



GE T&D India Limited

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June 21, 2021

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BSE Limited
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MUMBAI 400 001

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

Dear Sir,

Sub: **Transcript - GE T&D India Limited Earnings Call for Investors held on June 15, 2021**

Please find enclosed a copy of the Transcript of earnings conference call with analysts/ institutional investors held on June 15, 2021 in respect of financial results for the financial year ended on March 31, 2021 (Audited) and for the quarter ended on that date.

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 Fourth Quarter Ended 31
March 2021 Earnings Conference Call”**

June 15, 2021



**MANAGEMENT: MR. PITAMBER SHIVNANI – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER
MR. SUSHIL KUMAR – CHIEF FINANCIAL OFFICER
MR. NAGESH TILWANI – PRODUCTS BUSINESS LEADER
MR. SANDEEP ZANZARIA – COMMERCIAL LEADER
MR. AMARESH SINGH – HUMAN RESOURCE LEADER
MR. MARIASUNDARAM ANTONY –PROJECT BUSINESS
LEADER
MR. ANSHUL MADAAN – COMMUNICATIONS LEADER
MR. SUNEEL MISHRA – HEAD, INVESTOR RELATIONS
MR. MANOJ PRASAD SINGH – COMPANY SECRETARY**



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June 15, 2021*

Moderator:

Ladies and gentlemen, good day, and welcome to the GE T&D India Limited Fourth Quarter Ended 31 March 2021, Earnings Conference Call. As a remainder, all participant 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 '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Suneel Mishra – Head of Investor Relations. Thank you and over to you, sir.

Suneel Mishra:

Thank you, Lizann. Ladies and gentlemen, good afternoon. I wish everyone of you are safe. So, welcome to today's conference call with the GE T&D India Limited management team. As we know, this conference call has been organized to present and discuss financial results for the year and fourth quarter of the financial year ended as on 31 March 2021.

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. Further, we have Mr. Sushil Kumar who is our CFO. We have Mr. Nagesh Tilwani who is heading our Products division. We have Mr. Sandeep Zanzaria who is our Commercial Leader. Especially we have invited Mr. Amaresh Singh who is our HR leader. Mr. Mariasundaram Antony, who is our Project Business Leader. We also have with us on the call Mr. Manoj Prasad Singh – Company Secretary, and Mr. Anshul Madaan, who is our Communications Leader.

Please note that this conference call is scheduled up to 4:00 p.m. I hope you would have received the investor analyst presentation, and the same has been uploaded at our website as well. I hope you have also read the disclaimer as per Slide #2.

So, I would now request Mr. Pitamber Shivnani, to begin this conference call, highlighting key events of the quarter. Thereafter, Mr. Amaresh Singh will be presenting health and safety, followed by Mr. Manoj Prasad Singh who will be updating us on CSR. Then Mr. Maria and Mr. Nagesh Tilwani updating us on operations and factories. Thereafter, Sandeep Zanzaria will take you to the market. Lastly, Mr. Sushil Kumar will give an insight on financials. So, we are attempting to give a wider look into our presentation. But we will be very crisp with your support.

I now invite Mr. Shivnani to begin the conference with his opening remarks. Over to Mr. Shivnani.

Pitamber Shivnani:

Thank you, Sunil. Ladies and gentlemen, good afternoon. Thanks for joining the call. We hope you and your loved ones are safe and healthy. Last few months have been really tough for all of us. For us, this time was marked not only by challenges due to COVID, but also how people of our company came together to fight it. We continue to operate our plants and sites in accordance with the advisory issue from time to time by central, state and local governments, while strictly following prescribed safety protocols. I am enormously proud of all our employees for the commitment and grit they have shown even during the toughest times for the pandemic.



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Allow me to give you a quick update on current state of operations. Our plants in South India, Padappai, Pallavaram and Hosur were shut down for nine days in May due to lockdown in Tamil Nadu. But as of now, they have started operating. Our transformer plant in Vadodara is fully operational. In Noida Corporate Office, we have work from home. And as far as our project sites are concerned, out of 73 sites are operational, but the attendance is 50% to 75%. We did face severe challenges since supply chain and logistics due to lockdown, which has now started to improve gradually with unlocking situation. Safety and health of our employees is of paramount importance for us. We always stayed a step ahead to ensure the well-being of our employees. And this is reflected by countless initiatives that the company has taken in past few months to ensure that our employees get all the support in this time of need. I have invited our Head of HR, Amaresh Singh in today's call to talk more on this.

Like every sector, power sector also faced enormous challenges. But despite of all unprecedented hurdles, the company has been able to sustain the market pressure. I am proud to share the meaningful progress the company made in fourth quarter, as well as financial year 2021. Our sales revenue for fourth quarter financial year 2021 was Rs. 9 billion, up by 36.2% compared to Rs. 6.6 billion in quarter ended March 2020. Our operating profit was Rs. 579 million, significantly better than the operating loss of Rs. 2,189 million reported in the corresponding quarter last year. For the full financial year 2021, our sales revenue was Rs. 34.5 billion, up by 9%, compared to Rs. 31.6 billion in year ended March. And our operating profit of full financial year 2021 was at Rs. 1,452 million, that is 4.2% against the significantly better operating. Last year we made a loss of Rs. 2,339 million in March 2020. Thanks to the magnificent performance by our teams, we were able to reduce our net debt by Rs. 2.7 billion in financial year 2021. This result is backed by the strong execution and numerous cost savings actions taken by our operation teams and Sushil will take you through the financial result in detail.

Due to COVID, the orders remained under pressure. And my colleague, Sandeep, will talk about highlights of the order booking. However, in the last quarter of financial year 2021, in power transformer we could book orders worth USD 32 million for 765 kV transformer and shunt reactor from Power Grid. And with that, we had 80% market share in 765 kV transformers and shunt reactors. On operation side, in year 2021 we continue to demonstrate our operational excellence by commissioning 28 AIS and GIS substations across the nation. We commissioned Sterlite Power at Kumarghat, PK Bari, Suratmani Nagar substation, in northeastern region, Part 2. As far as service is concerned, throughout the duration of nationwide lockdown, our service team ensured that all our long-term maintenance sites, Delhi and Chennai International Airport were operational and provided greater than 99.5% power availability to the customers. All our plants continue to adopt several Lean principles, resulting in significant reduction of manufacturing lead time, efficient utilization of space and reduced cycle time, leading to overall cost effectiveness.

With a persistent focus on decarbonization, and round the clock power, we believe that Indian energy landscape will continue to undergo a significant positive transformation. As a leader in innovation of modern grid solutions, we will continue to work closely with governments and our customers to implement solutions that will help India accelerate in its energy transition journey.



With its proven delivery capabilities, backed by the 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 region's grid infrastructure. To drive sustainable, profitable and incremental revenue in this emerging market, we continue to focus on acquiring profitable orders, which Sandeep will cover, and we remain committed to delivering the projects timely and highlights high quality by continuous strengthening our delivery capabilities. Our order book remains healthy, at Rs. 4,600 crores, which is equivalent to one and a half years of company's revenue.

With that, I will turn to my colleague Amaresh, to talk about COVID related initiatives taken by the company. Over to you, Amaresh.

Amaresh Singh:

Thanks, Pitamber. Good afternoon, ladies and gentlemen. COVID 19 wave too impacted the country in a very serious way, and it did not spare our company too. Our company employees were impacted by the COVID wave too. But we addressed the issues very holistically and we extended each and every factor of the support. I request to go on Slide #6.

We launched a GE India employee fundraising program for financial support to our employees. We did hospital tie-ups at all the major cities in India. We launched vaccination drives at all our locations for the employees. And this was free for all the employees and even the family members were also invited for the vaccination drives. We contributed to the hospitals by donating ventilators. We had launched tele-consultation with our internal doctors. So, for all our employees, from morning 8:00 to evening 8:00 our company doctors were available online to help them with any consultation on COVID. And we had also partnered with Practo India for 24/7 consultation. We formed an employee resource group, which worked continuously 24/7 to support any employee on bed, oxygen, test for COVID. And this was a very selfless driven growth, which supported all the needs we had. We also launched ambulance services. We partnered with Stan Ambulance Services for ambulance across India, if employee needed that.

Slide #7, please. We also partnered with a company IMG to supply medicine to employees whosoever needed, at their home or at the place they want. We also supported all the project sites in the office locations with O2 concentrators. And if the employee had the need, they could get the O2 concentrators at their home. We launched employee open hour for staying connected with them and gave them information about the COVID. And we had company doctors who gave the right information the employee needed. For health and wellness of employees, we had an employee assistance program launched. To take care of the family members who were impacted by the COVID, we launched a caregiver relief where employee can take 10 working days of leave to support their family members if they are impacted by COVID. And this leave was to support the family over and above the current leave policy. For financial assistance to employees, we also launched a salary advance policy, the employee could take six months of salary in advance and pay it back in 12 equaling instalments.



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For the family of deceased employees, over and above we have a term life insurance policy for all employees. Over and above that, company agreed to add 25% of the term insurance coverage as a support to the family of these employees. We also extended our medical insurance till the end of the policy period and we will fund the portability of the medical insurance for one more additional year to support the family of deceased employees. We also made a tie-up with doctors for homecare. Thank you so much.

Manoj Prasad Singh:

Thanks, Amaresh and good afternoon all. Beyond employees Company has also supported the society in these extraordinary times. I am at Slide #8 of the presentation. Over the years, across its locations the company has undertaken several CSR initiatives focused on strengthening underprivileged sections of the community through interventions in sectors such as healthcare, access to clean drinking water, infrastructure development in schools and hospitals, support for persons with physical disabilities, skill development and women empowerment.

During these unprecedented, extraordinary times of COVID pandemic, the company continuing from its earlier COVID emergency response programs of providing portable testing units, ICU beds, ventilators, vaccination support setup, hospitals and frontline workers kits, recently also extended its support to Holy Family Hospital through Udayan Care under its CSR initiative, providing two ventilators for ICU for COVID patients.

We at GE pray for health and safety of all and hope these difficult times will also pass by. Thank you and I now hand over to Maria for operations update.

Mariasundaram Antony:

Thank you, Manoj. Good afternoon, ladies and gentlemen. I would like to really take you through the operations update. And we play a very important role I think in terms of the energy transition which is happening in the country. And we actually, as Mr. Pitamber mentioned, we had actually commissioned a good number of, I think, substations and evacuation infrastructure across the country.

And what I would like to do, I am on Slide #9 now, and would like to walk you through some of the key commissioning which we did in the Q4 fiscal year 2021. And this ~~this~~ evacuation infrastructure solution, we believe, play a very important role in terms of energy transition, in terms of really providing the critical infrastructure which is needed for our customers. And our commissioning milestones were completed across different parts of the country, starting from start of our Delhi Distribution Limited where we commissioned a 66 kV to 11 kV GIS substation. And then if I go to the east side of the country, we commissioned substations in West Bengal in Tarapur, where we energized to 2/132 kV AIS ~~is~~ substation bay extension. And then we also actually did commissioning in Assam as well as in Firozabad and Ramagundam. In Firozabad for our PGCIL project for our customer Power Grid Corporation of India Limited. And then for our customer NTPC, we actually commissioned 16 base of 400 kV GIS along with GIB for the 2/800-megawatt thermal power plant in Ramagundam in Telangana state. And then we also actually, as mentioned before, we played an important role in terms of providing the evacuation infrastructure in northeast, in PK Bari, Surajmani Nagar, Kumarghat and for in terms of providing 400 kV, 132 kV



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AIS extension at the extension as well as base for their substations in PK Bari. And then for our refinery customers like BPCL, we actually commissioned 220 kV GIS in Kochi in BPCL Kochi, as well as for our state utility in Kerala we actually energized their 110 kV GIS bay in Palakkad. So, overall, we feel very good in terms of being able to provide the critical evacuation infrastructure with our products and technology and solutions to our customers.

With that, I will hand it over to my colleague Nagesh for walking you through the factory update.

Nagesh Tilwani:

So, I will just give an update today on the plant what we have outside of outskirts of Chennai, GE T&D Padappai factory where we produce high voltage switchgear, both for air insulated switchgear and the gas insulated substations. This is one of the flagship project for GE T&D where we are making products up to 800 kV and we are the first one to produce the GIS for 765 kV application fully design, manufacture and assembled in country. So, that's the uniqueness of the plant.

We are also doing an exports to around 40 plus countries, make for India and made in India for the rest of the world. But for the circuit breakers and the drives covering 40 different countries across the world. We are also deploying a lot of Lean initiatives in terms of process efficiency, the lead time reductions. We have a state-of-the-art lean manufacturing facility where we are having moving lines to produce our drives, which is for the breaker operations. And as well as we have cleanroom facilities with high end controls in terms of temperature, humidity, which is necessary for the manufacturing applications.

As Mr. Pitamber said, the decarbonization is our focus area, so we are also migrating as there is a industrialization plan which has happened in the years to come from SF-6 gas to more environmental friendly G-Cube solution, which is a patented technology of GE.

With this, I hand over to Sandeep for the commercial update.

Sandeep Zanzaria:

Thanks, Nagesh. And good afternoon, friends. Hope everyone is safe in your immediate and extended family. The market in 2021 was down by about 30% due to the COVID impact. We saw TBCB projects and renewable capacity addition also getting delayed. The projects which were TBCB projects, which were actually tendered out by the government in Q1 finally got decided in Q4. So, that was the kind of impact what we saw in the market, something due to COVID and something due to change in the policy scenarios also, which were happening during the year.

But going forward, now we are seeing a good pipeline of the projects coming up, both in the TBCB space and the state. The empowered committee, if you would have seen, has cleared a lot of projects for the green energy corridors to come on TBCB and this will create a sustainable pipeline minimum at least identified project for next two years. Due to these challenges what we have had, we saw that there was a drop of about 25% in the order entered for the company for 2021 as compared to the last year of 2019 by 2020. In the last quarter of course, we could achieve close to about 94% of what we did a year ago and this was primarily driven by orders which were coming



from Power Grid for the transformer and the reactor packages. As Pitamber has said that we have a very good share of 765 kV and going forward also the projects which have been cleared, many of the projects are coming from 765 kV. This year, we have seen that going forward in this year there are multiple projects of TBCB which were stuck which are now expected to get finalized in next six, nine months. And some states are also going for direct packages and TBCB packages. So, that is a positive on the market side which is happening.

With this I hand over to my colleague, Sushil.

Sushil Kumar:

Thanks, Sandeep. Good afternoon, ladies and gentlemen. Moving to Page #12 on financials. Last financial year 2021 was significantly impacted due to COVID related disruptions where first quarter had a complete nationwide lockdown. But over the rest of the quarters, the company and its management and employees, did bounce back significantly and made a significant progress on the operations. And as you see on the financial page, on most of the financial KPI, the company performed better than the last year. So, on Q4 numbers, the revenue was higher than the last year by 36%, EBITDA at around 5% Rs. 45 crores is significantly better than last year where we were actually into the loss situation. Similarly, on a full financial year basis, our revenue of Rs. 3,452 crores was about 9% higher than last year, with a significant improvement in EBITDA at Rs. 145 crores or around 4.2%, and corresponding improvement in the profit before tax and profit after tax.

Another important area where we made significant progress as per our earlier communication to the investor community is the improvement in cash flow and net debt position. So, end of 31st March 2021, the net debt position was at Rs. 161 crores, this was Rs. 270 crores better than the last year where we had about Rs. 430 crores of debt. This significant improvement or Rs. 270 crores of cash generation is 2x the profit plus depreciation for the year. So, again, most of the financial indicators the company has performed well, and we hope that management team and us will continue this journey going forward.

Moving to the Page #13, we wanted to give you an update on the GEOD business sale. So, as a background, the company has global engineering operating division providing the services of engineering services to the other group companies. But at the global level the GE created Global Engineering Operating Center, which is called GEOC, at GE India Industrial Private Limited to support the global technological development, to meet the challenges of the global energy transition and respond to their challenging market needs. So, considering that, GEOD business was non-core, representing less than 3% of the total revenues, and lack of long-term commitment, exclusivity, etc. The Board approved the sale of GEOD business to GEIPL at 873 million. And this consideration was arrived based on the independent valuation from M/s Ernst & Young Merchant Banking Services LLP.

This proposal was put to shareholder for approval as this was a related party transaction. However, as a part of the postal ballot outcome, there were 217 votes in favor of the sale, representing about 48% of the shares. However, 31 investors or shareholders voted against, with about 52% of number of shares. So, accordingly, this sale proposal was not carried out and the business transfer



agreement was terminated. Post this, in the month of April, and as we notify to the stock exchange also, the company was notified that with effect from 30th of June it will not be getting any new contracts from the global entities. And the purchase order issued in relation to these services will either terminate on their due date or will be terminated by notice by the specified parties. This has an impact on the company with about 190 employees and about Rs. 10 crores of assets becoming redundant. As the current status, to mitigate the restructuring costs of the impacted employees and assets, the GETDL board has advised the management to explore potential solutions to minimize adverse impact on the company. And the management team is exploring all avenues to mitigate these costs and find the best solution for the company.

With that now we will open up for the questions. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with a question-and-answer session. The first question is from the line of Subhadip Mitra from JM Financial. Please go ahead.

Subhadip Mitra: So, I have two questions. Firstly, as you mentioned in your opening remarks that we are seeing TBCB projects moving ahead, and my understanding is that we have already seen projects worth about Rs. 7,000 crores being awarded and probably a similar pipeline coming up ahead. So, in your opinion, what would be the overall addressable basket from a GE T&D perspective out of these TBCB projects which are coming up? And historically what kind of market share would you have had in these? That is my first question.

Sandeep Zanzaria So, I think probably what we are seeing, of course, we know that there are delays which keep on happening, but I think looking at whatever you said the similar size, yes, we also expect, but that includes transmission lines, etc. So, our estimate would be that it would be close to in the range of about Rs. 2,500 crores for the company scope or for GE T&D scope which is going to get finalized in this coming year for TBCB projects. It is very difficult to project the market share, because one of the most important aspects is, that in TBCB who wins, because for example, like if we really look at the last quarter, except for the MP state TBCB, everything 100% of the market share was won by Power Grid. So, it depends upon that, who wins these TBCB projects going forward, will have a significant impact. Because one thing I can say that with private developers and, of course, as part of PGCIL, GE T&D had a very good market share in terms of developing the TBCB projects. For example, for developers like Sterlite etc., we had a market share of close to about 80%. So, it also depends upon who is winning, because there are few new players also on the developer side who are entering into this space.

Subhadip Mitra: Understood. So, just a point of clarification here that when you are mentioning Rs. 2,500 crores, this would include the TBCB projects which got finalized in 4Q FY 2021 as well as what is expected to come in FY 2022. Am I right on that?



Sandeep Zanzaria

No, ~~no~~, the one that got finalized in Q4, that was basically most of them was won by Power Grid. So, that has already been awarded by Power Grid in the last quarter itself. So, that is excluded.

Subhadip Mitra:

Okay, understood. My second question is with regards to your expectation on the EBITDA margins. So, clearly, we have seen an improving trend over there. But by when would you target going back to, let us say, peak margins which were in the range of about 7%, 8% odd, any thoughts on that?

Sushil Kumar:

So, Subhadip, first, we do not give the forward-looking statements. I only want to say that we have seen in last year despite COVID disruptions, the company really bounced back and made a significant improvement. And as I said in my opening remarks, the management team will continue this effort. Nonetheless, we have a few risks and few opportunities to manage. Meaning this financial year 2021- 2022, already has the impact of wave two in quarter one. And people are even talking about wave 3 as an uncertainty for rest of the financial year. So, that remains one of the biggest risk. In addition, since the pipeline was weak in the last year, so order booking has come down. So, the ability to execute faster, though the company is ready, but the backlog has reduced. However, at the same time, last year was where we were actually able to prove that the team is fully committed and the company has the ability to execute revenue as per the timelines of the project, and also take lot of actions to improve the cost and improve the margins. So, we will continue that journey to maintain strong discipline and cost, strong discipline on execution and strong focus on continuous generation of cash. But I would for the time being not call out any target or any number for the EBITDA margin.

Moderator:

Thank you. We will move on to the next question, that is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid:

I have two, three questions. So, my first question is on the order backlog. Despite having weakness in terms of new inflows, we are still sitting at Rs. 4,600 crores of order book. And if we understand right, a good share of the recent order inflows also are coming on a shorter execution cycle. So, would it be fair to assume that a good share, as in almost 80%, (+90%) of this order backlog should be executable in the next 12 months? Or are we seeing further delay in the timelines of projects which are sitting in the backlog, if you can throw some insights on this?

Sushil Kumar:

So, we don't see any projects which are delayed right now. One of the project which was not moving in the backlog was related to ESSSL project which is now handed over to Adani and has become operational now. But at the same time, a lot depends on the ability of the developer or the customer to act. And it again is dependent on the wave 3 that people are talking about unsanitary around that. So, we will not lay out a number but, again, 80%, 90% of the backlog is very high, 80% or 90% of backlog is around Rs. 3,800 crores, that is a very high number for the time being. Effort is to reach back to this financial year performance in terms of revenue, but that will also depend on a lot of uncertainties that I talked about. Again, these are the market or environment related uncertainties, the company will try to bounce back as we did in the last year.



Renu Baid: So, these uncertainties that you are mentioning, are they COVID related or also because of commodity inflation that customers are wanting to delay certain projects?

Sushil Kumar: No, at present we have not seen delay of the projects from the customer side. Mostly the uncertainties in execution I talked about are related to COVID. Especially, because we have the Q1 experience already with us where, as Pitamber explained, some of the factories were locked down for a few days, there are supply chain disruptions which are slowly coming to progress. So, given the lack of activity in Q1 again, and uncertainty on wave three, 80%, 90% of the backlog execution is a very challenging task. So, we will try our best. But these uncertainty plus the projects plan of the customer are two factors where we are dependent upon.

Renu Baid: Got it. My second question is on the commodity cost and margins front. If we understand a good share of these Power Grid orders which have been awarded in the fourth quarter, there was almost six months of gaps in terms of the price bid submission and the project award. And broadly they are considered as winners' curse for industry participants. So, what would be your view and outlook in terms of the share of orders where we might run against the commodity cost and the view in terms of both for Essel as well as the recently secured orders in terms of margin outlook? And do you think there will be any requirement for us to create any upfront provisions given the gap up in terms of cost structures or they are very well covered up?

Sushil Kumar: So, commodity price related impact is not only for us, but across the industry. And as Sandeep mentioned that a lot of award for the TBCB projects happened from Power Grid to the other players. So, you are right that there will be impact across the industry and we are not fully immune to that. At the same time, we have our teams working on to mitigate this impact, first by way of renegotiating price with customers wherever possible, renegotiating the cost with suppliers. But besides the commodity price, there are other avenues where we can improve from the project margins to offset the impact of commodity. For instance, the teams always work on the product cost optimization, lean, work on the productivity, reducing the cost of quality, etc. So, these are all avenues where we will try to offset the impact or headwind coming from the commodity price increase. At the same time, as per the accounting principles, whatever had to be provided till 31st of March has been fully provided. Any impact that comes in the subsequent quarter will be taken at the respective quarters.

Pitamber Shivnani: And just to add Renu, as far as Essel specific question, it has been taken care actually.

Renu Baid: Okay, got it. And lastly, if Sushil can also highlight broadly in terms of the backlog today, what is the mix between the fixed price and the variable price contracts? And overall, what is the status on the HVDC projects which were in pipeline? That's it. Thank you.

Sushil Kumar: Renu, unfortunately, I do not have that split, of the backlog between fixed and variable price right now. I request Sandeep to answer the second question on the upcoming HVDC projects.



- Sandeep Zanzaria:** So, you would have seen that there was a news article which came that even the government has appointed a committee headed by Mr. RP Singh to monitor the progress of the HVDC projects. So, yes, we are in the discussions with the developer for the project, but I think probably the finalization is still maybe about two months away. So, the active discussions are going on with the concerned parties. But the finalization is still away by a month or two months.
- Moderator:** Thank you. The next question is from the line of Amit Nahar from Edelweiss. Please go ahead.
- Amit Nahar:** I just have one question. I just want to understand broadly if we see the global scheme of things, what is the mandate that we have for global markets? If you can spend some time helping us understand how does the parent see GE T&D India in the global scheme of things in terms of key mandates? And where are we ranked in the global manufacturing portfolio for GE globally? Thank you.
- Pitamber Shivnani:** So, I think we are ranked very well because if you see Indian factories, we have large four factories, that is AIS, GIS on HV site, then we have Hosur factory, then we have grid automation and we have transformers. So, we are ranked globally very well in terms of local footprint for production and also on export side.
- Sushil Kumar:** We have more than 85% of the products delivered in India or executed in India being manufactured and sourced in India. In addition, as Pitamber mentioned, we do export to the other group companies or third-party customers outside Indian geography. And that is supported in many cases by the other group entities to execute those projects. Our effort is also to increase export progressively with the help of the other group companies and win together.
- Amit Nahar:** Okay, very helpful. Sir, I just wanted to understand whether it's Hosur or Padappai or Pallavaram, three to four locations that we have including Vadodara. I mean, if you take next three to four years, the Indian landscape is pretty much broadly understood by us in terms of what kind of growth can we see. But the challenges, the scale in export market can be very different, especially for GE T&D, when we compare with other peers like Siemens, ABB Power, etc. I just wanted to understand the delta for GE T&D seem to be very high in terms of increments. So, can I say 25%, 30% or maybe around that of our revenues five years down the line can come from export, is that a possibility?
- Pitamber Shivnani:** Yes, that possibility is there. But time will tell us how we perform on that front actually. These factories largely make for domestic, but as Sushil pointed out, we are doing at present around 15% of export actually.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Funds. Please go ahead.



Bhavin Vithlani:

Sir, a couple of years back you had highlighted that the size of related India market for GE T&D was about Rs. 20,000 crores to Rs. 21,000 crores per annum, what is that size of market in FY 2021? And how are you seeing that size of the market is shaping up for FY 2022 and 2023?

Sandeep Zanzaria

So, when we are tracking the market for about 2020, 2021, what we saw the market got shrunk to close to about somewhere around Rs. 14,000 crores to Rs. 15,000 crores. But we expect in 2023-2024 again the market to go back to the levels of Rs. 20,000 crores, Rs. 21,000 crores, or slightly more depending upon which HVDCs are going to come up. Because, if you really look at the empowered committee meeting, there is a HVDC which is now been proposed between Rajasthan to UP, so that's again, for example, 800 kV, 6,000 megawatt. So, if that materializes, that itself is going to bring close to about Rs. 6,000 crores to Rs. 7,000 crores. And then we have Leh Ladakh which the government is talking. So, it will also depend upon what kind of HVDC capacity additions do come in. But in another two years' time, we expect the market to bounce back to the number of Rs. 20,000 crores, Rs. 21,000 crores again.

Bhavin Vithlani:

Sure, that's helpful. Secondly, if you could help us in terms of the competitive landscape that we have seen over the last five, six years. We have seen multiple transformer companies actually shutting operations. So, if you could give us a perspective, the size of the manufacturing which was there and what kind of capacities that have gone out? And secondly, we also saw government imposing non-tariff barriers on the Chinese, so how has the competitive landscape shaped up over the last couple of years and how are you seeing it going forward?

Sandeep Zanzaria

Bhavin, in this case, I would say that it is definitely positive for the company. Because if I really look at the transformer which is specifically told, so probably like for example, we have shut down part capacity many others like, Crompton have shut down the Kalwa, EMCO has gone out, and then Chinese going out. So, definitely, earlier when there was a quite an overcapacity in the transformer market, today we are seeing that balance between the requirement and the capacity getting restored to a great extent. Still there is slight over capacity, but the delta between the overcapacity, which was earlier there and now has reduced, so that is good. We are seeing slightly firming up of the transformer prices due to this as well. So, which is good for the company, especially in short delivery times if somebody is looking forward for a transformer, then definitely the premiums are going slightly better than the market price. So, that's also a positive thing. For GIS etc., definitely Chinese have gone out but still there is an overcapacity in the market. But especially the Chinese going out there is slight improvement in the market prices, whether it is transformers, whether it is GIS. So, that's a positive indication for the industry.

Bhavin Vithlani:

Sure, that's helpful. The last question, in the order book that we have, would you be able to see a better contribution level on the margins front then we have seen historically? Or a given the commodity challenges, the underlying pressure could continue?



Sandeep Zanzaria

So, probably this question I would break it into two parts. So, one would be that, for example, when the Power Grid had, for example, the TBCB packages where people had put in the bid in the third quarter, etc., and they got finalized in the fourth quarter. Definitely there was a time when the material price movement started, for example, in the third quarter itself. And the bids were put in prior to that. So, once that has got decided, the price pressure because of commodity increase is still there. But going forward, now the people have understood and we expect that a slight correction in prices will happen going forward.

Moderator:

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

Renu Baid:

My follow-up question would be, A, on the G3 side of the portfolio. Nagesh did mention that Padappai would also at a later date be able to cater to the G3 kind of offerings. So, are we starting to step up investments in terms of design engineering and the portfolio realignment for the green gas GIS here?

Nagesh Tilwani:

Yes. So, Renu, there is global programs running for migrating all our products range to G Cube Q. And this is largely driven from the organization like our or the Green Accords, Paris Accords and things like that, where the migration is happening from SF-6 to a more cleaner environmentally friendly gas. So, we are working on that. And the center of excellence as of now is more European centric, largely because the investment and the technology is around that. But for sure, going forward probably two years down the line, we are also thinking of a portfolio migrating from SF-6 to G Cube Q. But largely in the European piece, we have installation for 145 kV, we have done some installation for 400 kV as well on the project.

Renu Baid:

Right. So, the way today we are supporting on the GIS through the circuit breaker portfolio for the new or the renewed portfolio on the green energy side also GE T&D India will be able to capture or continue to capture that part of the market, even also international export part of the portfolio?

Nagesh Tilwani:

That's the vision. We are anyway, as Sushil said, we are also targeting few new geographies for selling GIS from India. And as the market will move from SF-6 to the more cleaner environment, we will be ready to serve that market as well, India as well as export for GQ.

Renu Baid:

Got it. Right. And one last question in terms of overall export, you did mention that exports are 15% of our revenue, but broadly if one looks in terms of the revenue growth, they have been steady at 14% to 15% of mix. So, what is actually impacting this growth? As in will the recovery in the international market, both investments in Africa, Middle East or SAARC countries help to step up this portfolio? Or somewhere we are getting bogged down because of the increased competitive pressures and lower, I would say, ordering pipeline in the international market? So, what is really keeping the segment from growing at a relatively faster pace?



Sushil Kumar:

I will take this question. In fact, that 15% was used differently wherein I said that out of the business we do in India, we source 85% from India, and rest 15% is actually the import that we do for outside India. So, just to predominantly say that we are most localized and kind of very localized company catering to all product lines. So, that was not a number related to exports. I will give you the correct number of exports. For the financial year 2020-2021, out of the total revenue, our exports were at around 22% of the total revenue, whereas for the last financial year, it was 18%. So, exports have grown during the financial year.

Renu Baid:

Got it. And broadly, we also shared some outlook in terms of what is the outlook on the export market, both SAARC countries as well as Middle East, Africa, which have been the key exporting markets for GE T&D.

Sandeep Zanzaria

Renu, for SAARC countries, yes, definitely, when we really look at that, Nepal has a lot of potential for growth. Bangladesh also has a lot of potential, but Bangladesh mostly accepts products from Europe, etc. So, there we participate but mostly products are coming from Europe. But Nepal has a good potential. Sri Lanka is mostly up till 132 kV network, so not much of a traction there. So, just an update there. But in the export market, definitely we are working with the other geographies as well. For example, Africa is one area where we are really working and the Southeast Asia. So, as the markets are picking up there, because they also had the impact of COVID and reduction in CAPEX and things like that. So, as soon as the markets are going to pick up, we would be there to take that opportunity.

Moderator:

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

Renjith Sivaram:

When I look at your working capital, your cash from operations have increased largely because of your payables have reduced, while your receivables and other current assets everything has increased. What has led to this large increase in payables and what can be the trend if you want to look at it? Because this was one of the major factor for our cash flow from operations.

Sushil Kumar:

So, Renjith, our working capital improved by about Rs. 220 crores during the last financial year, out of which, you are looking at the number of trade payable, which has actually grown in line with the increase in revenue. So, our payables increased from Rs. 995 crores to about Rs. 1,100 crores. However, in terms of days to pay, that remained around 160 days in both the financial year. At the same time, with the increase in revenue, we have not let our other investments in working capital in the form of receivable and inventories to go up, but management has put in a lot of focus to rather collect the past dues and improve the inventory situation which is reflected in the financials. So, I will say, this improvement is not fully actually related trade payable, this is also coming from a stringent control and discipline on managing the receivable and inventories also.



- Renjith Sivaram:** When I look at your cash flow statement, your payables have increased by 123 crores, but your trade receivables have actually increased by Rs. 31 crores and other assets have increased by Rs. 48 crores. That means a large portion of your Rs. 330 crores cash generated from operation, is because of your increase in trade payables. I am looking at your cash flow statement which you reported.
- Pitamber Shivnani:** But Sushil, the receivables in fact have gone down, right?
- Renjith Sivaram:** No, your cash statement shows it has increased by Rs. 31 crores, once you take the exchanges. And your payables have increased by Rs. 123 crores, a bulk of your cash flows come from this payable increase and your inventories have decreased by Rs. 70 crores.
- Sushil Kumar:** Mr. Renjith, I will put it differently. With 10% increase in revenue, receivables should have gone up much higher, say to the extent of Rs. 150 crores. But while the payables have gone up, we have maintained a stringent control on the processes and terms and conditions with the customer, and we have not let our receivers increase in line with revenue.
- Renjith Sivaram:** Yes, that I got. But is there anything particular to be concerned with this heig payables or where do you see that?
- Sushil Kumar:** There is nothing to be concerned in the payable number, because as I explained, the days to pay are around 160 days in both the financial years. So, increase in payable is in line with the increase in revenue, nothing specific there to highlight.
- Renjith Sivaram:** Okay. And in the exceptional, last quarter you had taken some gain, and this quarter you have taken some loss. So, what is the cash impact because of this? Was this provision a non-cash and last gain was a cash, how do you read that?
- Sushil Kumar:** Yes. So, during the financial year we had around Rs. 45 crores gain from the sale of one of the property. And this Rs. 45 crores was realized in cash. At the same time, during the financial year, we made provision of about Rs. 42 crores in respect of some property related litigations and this is a non-cash charge for the financial year.
- Renjith Sivaram:** So, net, net there is a Rs. 45 crores cash inflow while we have taken a Rs. 42 crores of non-cash provision?
- Sushil Kumar:** Yes.
- Renjith Sivaram:** Okay. And sir, regarding our pipeline for next year, if you want them to get the major orders like last time some of the key items were explained, this Leh Ladakh HVDC and Rajasthan HVDC. So, apart from this, like green energy corridor, is there any major announcement expected or what is the status regarding that?



- Pitamber Shivnani:** There are a lot of TBCB packages going to come for 2021-2022.
- Renjith Sivaram:** Okay. Because this year we have seen a large drop in the other intake. So, is there something to be worried about in the growth front?
- Pitamber Shivnani:** No, we are quite optimistic because we feel the market is going to recover in 2021-2022. And looking at the opportunities which we have from Green Energy Corridor, we will be able to recoup actually.
- Renjith Sivaram:** Okay. And lastly on the other expenditure, now we have come to a yearly average expenditure of around Rs. 320 crores range. So, how much of this can be sustained, 366 crores to be exact for FY 2021 compared to Rs. 672 crores in FY 2020, so it is a sharp 40% reduction and other expenditure. So, how do you see this going forward? Is it sustainable, what are the major reason for this reduction?
- Sushil Kumar:** So, last year, we had significant amount of bad debt expense and that is reflected as around Rs. 80 crores in the cash flow statement. This expense has reduced significantly. At the same time, we had taken one time charge of readjustment of the warranty provision, that was I think in the range of Rs. 130 crores or something in the last year. So, those were the two major components which were significant items in the last year expenditure. This year, while these two significant items do not exist, at the same time, as we have been communicating quarter-on-quarter, we have maintained a very strong discipline to control costs, because of the COVID and the disturbance in the operation. So, that has really resulted in a significant savings in the other expenses. Now, for the full financial year 2021, we had about Rs. 366 crores of other expenses. Average comes to around Rs. 92 crores. With inflation and let's say a few other increase in expenditure because of higher travel as compared to last year, etc., on a conservative side I will put a number of Rs. 100 crores per quarter, or approximately Rs. 400 crores, which is more sustainable.
- Moderator:** Thank you. Ladies and gentlemen, we will be taking the last question, that is on the line of Jonas Bhutta from PhillipCapital. Please go ahead.
- Jonas Bhutta:** Congratulations on the great turnaround. My two questions were, first, as far as these large HVDC projects that you just spoke about, this Rajasthan, UP, Leh, Ladakh. Based on our own indication, at least Leh Ladakh there was a viability issue in terms of the kind of costing that they were looking at. And that was going to delay the project for quite some time. And as far as the Rajasthan-UP project, just wanted to get your view whether these both now are tangible opportunities and can be awarded over the next 12 to 18 months? That's the first question.
- Sandeep Zanzaria:** Thank you for the question. And I will answer the Rajasthan one first. Yes, it has been cleared by the empowered committees, because they have said that, there is a one AC scheme and there could be a hybrid of AC plus DC scheme. So, the preference is over the hybrid of AC and DC scheme. So, we are not very sure about 12 months, but I think a 18 to 24 months' pipeline looks to be okay for an award for such a project. But at times we have seen the Government of India pushing very



strongly also. So, conceptualizing such a large project etc., takes slight time, but now we are seeing in India there are many 800 kV, 6,000 megawatt projects executed as well, like for example, Champa-Kurukshetra, Raigarh-Pugalur, NER-Agra. So, it's possible to do it in 12 to 18 months' time, not 12 but I think 18 months' time should be a realistic thing. Leh Ladakh, yes, there are various options being talked about by the Ministry. But the growth of renewables what we are talking about in the country, I think one of the last pillars is going to come with the investment on the Leh Ladakh side. So, yes, we continue to remain optimistic on that project as well.

Jonas Bhutta: Sure. Sir, if I can ask the follow-up on the Rajasthan-UP, because the project cost that is estimated is almost Rs. 26,000 crores, and what you earlier mentioned is Rs. 10,000 crores to 12,000 crores is the scope for GE T&D within that, right?

Sandeep Zanzaria: Yes, so when in the project sense you talk about, you talk about land, financing, transmission line, return on equity, OpEx cost, everything is included. But when we talk about, we talk only the CAPEX part of, for example, the converter stations only. So, that comes slightly in the range of about Rs. 8,000 crores to Rs. 10,000 crores.

Jonas Bhutta: Okay. Sir, my second question was pertaining to the business arrangement that we have with the parent entity and we have almost 5% of our workforce, which doesn't have any commensurate revenue attached to it. So, do you believe that that will be a drag on our margins, at least for FY 2022 before we are able to redeploy this workforce or have an alternative method to that? And along with the commodity cost pressures, both of these will build up some bit of pressure on margins in FY 2022, is that a fair assumption?

Sushil Kumar: So, on the GEOD business, as I said, it's premature to share the impact, because as I communicated upfront, all avenues are being explored, given the impact on employees, investors, and also the assets of the company. So, we will have to first zeroed in, which is the best solution which actually fits in for the best interest of the company. And whenever the decision is taken, a due communication will be made to the stock exchange and the investors. On the commodity price, we mentioned that it is not just a headwind for us, but across the industry. And the company and the management team is working on many avenues to offset this, which includes first, as a mitigation to the commodity risk as a first step, and then to take other initiatives to offset this impact. And the other initiatives include the productivity, efficiency improvement, looking at the other cost saving measures and so on.

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

Sunil Mishra: Thank you, Lizann, and thank you, everyone, for your participation. With this, we conclude today's conference call. And in case if you have any other questions, then please feel free to contact me or our communication leader, Mr. Anshul Madaan. Thank you again.



*GE T&D India Ltd
June 15, 2021*

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. Thank you.