



GE T&D India Limited

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February 7, 2017

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Exchange Plaza, Bandra Kurla
Complex, Bandra (East)
MUMBAI 400 051

The Secretary
The Calcutta Stock
Exchange Limited
7, Lyons Range
KOLKATA 700 001

Code No. 522275

Symbol: GET&D

Code No. 17035

Dear Sir,

Sub: **Transcript - GE T&D India Limited Earnings Call for Investors held on January 31, 2017**

Please find enclosed a copy of the Transcript of earnings conference call with analysts/institutional investors held on January 31, 2017 in respect of unaudited financial results for the third quarter and nine months ended on December 31, 2016.

You are requested to take note of the same.

Thanking you,

Yours faithfully,

For GE T&D India Limited

Manoj Prasad Singh
Company Secretary

Encl: As above



“GE T&D India Limited (Formerly Alstom T&D India Limited) Q3/2017 Earnings Conference Call”

January 31, 2017



MANAGEMENT: MR. RATHIN BASU – MANAGING DIRECTOR, GE T&D INDIA LTD
MR. GAURAV NEGI – WHOLETIME DIRECTOR & CFO, GE T&D INDIA LTD
MR. MANOJ PRASAD SINGH – COMPANY SECRETARY, GE T&D INDIA LTD
MR. SUNEEL MISHRA – HEAD (INVESTOR RELATIONS), GE T&D INDIA LIMITED



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January 31, 2017*

Moderator:

Ladies and Gentlemen, Good Day and Welcome to the GE T&D India Limited (formerly Alstom T&D India Limited), Q3 2017 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 '*' and 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 (Investor Relations), GE T&D India Limited. Thank you and over to you, Mr. Mishra.

Suneel Mishra:

Thank you, Melissa. Ladies and Gentlemen, a very good afternoon. Wish you belated a very Happy and a Prosperous New Year to all of you. Last, we spoke during our conference call on 15th of November 2016. Myself, Suneel Mishra, and I am looking after Investor Relations for the Company. There has been in between a lot of development both at international arena and at the domestic arena, which Mr. Basu will take us to those. So, welcome to today's Conference Call with the GE T&D India Limited's Team. We have organized this conference call to present December quarter financial results.

At this side, we have Mr. Rathin Basu – Managing Director, GE T&D India Limited; Mr. Gaurav Negi – Wholetime Director and CFO and Mr. Manoj Prasad Singh – Company Secretary.

Please note that the conference call is scheduled up to 5 PM. And by now you would have received the Investor and Analyst Presentation. I hope all of you must read the disclaimer on slide number two.

So, we will now begin with Mr. Basu presenting the key highlights, followed up by Mr. Gaurav Negi. I now invite and request Mr. Basu to begin. Over to Mr. Basu.

Rathin Basu:

Thank you, Suneel. Good afternoon, Ladies and Gentlemen.

I am on Slide #4; the title of the slide is "Indian Economy and T&D Market." On the Indian economy, what we can say is that overall capital goods sector continues to underperform, and we do not see a very clear sign of recovery in the near-term. We also noticed recently IMF publishing a revised GDP growth estimate for the current fiscal which has been reduced to 6.6%. IMF also has given a forecast for the next fiscal 2017 - 2018 which is currently seen at 7.2% against their early estimate of 7.6%. We are still awaiting the finalization of GST Bill which is of course in the highlights almost on a weekly basis, and also, we are keenly watching the implementation date.

On the Power and T&D Market, we have a couple of observations. We are happy to see that Uday has been accepted by majority of the states, this has of course improved their financial numbers by reducing their interest burden. However, we are yet to see pickup in the investments in the T&D network in the states. On solar, for sure the market is upbeat. The prices are challenging as developers continue to bid low tariff and that in turn is creating price pressure from the EPC and major equipment suppliers. Overall on the T&D market we do not see any price improvement in



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the market, and at the moment we cannot give any forecast on that topic as we do not have a feeling of that demand growth. Finally, on the per capita electricity consumption India continues to be at a low level by global standard, somewhere around 1,060 units and we do not see a very clear strategy to accelerate this consumption. And most of you probably have read the recent CEA draft report both on generation as well as on transmission. While the CEA's future report until 2027 forecast a lower capacity addition in generation, except for solar and wind, on the T&D side of course the report suggests that a good amount of investment is needed. So, we hope this would bring in a positive perspective in our market and hopefully somewhere in current year 2017 will feel an impact of demand growth.

Over to Slide #5. So here we have major headlines of our financial numbers and key events. On order and backlog we are happy to say that we had a good quarter by winning about Rs. 11.2 billion of new orders compared to Rs. 8.1 billion of orders that we had on the corresponding quarter last year. And thereby the order backlog continues to stay at a healthy level of Rs. 81.5 billion. On sales, we also had a very good sales performance and we reached Rs. 12.1 billion of sales compared to Rs. 7.5 billion that we delivered in the corresponding quarter last year. On profit, the operating profit for the quarter is at Rs. 1,022 million compared to an operating loss of Rs. 421 million during the corresponding quarter last year. Profit after tax for the quarter is at Rs. 443 million compared to a loss of Rs. 384 million during the corresponding quarter.

On key events, what we can say is that company has achieved major commissioning that included 220/11kV AIS at Chanda for ACC, 125 MVA and 400/132kV interconnecting transformers for gas based combined thermal power plant at Palatana, Tripura and 400/220kV GIS for Maharashtra, Hinjewadi among others. The Company also owned solar projects in Rajasthan at Bhadla-Jodhpur substation, it is a 220kV substation for our customer Saurya Urja. And also another solar project which we call AC Balance of Systems Project with inverters and AC substation for customer called Solaire Direct. Overall, we continue to lead the market for the last nine years, that confirms a good customer loyalty and confidence on our Company.

On Slide #6 we have listed the main orders, mix of orders from central, state utilities as well as some private developers that I would say in terms of numbers is mostly towards the government customers. So, we have orders from Power Grid, we have Saurya Urja which is a JV between Rajasthan Government and ILFS, Solaire Direct is a solar developer, Alstom Bharat Forge is a Group company now and West Bengal Transmission Utility, Himachal Pradesh Transmission Utility, Chhattisgarh, Neyveli Lignite and two orders from private group called Megha for Tuticorin 528 megawatt power plant for both substations and transformers. So overall a good set of success and orders.

Slide #7 gives you a graphical picture, basically giving an idea of the growth which is 37% compared to similar quarter last year. And this is despite a difficult market that we are currently passing through in the market. On order backlog, we do have a partial upliftment of 3% of the



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backlog which is of course very good, it is more than one year and definitely close to two years of backlog in the current time of sales. And the backlog growth is lower mainly because we also did a good performance on execution for which Gaurav will talk in more detail. So over to Gaurav to cover the rest of the slides.

Gaurav Negi:

Thank you, Mr. Basu. Good afternoon to all. If you flip to page nine, in terms of sales for the quarter we did Rs. 1,251 crores versus Rs. 751 crores in the same period last year. Now the sales were largely driven by strong execution and commissioning supported by the customer base that we have and some carry over that we have from the prior quarters which drove the overall sales by 62%.

If you go to Page #10, this is profit after tax. We closed the quarter with a profit of Rs. 44 crores versus a loss of Rs. 38 crores in the same period last year. Now the profitability largely has been driven by increased volumes and better cost management.

Flipping to the Page #11 which is the key data, to summarize the quarter total sales for the quarter was Rs. 1,215 crores, a growth of 62%. Operating profit was Rs. 102 crores giving 8.4% on sales and the profit after tax Rs. 44 crores, as a percentage of sales it was 3.6%, an improvement of close to nine points.

With that I will give it for questions.

Moderator:

Thank you. Ladies and Gentlemen, we will now begin with the question-and-answer session. We have the first question from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid:

Good to see execution picking up, but sir if one sees the gross margins again have been under pressure, so any specific reason why apart from the competitive pressures which you have been highlighting for past few quarters where we have seen the pressures in gross margins continuing. And in general, looking at the current backlog what is your broad sense that gross margins would continue to look weak on the overall backlog as well or probably it is just a mix issue that we are seeing?

Rathin Basu:

Well, there are two answers to your question. So, one is the mix which you know and because we have gone through so many quarters of Q&A in the quarterly calls, so mix is one issue. The second is, we also have another variable which is projects which get delayed and due to several factors the execution of projects of our customers is also not moving as per the original plan, so therefore we have to adjust to their revised schedules and that creates extra cost and not all extra cost can be claimed back by from the customers, so that has an impact on the margins. So the market in general is difficult, that is what we said.

Renu Baid:

So, overall 30% kind of gross margins is that more of a sustainable number if you look on the backlog basis or probably you think there could be far more variations to that?



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Rathin Basu:

You know that we have been sharing transparently probably over the last four years or even more than four years that the market margins are under serious pressure and the time before 2011 is not the same as we have over the last four years, so it will continue. And unless we see a significant demand pickup in the market we will always see a competitive pressure and thereby pressure on execution leading to a lower rate of margin compared to what we have been used to in the past.

Renu Baid:

Sure. Sir, my second question, as you had mentioned in the opening remarks regarding the CEA report, what is your sense with respect to the mix of transmission spend because incrementally if generation capacity slows the transformation capacity addition might also slow, the mix would then be more in terms of the upgrade of the grid where there would continue to remain concerns on capacity and price pressures on the main equipment per-se. So, what implications does that report throw on the competitive price pressures and the growth outlook for the key T&D equipment market?

Rathin Basu:

Yes, so in different forums such as CII, FICCI and IEEMA there are discussions on this report and basically many of the users, utilities included and specialists and I would say experts in the power domain are a bit surprised with their pessimistic report from CEA that the generation, particularly from thermal is not that much needed, this is questionable mainly because the intermediate solar and wind will not stabilize the grid, the grid has to have a base supply coming from, mostly in India context, a thermal based particularly coal based power plants. Now the other thing that is happening is the addition of solar, and I have spoken in this forum in the past also that a 100 megawatt of solar is not as good as a 100-megawatt thermal plant, the simple reason is that solar power plant is not available all the time, the typical PLF for a solar plant on an average throughout the year is about 18% compared to thermal which is (+80%) and if it is NTPC it is 90%. So, in a very crude mathematical way you would need 5x solar generation to match an equivalent thermal generation in terms of plant load factor. And thereby for the same logic you will need 5x transformation, 5x substation to produce the same kind of electricity units for the grid for the consumers. So therefore, even though thermal generation could slow-down for many reason, not only by CEA report, I don't think the market decides based on a report, it will go by the demand supply mechanisms. But the simple fact that in the grid we are adding more renewable it has a four to five times multiplier for a T&D type of market. But then it will always be at a state network levels which means it will not be at EHV voltage but it will at a lower voltage, typically 220 kv and 132 kv.

Renu Baid:

And sir my last bookkeeping question is to Mr. Negi, if you look in this particular quarter other income and interest expenses have significantly increased, so is there any item which has been reclassified or how should one read into these two numbers?

Gaurav Negi:

So, Ms. Baid, as far as other income goes, again this is coming from the IndAS, so what you see in the other income line has a corresponding offset in the operations line, the gross sales line which



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is I would say a reduction versus an increase in the income. So the 50 Cr that you see has a corresponding reduction and in the gross sales categorization, so it does not...

Renu Baid:

What is the exact cost item which has moved from gross sales to other income?

Gaurav Negi:

So again, the way it works in the IndAS side when you book a sale and you have a retention and the retention has to be collected over a period of two to three years you need to discount the retention, and you account for that discounting as a reduction of the sales. Now the offset happens when you actually go collect that retention and it comes and get reflected in the other income line. So, in effect what is happening is you are neutralizing whatever negative that you create at the time of revenue recognition and the retention being held by the customer until the point that it gets collected. So, if both movements sync in a normal business operations you will get an offsetting good guy and a bad guy, so the net impact to the P&L is going to be minimal. So, that is what is happening over here, you see a significant other income but there is an offsetting number to that which is embedded in the overall gross sales number.

Renu Baid:

So, this is essentially the ECL component which instead of coming in other expenses it is being netted of against sales or other income depending on how the effect is there?

Gaurav Negi:

Yes, you can say it is close to what you expressed, it is just that it instead of receivables it is more on the retention categorization because ECL we apply on the accounts receivables side.

Renu Baid:

And would you like to quantify what is the amount of this impact which has come through, because when we look at sequential numbers as well we have increased from Rs. 42 crores to Rs. 50 crores and so has interest expense actually, they have also moved up from Rs. 24 crores to Rs. 34 crores, so has interest expense increased due to increase in working capital or anything else there? Even if we look at sequential numbers, QoQ numbers improving.

Gaurav Negi:

Yes, the interest had gone up for us. So, if you will see quarter-over-quarter the loan balance that we have has increased, it had gone up to Rs. 840 crores, though we had a good quarter this time. So, we have been able to collect a lot of it back but the interest burden for the quarter averaged out has been the reason for the increase in the interest cost.

Renu Baid:

And the number on the ECL impact or the retentions impact in other income in this particular quarter or for the nine months if you could like to throw some color?

Gaurav Negi:

So, this particular quarter if you see the Rs. 50 crores that you are seeing in the other categorization, it has a corresponding offset of close to Rs. 45 crores in the gross sales numbers, so the net impact is going to be Rs. 5 crores. But again, this is something which is going to be appearing quarter-after-quarter and it is all going to boil down in terms of how much is the sales that we are doing as a result of which we will have retentions which then needs to be discounted and then the



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corresponding offset, how much is the collections we are able to do from execution standpoint which is going to reflect in the other income line.

Moderator: Thank you. We have the next question from the line of Subhadip Mitra from JM Financial. Please go ahead.

Subhadip Mitra: Sir, my question is with regard to the hike in sales and revenues that we have seen. I understand that there was some mention of some prior quarter sales which have come in in this particular quarter and hence we are looking at a very good number. So, if you could just throw some light on what is the quantum of the prior quarter backlog which would have come in in this quarter?

Rathin Basu: Well, in the past you had raised questions on HVDC so a good part belongs to HVDC, so that is I would say a short answer to your question.

Subhadip Mitra: And in the past whenever we have had these calls and your commentary has been that execution has been a challenge and you foresee it to continue to be a challenge is what you had mentioned then. So, do you see things changing as of now, can we see probably better execution coming in hopefully over the next few quarters, have things changed?

Rathin Basu: Well, our customers are more or less same or similar type and they have external challenges which they are not able to cope up with quickly, and these challenges are of regulatory nature as well as banking in nature. So, on both the counts our customers are not able to handle a portfolio project properly and thereby forcing us to fall in line with their projected lines and therefore our sales and execution gets impacted. So this has been one of prime reason why despite having a very good backlog we are not able to run faster.

Subhadip Mitra: So, what I summarize from that is the challenges continue, so we may continue to see volatile quarters?

Rathin Basu: Well, what you see in our numbers is microeconomics, but if you look at the macro that is also, in the beginning I said the macro numbers, the GDP indicators and though I have not spoken but I am sure you do track the industrial growth, that is not very positive. And then capital goods investment is also very, very slow, and you do not see private sectors investing at all. So, these are all factors which are decelerating the growth of our business despite having almost everything that we need to do to deliver sales.

Subhadip Mitra: Sir secondly, a small question which was with regard to the increase in costs because of delays in projects due to reasons from the customer end, I understand that some part of these cost escalations can be billed back to the customers or you would be doing so, so have those recoveries started coming in or there is a large chunk that we have to bear?



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- Rathin Basu:** It depends on the type of customers, so with some customers it works well because they are professional but then we also have some customers who are not so professional, so therefore there we get into longer period of discussions to recover our genuine trend. So, it is not easy and particularly in markets like India claim is always seen negatively by most of our customers, unlike the western world where genuinely if a customer wants extra or the customer is delaying his project there is a fair compensation which works more or less in the automatic mode, the Indian market does not work that way. So we have our own struggles to recover such claims, it takes time and also it is not 100% hit rate, so we may ask for 100% but we will not get 100%. So both the factors...
- Moderator:** Thank you. We have the next question from the line of Charanjeet Singh from Batlivala and Karani Securities. Please go ahead.
- Charanjeet Singh:** Sir, if we understand we have been focusing in the last couple of years in terms of getting mainly the orders from the government sector while the private contribution has been reducing. So I am not able to understand that are we facing this kind of even payment issues with the government customers or these cost escalations happening in the government projects, so if you can clarify is it related to only the private side or the Government or PGCIL related projects?
- Rathin Basu:** It is not so much with PGCIL, it is mostly with the SEBs so that is where it takes much more longer time to recover an extra claim.
- Charanjeet Singh:** And sir, what is now the status in Champa - Kurukshetra Phase-2, what proportion of execution we have already completed and what stage we are in right now?
- Rathin Basu:** You are talking of Phase-2?
- Charanjeet Singh:** Yes sir.
- Rathin Basu:** Phase-2, the progress is I would say not as per the original plan because we did talk about it in previous quarterly con-calls that in Champa land was delayed and that had an impact on the delivery schedules. So, we should have the Poll 3 and Poll 4, Poll 1 and Poll 2 were part of Champa Phase-1; Poll 3 and Poll 4 are happening in the second half of 2017 and first quarter of 2018, so that is the current plan.
- Charanjeet Singh:** And sir the other question would be, you just now mentioned on the call regarding demand improving maybe in the next year middle. So, one is like which particular product segments you see that the demand is improving and how is the capacity for those products in India now? We see like most of the players, like in GIS we have seen capacity additions happening in India, transformers there are already Chinese players who have setup capacities in India, so where do we see the capacity versus supply-demand mismatch?



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Rathin Basu:

Yes, it is true that you have over-capacity not only in transformers but also the GIS with the new investments, it will create a sort of a GIS over-capacity. The question for our customer is to decide which kind of supplier they should have. You obviously have a price pressure coming from our Asian competitors because in the past also we have seen them dumping to India, the question is whether they can continue to dump when they create a legal entity in India is a question to be seen. We have seen in the past that one particular Chinese company who used to dump before but established a subsidiary and thereafter we do not see the dumping that way as it used to happen in the past. So, we have to watch carefully the market. What we can say today is that in the extra high voltage, typically 765kV transformers and reactors over the last seven-eight years since we built our factory, despite huge amount of dumping we are the largest manufacturer and supplier of the transformer to the grid. So that is a good success confirming the good acceptability of our customers of our design and product. Same is the story for gas insulated switchgear and the GIS product and as we notified you in the last quarterly call that we have now supplied 765kV GIS Breaker for an export contract in Chili for a Chilean utility. So we hope the Indian market will open up bringing in new opportunities for this, so that is the general trend of the market. Again, I must say that overall the market is missing the investments from the private sector, they are completely zero and the infrastructure segment, that is also near zero. So that does not help the growth of this segment.

Charanjeet Singh:

And sir last question from my side will be on the solar opportunity, we have seen we are booking around two orders during this quarter, so how do you see that opportunity or are we tying up with some EPC contractors and capturing this opportunity on a regular basis?

Rathin Basu:

So, in solar not all developers want a Class-I category of equipment supplier or contractors, we do settle for Class-III, Class-IV category, obviously we cannot chase that kind of price level and there are many projects which got delayed in the market because some of the developers chose that category of suppliers. So, the market has to correct itself. We definitely value those developers who care for our kind of design and track record of execution and brand name. So when these three factors get accepted by our customers it works well. So, we have to see how the solar market develops in the coming years and that is why we have commented that there are lot of developers who are trying to win a project at a very, very low tariff, more or less signaling a similar trend that we saw in 2006 and 2007 on ultra-super tariff based bidding, if you remember that that was not a nice story for most of the developers. We ran into big problem eventually with running into huge non-performing assets for the banks, so we have to be careful. However, we are ready with our complete technology including our importers to help them support the growth of the market.

Moderator:

Thank you. We have the next question from the line of Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal:

Sir, a couple of questions. First, can you help us understand how the GIS substations are getting planned and proposed to be rolled out at at-least some of the state level Transcos because Power



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Grid now it is very much clear and they have a clear roadmap, but how do you see at the state level at least some of the largest states adoption of this GIS substations?

Rathin Basu: Well, adoption of states particularly for GIS technology at the state level is driven by the land factor. So if they do not have the land available or if the land is costly then they go for the choice of GIS. But at the same time, I must say that such states should have money for investments not all states have the money so both the factor apply.

Deepak Agarwal: So you think that it will take some, at least it is two to three years away before we see at least four, five Transcos adopting GIS in a big way?

Rathin Basu: Well, it is a big country, there are 29 states and so we do see a good pickup of demand at the state level in the last two years. And remember, the markets are a bit different compared to Power Grid, Power Grid market is at the high-end because Power Grid manages the National Transmission so therefore they are more at 400kV and 765kV, whereas the states are more or less sub-400kV or 400kV, so their voltage class is 400kV, 220kV, 132kV. And also states have a lot of cities or towns where they need to bring such substations at 132kV and again the land is a driving factor and when they have to find land nearest town or a city they run into difficulties to find adequate amount of land for AI substation and therefore they switch over to GIS. We are seeing this trend at many states going for GIS, so it is an emerging positive scenario.

Deepak Agarwal: My second question is, now that with GE coming and having a lot of products at their global base in terms of distribution side as well, so do we see our company participating in Smart City tenders either directly or through system integrators, because there is a fair portion of smart grid or electricity portion in each of the Smart City tender, so how are we addressing that challenge and how do you see the pipeline let's say from 12 to 18 months, at least in some of the cities where the development is happening?

Rathin Basu: Yes, it is a topic which gets good headlines but it does not match with really the rupee value of real investments. We have few tenders, not a lot, but we do have a lot of talk going around it. So as you have rightly said, we have all the right kind of products that this particular market needs and we hope real orders will start flowing. If you look at 2016, I do not think you have seen many real orders getting decided, though it is a good topic for a seminar.

Deepak Agarwal: But even in FY18 would you like to pinpoint any size...?

Rathin Basu: As I said, we are closely tracking this market, we are very much there but it is unlike the other projects. When we see our order list we always miss this kind of thing because that number is not big enough or not right enough. So, if it happens in 2017 that will be a really positive sign, so we do track this market, but I would say that we cannot count on big volumes on this market in the next two years.



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Deepak Agarwal:

And my last question is, as you rightly mentioned in your opening statement that much of the revenue was also because of the chunky execution that we have seen in one of the projects, but do you see how the impact of demonetization on your business and is there anything changing on the ground at the subcontractor level or the way you are dealing with they are your vendors and dealing with their vendors and the entire chain, and the effect is to still follow in Q4?

Rathin Basu:

Well, we are not directly impacted by the demonetization phenomena, though in some cases we heard but again it is more of a hearing than confirming, some contractors are not able to pay on time their labors, but then we have to take other measures so that our projects do not get delayed because then it will be difficult for us to execute. So, overall I would say at our company operations level it is not a major impact.

Moderator:

Thank you. We have the next question from the line of Ankur Sharma from Motilal Oswal Securities Limited. Please go ahead.

Ankur Sharma:

Two questions, sir. Firstly, what we understand is that some of your competitors such as ABB and Crompton have exited the substation EPC work, so they would rather focus on providing the transformers and switchgears which go into the substation and doing the entire substation construction, etc., as well, so basically trying to avoid taking the risk of delays and therefore cost overruns of making the substation. Now, is GE now also thinking on similar lines and if not, does it really change things materially in terms of the competition?

Rathin Basu:

First, we as a company we do not follow the named competitors because the named competitors and plus some others have changed their strategy in the last 10 years several times. So sometimes they do quote aggressively turnkey business and then suddenly they go out, so that has not been our style of operations. We believe that we should be consistent with our customers and our aim is to provide total solutions to our customers. And as you know that India is a turnkey solution market and our customers actually would prefer a technology player doing a total solution. So it is true that it is not easy for a technology as well as EPC and turnkey, it requires huge amount of investment in training people, getting the right level of talent to do design engineering and project management that we as GE and formerly in Alstom we invested a lot and we did not revise our position, we did go through difficult period that is true, because we have seen those numbers, but that was not because we did **poorly**. It is because the market created problems which we could not handle such as enormous delay in land acquisition or customers not getting a transmission line clearance and thereby blocking or delaying our project by two years and so on. So, those sort of things did happen. So therefore, our strategy continues to be the same, to be the preferred number one supplier for our customers who look forward to a GE brand name in all that we do. And usually it has helped us and if you will look at the national level in the last 10 years, all the world-class projects in the country have our name be it the National Transmission Asset Management Center or all the Load Dispatch Center including the National Dispatch Center, the highest number of 765kV AC substations that we built over the last six years and so on. So the list is too big, so that



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includes GIS, transformers, and reactors. So we are equally good in products that we manufacture, and again we have been the first one to localize and at the same time equally good in delivering a turnkey solution. But you are right to say that yes, it is risky, but then that is why we are paid, we are paid to manage risk and we have our trained people to handle such challenges. Sorry for a long answer to your short question.

Ankur Sharma:

No, that is very helpful. And sir, second question would be not from a quarterly or a near-term but more from a one, two, three-year perspective. What would be the key segments or products which you think would be driving growth for GE T&D from hereon, given the fact that transformers, switchgear, we have been talking about this for a number of quarters, they become quite commoditized, pricing obviously is not very supportive. So is it opportunities in HVDC or SVCs, when you look at it from a couple of quarters year to three years, which would be these product categories that you would be looking at?

Rathin Basu:

I left a clue in the presentation that we have today, that there has to be national drive like the GDP growth ambition that we must increase the per capita consumption of electricity, that is practically the simple number that like GDP could be followed. Because if you do not have electricity you do not drive industrial growth of the country. You also do not improve the quality of life. So therefore this has to be one of the key drivers of growth and to do that the second factor that you need is the investments coming from both private sector and the infrastructure segment which were available until 2011 and unfortunately due to several difficulties that we saw at that period the GDP growth nosedived from 9% to 4.5%, and since then we got into a lower trajectory. And as a country we are yet to come out of it in the sense that we do not see investments going back to that level. So these are the two factors which will drive. And to answer your second half of your question, yes the growth of the market let's say if we can double our per capita power consumption in five years' time which should be a doable thing, then you will see a huge investment at the national level at high end of the technology such as HVDC, 765kV and more of large GiS at that level. But also at the lower level, at the Discom level is where you are transferring power in the states through substations around the cities we will also see 132kV, 220kV GiS. So these are the emerging technologies that would happen in the next two to three years, given the macro drivers work that way. And do not forget that in the national level our transmission grid is absolutely smart, we have the smartest of the smartest system.

Moderator:

Thank you. We have the next question from the line of Mr. Aman Batra from Goldman Sachs. Please go ahead.

Aman Batra:

Sir, just two questions from my side. One is on the other income explanation that you gave, so ideally the way it should be looked at is that this other income is part of your other operating income, that is the way it should be looked at because really the part of the business income that you are generating. And if that is the case what is the metric that you look for assessing of project, what kind of metric, project IRR or cash IRR, what metric you internally run by?



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- Gaurav Negi:** So as far as other income it is more being in accordance with the new IndAS requirement, so when I say there is other income from a retention standpoint in the gross sales is an offset to this, and again that is a discounting that we are doing on the retention. So, like I shared with Ms. Baid earlier, if I have a revenue that is being recognized and I have a collection from a customer, that collection is going to come to me in the next two to three years, I will discount that particular amount and I will reduce my revenues to that extent. So as a result, my gross sales will be understated because I have discounted as per the new fair valuation methodology. Now when I collect that money the requirement of IndAS is that I do not add it back into the sales line so I bring it down into the other income line, that is why you see the distortion over there, it seems like I have created other income category over there but there is a corresponding offset to it in the gross sales.
- Aman Batra:** So when you are looking at the project profitability for yourself you would be clubbing the two together, right?
- Gaurav Negi:** That is right, so when I do a project profitability it is not on accounting but more on the economics of that particular project, so I would factor in the burden of the interest cost because my collections of that cash will happen probably two to three years down the line.
- Aman Batra:** The other question that I had was on the localization content which typically PGCIL promotes, so where are we on that in terms of GiS as well as STATCOM, is that going to lead to increased market share for us going forward or should we...?
- Rathin Basu:** Yes, that is a fair assessment, yes. So in the forthcoming tenders at PG with that local manufacturing clause, yes it will help us to win more business, yes.
- Moderator:** Thank you. We have the next question from the line of Varun Agarwal from BOI Axa. Please go ahead.
- Varun Agarwal:** A couple of questions have been answered, just to extend the question asked by previous participants. So in GE portfolio a lot of new products would have been added, just to understand your view, how much can they contribute in next few years? Second question would be related to SEBs, you commented that in our execution side we are facing a lot of issues from the SEB side in the payment issues and the delay. So, after UDAY how do you think it can improve and what is the timeline do you think based on which we can see the execution improving overall? And in terms of margins, third question is that in terms of more qualitative response, what levels can we see from here now, can we see it improving, the trend continuing upwards?
- Rathin Basu:** Let me take the last question first, again in the presentation that we circulated today we said that the price pressures continue and we do not see as yet any improvement in price. So therefore, we do not have any other crystal ball to look at the future, particularly in the margin front. From the SEB and UDAY, UDAY have reduced their interest burden but it has not improved their style of



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functioning so far payment release is concerned or the executions speed of their projects so we are yet to see that sort of change in SEBs.

Varun Agarwal:

It is more related to GE portfolio.

Rathin Basu:

Yes, so GE portfolio, I do not have a mathematical answer that it is x% or y% but it is more dependent on the market growth, so yes with the acquisition of GE we also have the benefit of some new products. And some of those new products have already been launched, one example is the solar market, so we are already there and that is a new opening that we have done. And similarly, we would like to open other new opportunities as and when the industrial market in the country opens up. So, we are ready but waiting for the opportunities.

Varun Agarwal:

One last question, in June we had made some provision for bad debts, so just to understand going forward are there any such provisions which we can expect in future in terms of receivables or most of them have been provided?

Gaurav Negi:

So, most of them have been provided and we do not know what is in store in the future, I hope that we do not need to provide any more and our balances with our customers will be collected. But whatever was needed to be provided has been provided as on today.

Moderator:

Thank you. Ladies and Gentlemen, that was the last question and we will now close the question queue. I would now like to hand the conference over to Mr. Suneel Mishra for closing comments. Please go ahead.

Suneel Mishra:

Thanks, Melissa, again. Thank you everyone for your active participation. We conclude today's Conference Call of GE T&D India Limited. In case you have any other questions then please feel free to contact me on the email id given on our website. Thanks a lot.

Moderator:

Thank you, gentlemen. Ladies and Gentlemen, on behalf of GE T&D India Limited (formerly Alstom T&D India Limited) that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.