and form, so we are working towards mitigation, it will be difficult to quantify the backlogs into fixed and variable as of now.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to Mr. Suneel Mishra for his closing comments.

Suneel Mishra: Thank you Lizanne. Thank you everyone for your participation. With this, we conclude today's conference call. In case you have any other questions, then please feel free to contact me or Mr. Anshul Madaan, who is our Communications Leader and the email ID is given at our website. So, thanks again.

Moderator: Thank you. Ladies and Gentlemen, on behalf of GE T&D India Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.