



GE T&D India Limited

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November 15, 2022

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Dalal Street
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 November 9, 2022**

Please find enclosed a copy of the Transcript of earnings conference call with analysts/ institutional investors held on November 9, 2022, in respect of financial results for the second quarter and half year ended on September 30, 2022.

The audio recording of the earnings call is also made available on the Company's website at:

<https://www.ge.com/in/sites/www.ge.com.in/files/2022-11/audio-recording-of-the-earning-call-held-on-november-9-2022.mp3>

You are requested to take note of the same.

Thanking you,

Yours faithfully,

For GE T&D India Limited

Bhumika Chandra
Company Secretary & Compliance Officer



“GE T&D India Limited Q2 FY23 Earnings Conference Call”

November 9, 2022



MANAGEMENT **MR. PITAMBER SHIVNANI – MD & CEO, GE T&D INDIA LIMITED**
MR. SUSHIL KUMAR – WHOLE TIME DIRECTOR & CHIEF FINANCIAL OFFICER, GE T&D INDIA LIMITED
MR. SANDEEP ZANZARIA – COMMERCIAL LEADER, GE T&D INDIA LIMITED
MR. MARIASUNDARAM ANTONY -- PROJECT BUSINESS LEADER, GE T&D INDIA LIMITED
MR. ANSHUL MADAN – COMMUNICATION LEADER, GE T&D INDIA LIMITED
MR. SUNEEL MISHRA – HEAD (INVESTOR RELATIONS), GE T&D INDIA LIMITED
Ms. BHUMIKA CHANDRA – COMPANY SECRETARY, GE T&D INDIA LIMITED



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Moderator: Ladies and gentlemen, good day and welcome to the GE T&D India Limited Conference Call for the Second Quarter ended 30th September 2022. As a reminder, 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 this conference call, please signal an operator by pressing “*” and then “0” on your touch tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Suneel Mishra, Head of Investor Relations at GE T&D India Limited. Thank you, and over to you, sir.

Suneel Mishra: Thank you, Rochelle. Good day and welcome to this conference call that has been organized to present and discuss audited financial results for the second quarter ended as of 30th September 2022.

Now, let me introduce GE T&D management team available on this call. We have with us Mr. Pitamber Shivnani, who is the Managing Director and Chief Executive Officer. We have with Mr. Sushil Kumar, CFO cum Whole-Time Director; Mr. Sandeep Zanzaria, who is our Commercial Leader. We have Mr. Mariasundaram Antony, who is our Project Business Leader. We also have with us Ms. Bhumika Chandra, who is the Company Secretary. And we have with us Mr. Anshul Madaan, who is our Communications Leader

Please note that this conference call is scheduled up to 5 p.m. 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 out the disclaimer as per Slide #2.

So, Mr. Shivnani will begin this conference call highlighting the events of the quarter. Then, Mr. Maria updating us on operations, followed by Mr. Sandeep Zanzaria who will take us through order book and the T&D grid market. Then, Mr. Sushil Kumar will give his insights on the financials.

I would now request Mr. Shivnani to begin the conference with his opening words. So, over to Mr. Shivnani.

Pitamber Shivnani: Thank you, Suneel. Ladies and gentlemen, good evening. Thanks for joining the call. We hope you and your families are healthy and safe. I would like to start this call by giving you a brief overview about the last quarter and then would request my other colleagues present in the call to go through the details.

First of all, thanks to the diligence of our execution teams, and consistent efforts towards lean initiative, we have been able to deliver a profitable second quarter of financial year 2022-23 We have reported a net profit of Rs. 2.8 crore compared to a loss of Rs. 7.7 crore in the corresponding quarter of the last financial year.



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Our overall sales in the second quarter were at Rs. 700 crore compared to Rs. 850 crore in the corresponding quarter of last financial year. And we received the orders for around Rs. 490 crore. The orders were down in the second quarter due to the few major decision regarding TBCB contracts getting deferred to Q3 and Q4. However, we have a good pipeline in the next quarter, and Sandeep will cover more about this in his address.

As we move into the last 2 quarters of the financial year, we continue to focus on reducing costs to drive profitability. We have seen some stability in commodity prices and inflation. However, we continue to monitor these variables closely and are well placed to adjust our procurement strategy accordingly.

As per the report released this Monday from Arthur D. Little, a renowned international management consulting firm, India will lead additional strategic investment of over \$300 billion to achieve its clean energy capacity target of 500 GW by 2030. The findings of the report further reinforce the continuous growth of the Indian power sector in the coming years. The clean energy acceleration along with the government focus in introducing policy reforms in the power sector will boost the transmission industry overall. Our strategy of picking new orders remain unchanged. Our priority will be to pick orders that will help us grow profitably, keeping in mind the long term sustainability of the company.

With that, I will request Maria Sundaram to provide further insights on the operation during the quarter. Over to you, Maria.

Mariasundaram Antony: Thank you Pitamber. Good evening, ladies and gentlemen. It is my pleasure to share with you the operational update of GE T&D India Limited. In this quarter last quarter Q2 of fiscal year 22-23, we continue to commission key milestones for our customers across the region, and it involved commissioning of major equipment at different substations. And I would like to call out some of those key milestones executed in some of our key substations in the region in the last quarter. We commissioned 100 MVA ICT in Himachal Pradesh for the Himachal Pradesh Transmission Company. And then we also commissioned I think 200 MVA ICTs for MSETCL in Pimpalgaon substation in Maharashtra. And then, I would say we actually covered a lot of commissioning milestones, in Bhutan, different substations for Bhutan Power Corporation in Samcholing where we commissioned the transformers as well as in Damji, where we also commissioned transformers there. And then in Dagapela where we commissioned the second 40 MVA 220/ 33 KV transformer along with the 33 KV GIS. So, this was a significant completion which we did in Bhutan. And then apart from that, we commissioned around three 400 KV GIS bays for our Jawaharpur Power plant, which is getting built by Doosan for the UP, Uttar Pradesh State. And then in addition to that, in Orissa, the Hinjilicut substation, we commissioned the transformer along with the 5 bays of 132 KV GIS and 9 bays of 33 KV GIS. And then finally, in Jharkhand in Latehar substation for PGCIL, we commissioned the two 220 KV AIS bays. So, we'll continue the momentum as we move into the last 2 quarters of this year.



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Thank you, and I will now hand it over to Sandeep Zanzaria to give the commercial update.

Sandeep Zanzaria:

Thanks, Maria, and good afternoon everyone. So, if you look for H1 results in terms of order, we are down by about 2% against Rs. 1,110 crore of H1 performance for 2021-22, where it was about Rs. 1,090 crore of H1 performance for '22, '23. But if we look the comparison on quarter-on-quarter, we are down by about 23%, which is Rs. 490 crore versus Rs. 630 crore.

This quarter has primarily got impacted, as Pitamber said, is by shifting of a lot of TBCB projects, so the complete Rajasthan package is because of GIB issues have again shifted. So, the Khavda packages and the associated packages are also getting delayed due to certain approvals and survey issues in that area. But we are now seeing that probably in Q3 and Q4, a large number of decisions will be taken. If you didn't, please look at the details of the orders which are there, so most of the orders are centered around GIS product and as well as the automation and maintenance contracts.

So, another aspect would be is that we are in a good way close to about Rs. 500 crore, which we have carried over from the last quarter, which the orders could not come due to the procedural issues. So, that would be a carryover which is going to be there. So, I'll hand it over to Sushil for further update.

Sushil Kumar:

Thanks, Sandeep. Good evening, everyone. We move to Page 6 on financials. As Pitamber mentioned, during the quarter 2, we generated a revenue of Rs. 700 crore, this was 17% lower than the last year revenue of Rs. 851 crore. However, at the same time, due to operational execution improvement versus last year and reduction in expenses, we have been able to generate an EBITDA of around Rs. 34 crore which represents 4.8% of revenue compared to an EBITDA of Rs. 20 crore, representing 2.4% of revenue in the last year. The EBITDA includes other income because most of the elements in the other income are operational in nature. Similarly, on a first half basis, we generated a revenue of around Rs. 1,300 crore, which was lower than the revenue of approximately Rs. 1,500 crore generated in the last year by about 13%. However, we see a similar improvement in the EBITDA. In the first half of this year, we generated an EBITDA of approximately Rs. 65 crore, representing 5% of revenue versus Rs. 21 crore, representing 1.5% of revenue in the last year.

During the first half this year, our debt has increased from Rs. 0.8 billion in the beginning of the year to about Rs. 3.6 billion at the end of September. This is mainly because of increasing the working capital and we are taking actions to recover this in the second half of the year.

Moving to Page #7, which gives a breakup of orders, revenue and orders in hand, for about Rs. 490 crore of orders in quarter 2, 40% of the orders from the export market and 60% of orders were from the domestic market. On the first half basis, out of Rs. 1,085 crore of orders, 34% of the orders from the export market and balance 66% from the domestic market.



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On the revenue side, out of Rs. 700 crore of orders, revenue in quarter 2, 31% was from the export segment and 69% from the domestic market. Similarly, on H1, revenue of Rs. 490 crore, 32% revenue came from the export market and 68% revenue from the domestic market. The breakup of the backlog in hand of approximately Rs. 3,450 crore is also given on the page, 62% of this backlog is from the private customer, 20% of the backlog from state utilities and the balance 18% from the central utilities and PSU.

So, with that we'll now open up for the question. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: So, my first question was on the debt level, which has gone up. The scale of operations have come down. Even the order intake has been lower in the first half and even the revenue. So, any particular reason, are we seeing any elongation in the working capital cycle? Can you please elaborate on this increase in the working capital debt?

Sushil Kumar: The changes in the working capital are given in the cash flow statement. So, we had about Rs. 250 odd crore increase in the working capital. Most of it is in the inventory side because we have secured inventory for the manufacturing process for the orders which are in execution for second half of the year. And then the rest of the increase is in the trade payable cycle and provisions and liabilities. As I said in the beginning of the call that we are making continuous effort to increase the cash collection cycle to improve it and reduce our capital and reduce the debt. We expect that from now till the end of the year, there should be an improvement from the current level of working capital and we should be able to improve. So, it's mainly the inventories and payment of trade payables, which has led to the increase in the first half of this year.

Parikshit Kandpal: So, my second question is on the overall market size, I think we have been telling historically that market size for us is about, India pieces about close to about Rs. 18,000 crore to Rs. 20,000 crore. So, for this year, how do we see this given the backdrop of weaker inflows, which has accrued in the first half? So, how big is the total market size for us?

Sandeep Zanzaria: So, Parikshit, Sandeep here. So, we are still anticipating it to remain like about Rs. 18,000 crore primarily because the markets I would say, have got deferred and not moved out. Like for example, I was just saying that the Rajasthan TBCB packages, Khavda TBCB, all those packages have got deferred, one primarily due to GIB issues, one due to our clearance of survey issues, et cetera. But there the generation projects have already started coming up and the tendering for generation projects have happened. So, basically the transmission scales are going to come. It is delayed but it is not like the market has not vanished.



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Parikshit Kandpal: Sir, another question is on the products. So, to address this market, so are there any product gaps and after the GE-Vernova thing which has happened, so do we think we can introduce more products on the HVDC side, on the transmission side? So, can the addressable market for us can go beyond Rs. 18,000 by introduction of new products? So, if you can touch upon that, any new products are being planned to be introduced in India?

Sandeep Zanzaria: So, I think one thing is there that for example, whatever HVDC projects now are coming, we have already executed a similar project in India in the Champa-Kurukshetra. So, the upcoming project is exactly similar, like it's a 800 KV plus minus 6,000 megawatt, which we have already executed. So, on the HVDC front, we are not lacking anything on the technology side. In fact, the transformers, et cetera, were all manufactured in India only, and we were the first manufacturer in India to have supplied a 800 KV DC transformer, that is one thing. Second thing on Vernova side, it is basically a restructuring which is happening at the global level, not exactly a restructuring, but a split between the company. But our product portfolio in that case is not getting impacted in any way. Only thing is what's happening is that the global team and the Indian team keeps on working depending upon the need that if any new products can be introduced or if there is a requirement of new products which are there. So, we constantly keep on monitoring and the products which are required for the market when they are brought in and enhanced.

Parikshit Kandpal: And sir, just a last question on the current levels of capacity utilization, if we can talk about it. And the export opportunity, can we reach out to more countries? So, any plans over there to increase distribution in the exports market beyond Bhutan or some other countries?

Sandeep Zanzaria: So, it's not that we are only exporting to like for example, Bhutan and all. There is a huge amount of exports, which is happening to Southeast Asia, to Africa, to Latin America, even to few countries in Europe as well. So, for example, when Maria was talking about, he was mostly talking about from the project perspective, which we were doing in Bhutan. But product wise, if you look at our circuit breakers, our GIS, our automation, in fact, our transformers also, so we are exporting it to many continents which are there. And there is a constant endeavor also to add more countries, that is one thing. And second, also to improve the market share in the existing countries or to generate more volume from the existing countries wherever we are supplying to there.

Parikshit Kandpal: And sir, capacity utilization, the last one.

Sandeep Zanzaria: Capacity is actually quite a flexible thing, Parikshit because we are like for example, when we talk about the transformer factory, so probably in 400 kV, if you talk, then you will be manufacturing less number of units. In 220 KV, the number of units will become more. So, it's kind of flexible, I would say, but I would still put it as that in one or two product lines, we still have sufficient capacity to take about 20%, 25% more orders.



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Sushil Kumar: So, let's look at this in another term. In 2019, 2018, those years, we had a revenue of about Rs. 4,200 crore to Rs. 4,300 crore. So, which means that the organization has capacity to execute that kind of revenue and go beyond also. The only thing is we require addition of new people we want. But obviously, given the COVID challenge that we faced in last couple of years and the issues on margin and customer liquidity in the past, we were selective for last couple of years, and as the market pick up, we will try to improve our order execution, and we should be able to increase revenue if the order is realized and at the right price. So, we have capacity to go beyond depending on market situation.

Moderator: The next question is from the line of Ashwani Sharma from ICICI Securities. Please go ahead.

Ashwani Sharma: Couple of questions from my side. Firstly, sir, the order inflow that you said that has been deferred, is it possible to quantify these orders which got deferred in the quarter?

Sandeep Zanzaria: So, it's close to about Rs. 400 crore, Rs. 500 crore which is a combination of something coming from export market and also from industry. So, we'll not be able to give further details in terms of customers, et cetera, but that's the open position that we are having.

Ashwani Sharma: So, Rs. 500 crore which got deferred, that's what you're saying?

Sandeep Zanzaria: Yes.

Ashwani Sharma: And small clarification on the previous participant's question. On Rs. 18,000 crore opportunity, this is purely for domestic market, right?

Sandeep Zanzaria: Yes.

Ashwani Sharma: So, my second question is on the margins, if you look at Q2 margins, so we have barely reached at breakeven at EBITDA level. So, where do you see margin even given the fact that now the commodity prices have also kind of softening? How do you see this, FY23, in terms of margins, sir?

Sushil Kumar: So, Ashwani, thanks for the question. But as the past practice, we'll not be giving the year end guidance for any particular number. However, maybe issue clarification on the existing margin levels. During the quarter, we generated a gross margin of 25.2%. This is lower. And there's one specific element which I want to highlight. We booked a charge off about Rs. 12 crore in this number related to foreign currency variation. However, there is a corresponding offset, a significant offset sitting in the other income. That is the reason we are calling other income as operational item because as per the accounting guidance, one leg sits in the gross profit and the other is sitting in the other income.

If we eliminate that item or true up for the gross margin level for the quarter, you can count a gross profit at 27% at the lower end of the range of 27% to 30% that we have communicated in



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the past. Whereas on an H1 basis, the actual gross profit number is 29.5%, but eliminating this Rs. 12 crore FOREX adjustment, the H1 gross profit is 30.5%, which is the higher end of the range we have been communicating.

So, I think this is within the range that we have communicated in the past, 30% of gross margin in H1. As we also mentioned in the past, the order booking margin is generally 27% to 29% or 30% in that range. And during execution, we try to improve by another 2-3 percentage points to generate better profit. Last 1 year or 18 months, this was difficult or not feasible because of significant variation in the commodity prices and few other operational items as we communicated in the past. But our endeavor going forward is that we try to improve on this margin by various initiatives.

Ashwani Sharma: Thanks for the explanation. And sir, lastly, if you can update on the Leh-Ladakh project, sir, what is the status?

Sandeep Zanzaria: So, Leh-Ladakh project is going to take time because the Power Grid is going for some studies because of environmental issues and other things. So, after the studies are completed, then the specifications will be drawn probably. So, it's a bit slightly longer. I don't expect that it's going to take minimum more than a year to materialize.

Ashwani Sharma: Can we expect some positive news in the second half of the next year?

Sandeep Zanzaria: We are expecting at least 1H '23 to get finalized there.

Moderator: Our next question is from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.

Charanjit Singh: Sir, if I look at the current order backlog, also there's a 50% contribution from the private sector. And if you can touch upon, going forward how is outlook for the private sector and these projects, the execution of the current order backlog, what's the kind of timeframe which we are looking at?

Sandeep Zanzaria: So, the timeframe that we're looking is ideally I would put it at about 18 months timeframe. And why the private sector contribution is more and more increasing, because the investment is happening on the generation side. If you look at wind, solar, these things, that's happening in the private sector and in fact, in the transmission sector also, if you see, there are a number of private transmission players who are now winning the bids for the TBCB project. So, that's why the share of private sector is now increasing. Earlier before the TBCB regime, it used to be dominated by the government sector.

Charanjit Singh: Sir, but from the industry's perspective, are you seeing any kind of a traction there, from the maybe cement, steel plant, is there any kind of a demand coming from the core industry for the power transmission equipment?



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Sandeep Zanzaria: Yes. So, we are seeing a big uptick in this demand. So, of course, cement and all, it is mostly the lower voltages requirement which is there. So, cement plant expansions are typically more investment on 33 kV and below. But if you really look at the steel plants and also we are seeing at other metal sector also. So, we expect in time to come from aluminum as well. Some demand we have seen coming from copper and also steel, but is one of the primary investments what we have seen, so expansion of capacities which is there.

Charanjit Singh: And sir, in the initial remarks, we've also talked about automation in terms of the orders picking up. So, if you can give more color, what is the kind of quantum of these automation orders and how does the competition stack up or maybe from our market share perspective, how it has been? And can it expand from the existing market share mainly on the automation side, sir?

Sandeep Zanzaria: So, on the automation side, I would say that the digitalization of the grid is definitely helping a lot, that is one aspect of it. And we are continuously even talking to various asset owners as well. Even the digitalization of the maintenance part of it because that's going to help them and us both in terms of providing the latest global technologies. And also then it will give them a better predictability and also these analytics will help them in reducing the downtime for those industries, that is the first thing. Second thing on the competition side, of course, we are, I would say we are on an equal footing as compared to our competitors. I am not going to comment much on the market share part of it, but I can only say that now the projects which are coming whether it is industry or whether it is for example, the TBCB or the transmission side, the voltage of automation is slightly increasing. There are a few tenders which have come out on the substation side, on the pure digital technology. So, that's why the share of automation in that project is slightly better. And we are totally geared up to deliver that kind of solution from the country.

Charanjit Singh: And sir, just lastly from my side, there is also talks about more CAPEX picking up on the distribution side in terms of metering and distribution CAPEX picking up. Any thoughts there in terms of whether GE T&D can participate in that opportunity or we are developing the products which can cater to that market.

Sandeep Zanzaria: Sir, we are not into metering side, but definitely there is scheme of RDFS which is coming and GE is one of the leading players when we talk about DMS or the distribution management system. So, I think once the RDFS packages which are going to come in, we would be very strongly positioned to grow in that area. So, we have quite advanced solution in terms of providing the distribution platforms in terms of the management system and if you really look at, we have one very closely with Tata and all and wherever their distributions are there, our platforms are already implemented and working very fine.

Charanjit Singh: So, what this also require, we setting any new capacities and from the core business current capacities perspective, what is the kind of utilization level and how do we see the CAPEX for us shaping up going forward?



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Sandeep Zanzaria: So, these projects which we are talking about on the distribution side, of course, so we are there mostly on the software side. So, it's going to require more resources in terms of manpower, et cetera, integration testing, all those things. But it is not going to require any additional manufacturing capacity and all.

Pitamber Shivnani: So, I will say additional thing that as far as the manufacturing capacity is concerned whether it is GIS, AIS, control and relay panel transformers, we have enough manufacturing capacity available in our 4 large factories in India actually.

Moderator: Our next question is from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.

Parkishit Kandpal: Thanks for the followup. Just 1 question. on the exports market, if you can quantify like how big is the opportunity for us, the bid opportunity there. So, if we can quantify that?

Sandeep Zanzaria: So, export market, when we are talking about, today we are concentrating mostly on product export. So, it's difficult to quantify because it also depends upon the transmission plans of those individual countries and the realization. But at a consistent level, we have been doing close to about 30% to 35% of our order intake is coming from the export market.

Parkishit Kandpal: But that is on a lower basis, the ordering improves, domestic will become larger part, so that proportionally will come down, right?

Sandeep Zanzaria: In the first half we have done Rs. 370 crore of exports inflows.

Parkishit Kandpal: Sir, the only thing is I think going forward, because more and more we are seeing that the renewable capacity globally is getting added. So, the renewable is actually driving the transmission market today because you have a generation capacity which might be the conventional part, and then on top of that you're adding the renewable capacity,. As the demand and the drive is there. Of course, when looking at Europe and all, Europe, US, et cetera, of course, the demand which is now coming from Europe and US has been phenomenal for the transmission piece. The only thing is that we are expecting now the similar thing to get replicated into other geographies as well. Like what we are seeing today, today we have a kind of a 400 GW of installed capacity, but in 2030, if you have to do 500 GW of renewable capacity. In the next 8 years, we have to add practically an identical generation capacity to what is existing. So, that's going to drive the demand in a big fashion. The same thing is going to get replicated into many geographies and I think that is going to drive up the demand in export market as well. The only thing is that some geographies have slightly delayed plans of renewable, some geographies have a very advanced, I think plans of renewable. So, that's how the shift is going to happen between the demand of export market.

Parkishit Kandpal: So, basically, you're saying in the renewable infrastructure and the transmission side, we see a very big pipeline building up over the next few years as renewable energy picks up, right?



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Sandeep Zanzaria: Definitely, it's going to happen. So, no doubt on that. I think maybe next 10-15 years is going to be a build time for the renewable generation companies and it's going to positively impact the transmission companies as well.

Parkishit Kandpal: And sir, within the domestic market, how are your relationships with the players who are basically on the EPC side and they sometimes take support bid from us while bidding for some of these packages on the EPC side, the tower packages and then give complete solution including transformers and the transmission entire eco systems. So, how is the business development activities there? How is the relationships there with likes of Kalpataru or KEC? So, if you can also highlight that.

Sandeep Zanzaria: So, I would say that we have a good relationship with the all the EPC companies which are there. In fact, in the presentation you would see, there are a number orders which are there from Kalpatru, KEC as well which have been listed in the order what we have acquired in the last quarter. Of course, we are one of the leading OEMs and we have like decades of relationship with all the EPC companies which are there.

Parkishit Kandpal: And just lastly, sir, this L1 order of Rs. 500 crore. So, is it typically you carry these kind of L1 every quarter or just like one-off like big L1 there or there a lot of orders there?

Sandeep Zanzaria: No, we don't carry this volume. There is something we would always be carrying but not of this volume.

Parkishit Kandpal: Is it a government order or again a private order?

Sandeep Zanzaria: It's a combination of both.

Moderator: Our next question is from the line of Aniket Mittal from SBI Mutual Fund. Please go ahead.

Aniket Mittal: A few questions from my side. Firstly, if you could just talk about the competition intensity right now that is there in the market? And the reason I ask this is because when I look at some of the competitors, the order inflow for them has been healthy, while we've not been able to grab that amount of order inflow. Sir, just wanted to understand the reason for this and how do you look at the competition right now in the market?

Sandeep Zanzaria: So, Aniket, 2 things here. Yes, I know but first is that yes, we have been selective in terms of our bidding strategy definitely in the market. So, we look forward for surety of payment, the price levels and everything. And for example, this quarter, that's what I was saying that some of the order which were expected where we were L1 has got shifted to the next quarter which is Q3. So, I think it's a combination of both things, our selectivity and also the shift in the orders. But I would only say that as the quarters are progressing the competitive intensity is I would not say to a great extent but slightly coming down, that is one thing and we are seeing an uptick in the price also which is happening.



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Aniket Mittal: The second question was just to understand a bit on the order book. So, in this current order book, are there any projects that are slow moving because certain contracts that we would have earned in Rajasthan, which are now getting delayed to GIB issue. Just wanted to understand any slow-moving orders here.

Sandeep Zanzaria: So, presently, we don't have any contracts which have got struck up for GIB issues. In fact, there are projects which are struck up for GIB issues. But there we are a product supplier. So, the PCs are the end clients, are accepting our products. So, we don't have challenge on our factory because of any GIB issue.

Aniket Mittal: Because in one of your remarks you mentioned that Rs. 500 crore orders have got deferred. So, where do these orders fall in place?

Sandeep Zanzaria: So, basically, sometimes what happens is that though we have emerged L1 and then the division making process and the customer like the approval of management everything takes a bit longer time and that's how the order will not come by end of September but might come in October or something like that. So, that's how it has got deferred. These orders which are there of Rs. 500 crore have been returned, has nothing of a GIB or any of the environmental issues associated with that.

Aniket Mittal: And the next question was on the working capital front. I think you've mentioned that there's been a Rs. 250 crore drag and you plan to improve this going forward. If you could just highlight what sort of working capital deals are you currently at and where do you think you will end for FY23 and going forward.

Sushil Kumar: So, talking about the increase in working capital for about Rs. 250 crore, one major increase as I had mentioned was inventories and these inventories are created for the revenues of H2. At the same time, we have an outflow in the supplier payments due to reduction in the volume, but the corresponding offset is a smaller offset in the receivables. We have a few collection end of September which were operationally stuck for a limited period and we hope to realize that in H2 as well. So, the endeavor is always to recover a large chunk of this Rs. 250 crore outflow, which I because of the timing of the requirement of the projects under execution to recover that most of it in the H2. In terms of number of days of working capital, let me just check if I have that data readily available. Maybe give me a few minutes and maybe we'll answer that in few minutes.

Aniket Mittal: Sir, just maybe 1 last question which was on the gross margin front. So, like I mentioned, if you adjust for the foreign currency variation, you still had that 27% mark. How would you look at the gross margins going forward based on the current order book that you have? Would we remain in that 27% to 29% mark?



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Sushil Kumar: Yes. So, see, we have a long cycle project business and many such projects at a time, the projects which are under execution, specific projects changes the margin interval of the quarter significantly. So, in our business, we have been continuously communicating that just look at the gross margin for a longer period. For the quarter eliminating the FOREX impact, it is 27%. However, if you take H1, eliminating the FOREX impact, the gross margin is 30.5%, which is at the higher end of the range of 27% to 30% which we have talked about. Endeavor is to first at least maintain this and try to improve further in execution. However, that is dependent on many factors including the commodity price variation as well. Your earlier question on the working capital, at present, we have the working capital at around 80 days of revenue.

Aniket Mittal: And what is it that you're looking to bring this down for because you've mentioned in your comments that by the next 6 months or so, this will likely come down.

Sushil Kumar: We will try to recover at least half of this. There will be various factors including receivables, reduction of inventory, at least half year planning to recover in H2 of this financial year. Half of the outflow, I mean Rs. 250 crore outflow, minimum Rs. 140 crore of recovery we are targeting internally.

Moderator: We have a question from the line of Amit Anwani from Prabhudas Lilladher. Please go ahead.

Amit Anwani: My question is with respect to the Rs. 18,000 crore prospect which you have mentioned. If you could just throw some color, which kind of product, 400 kV, HVDC, any breakup you have factored in? Also with respect to Central, State or anymore color on this Rs. 18,000 prospect here.

Sandeep Zanzaria: So, it's basically a combination of projects and products which is there. So, normally, this will be comprising of Power Grid project, this will be comprising of TBCB project, this will be comprising of State utility projects, which will be a combined part of industry. And in the industry also there are a lot of opportunities for direct products, like for example, transformers and control and relay panels, breakers, and other items as well. So, this is primarily consisting of this whole thing. If I would try to quote it as about the split between 400, 765, 220 and 122 that I readily don't have it available with me, but I think close to about 50% will be coming from 400 kV and our voltages will be contributing the balance 50% of the overall volume. This year, out of this close to about Rs. 2000 crore will be getting contributed from HVDC. Next year, this we expect it to be a higher volume for HVDC next year.

Aniket Mittal: Next question is on the top line. So, you mentioned about prospect because of the 500 GW opportunity, which is there till 2030. And you mentioned about some report mentioning some great opportunity for the sector in coming 5-10 years. How we can GE T&D with respect to growth prospect in the next let's say 3-5 years in this, any assessment you have done.



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Sandeep Zanzaria: So, already for example, all of our factors, which are there are delivering the latest technology, which is there, for example, we are one of the key players in GIS, who has a complete product portfolio from 765 kV till 66 kV GIS frames. And if I look at whether it is automation, whether it is circuit breakers, instrument transformers, transformers, we have a presence, and I would say a complete portfolio, which is available. Also, on the digital side or on the high capacity side, when I see, so we have the portfolio of HVDC, FAS, STATCOM, so all such technologies are available. But on the other side, also, I would like to point out very clearly is that we would be selective in the market in terms of HVDC order. Looking at 2 aspects. One is the proven capacity of the customers that is one thing, so that payment security is must. And second also, it needs to be a profitable growth rather than just a blind growth with new profitability coming.

Aniket Mittal: But sir, can we expect some growth in 3 to 5 years at the top line.

Sandeep Zanzaria: I would not like to put a number to it, but yes, we expect a growth from the present volume.

Moderator: Our next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: And pardon me if this question is repeated, I joined in little late. So, this question is on the competitive landscape and market share. If I look at the results which have been announced, so where Hitachi has shown a 32% growth in the new orders. CG Power has shown a 58% growth in the orders for their power T&D division. Whereas when I look at GE T&D, there is a drop of greater than 20%. So, as an outsider, it seems like there is a significant loss in the market share. And Hitachi also we understand there was an HVDC, but that was in first quarter. So, if you could just help us understand about the market share, and if you could help us understand read it, that will be very use.

Sandeep Zanzaria: Hi, Bhawin. Sandeep here. So, basically, one of the things what happened was that the few orders which were I would say negotiated or we were L1, but close to about Rs. 500 crore. The final ordering has got shifted to this quarter. So, that was one of the major impacts because of which you see a drop in the number.

Bhavin Vithlani: So, one has to add Rs. 500 crore to the current Rs. 500 crore of orders that we have booked. So, it'll be more or less like Rs. 1,000 kind of a number.

Sandeep Zanzaria: Not exactly, because every quarter we would be having this phenomena where we carry certain amount which we are L1, but it doesn't get decided into that. But it's not to the tune of Rs. 500 crore. So, there is always this phenomena, but not to this extent.

Bhavin Vithlani: So, what would be that normalized that L1 that you would be seeing every quarter? Just to understand and do a more like-for-like comparison.

Sandeep Zanzaria: So, normally it's somewhere between Rs. 150 crore to Rs. 200 crore. It also depends upon quarter-to-quarter, but there are times when we carry from there between Rs. 150 crore to Rs.



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200 crore to the next quarter. But this time, there was a slight delay in customer processes, the value became close to about Rs. 500 crore.

Bhavin Vithlani:

Sir, second question, again slightly a related question. Power Grid in its Analyst meet mentioned about Rs. 24,000 crore of project held up due to the Great Indian Bustard, which can be cleared only once the verdict comes in. if you could give some color on what's the kind of projects which have been held up. Alongside, if you can also help us understand about the competitive landscape because some of your peers have started announcing capacity expansion. So, what's the kind of capacity utilization that we have. So, there are a few questions in this.

Sandeep Zanzaria:

So, Bhavin, for GIB issue, I think there are 2 types of clauses which are there. One, which is already available and which are stuck up. So, I just explained that it's a 2 years journey, in that, we have a few orders, but for us, those products have not got stuck up because the customers are accepting those products and they will be storing somewhere and would be using that. So, that is one aspect of it.

Second, yes, I agree that because of the GIB issue, the upcoming pipeline of Rajasthan, have got stuck up totally, because in the last quarter itself we were expecting that the decision should come and the whole pipeline should move, but it is still stuck up and now it has still not moved, but we expect that in the next 2 to 3 months, that whole pipeline is close to about to INR5,000 crore to INR7,000 crore should be used for the GIB issues which is stuck up. And it is not only the transmission projects, which was stuck up, it is also the generation projects which is stuck up. There also we have a lot of product opportunities, whether it will be circuit breakers or automation or transformers, et cetera. So, that is another aspect of it.

Regarding the, for example, the capacities which are there, I think today, we have sufficient capacity I would say, in the factories. And only thing is probably, for example, we require some fewer resources, et cetera, to be added, but that can be added at any point of time depending upon the situation or depending upon the uptick in the market which is there. What I've been saying is that, for example, this a host of pipeline of projects have been available with us for last about since 2020, and there has been constant shift which is happening.

So, whatever projects got announced in '20 got shifted to '21; from '21 and '22, it is now getting shifted to '22, '23. And we are also seeing now a few projects of Khavda and Rajasthan again shifting, but there are new projects for next year. For example, if you know, there is a host of about Rs. 30,000 crore project -- Rs. 30,000 crores is not for us, but for the complete transmission space with include lines, et cetera, everything has now recently been announced by the government in the new transmission committee. So, the visibility of pipeline is there, but there is a constant shift of pipeline, which is constantly happening. So, that is something which is making the unpredictability part a bit higher.



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- Bhavin Vithlani:** Alongside, I mean an extension of this, I mean historically, we have been talking about States deferring on the ordering. Are you seeing any reversal in the deferral and are we seeing any States, and if you could name some of these states where we are seeing a positive traction?
- Sandeep Zanzaria:** So, there is not much of a traction in States. There are few opportunities, which have come up, but that again got deferred because of budget issues, et cetera. So, one was for example, DTL, we are seeing some opportunities in Orissa, something coming up in Gujarat, but I would say it is still not something. So, earlier, we used to see that States used to contribute close to about 40% of the minimum market of transmission. But today, we don't see anything of that value coming from any of the States.
- Moderator:** Thank you very much. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Suneel Mishra for closing comments. Please go ahead, sir.
- Suneel Mishra:** Thank you, Rochelle. And thank you everyone for your participation. With this we conclude today's conference call. In case you have any other question, then please feel free to contact me or Mr. Anshul Madaan. Thank you again.
- Pitamber Shivnani:** Thank you, everyone.
- Management:** Thanks.
- Moderator:** Thank you very much members of the management team. Ladies and gentlemen, on behalf of GE T&D India Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.