



GE T&D India Limited

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February 19, 2018

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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

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 February 9, 2018

Please find enclosed a copy of the Transcript of earnings conference call with analysts/ institutional investors held on February 9, 2018 in respect of unaudited financial results for the third quarter and nine months ended on December 31, 2017.

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 Q3 FY-18 Earnings Conference Call”

February 09, 2018



MANAGEMENT: **MR. SUNIL WADHWA – MANAGING DIRECTOR, GE
T&D INDIA LIMITED**
**MR. SUSHIL KUMAR – FINANCIAL PLANNING AND
ANALYSIS LEADER, GE T&D INDIA LIMITED**
**MR. MANOJ PRASAD SINGH – COMPANY SECRETARY,
GE T&D INDIA LIMITED**
**MR. SANDEEP ZANZARIA – COMMERCIAL LEADER, GE
T&D INDIA LIMITED**
**MR. SUNEEL MISHRA – LEADER INVESTOR
RELATIONS, GE T&D INDIA LIMITED**
**MR. ANSHUL MADAAN – COMMUNICATIONS LEADER,
GE T&D INDIA LIMITED**



*GE T&D India Limited
February 09, 2018*

Moderator:

Ladies and gentlemen, good day and welcome to the GE T&D India Limited formerly Alstom T&D India Limited Q3 FY18 Earnings Conference Call. 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 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, GE T&D India Limited. Thank you and over to you, Mr. Mishra.

Suneel Mishra:

Thanks, Karuna. Ladies and gentlemen, good day. Myself Suneel Mishra and I am looking after Investor Relations for the company. This being our first interaction of this calendar, I am taking this opportunity to wish you a very Happy and Prosperous New Year. So welcome to today's conference call with GE T&D India Limited management team. We have organized this conference call to present Financial Results for the Third Quarter and 9-Months ended 31st December 2017.

Now let me first introduce my management team available on this call. We have with us Mr. Sunil Wadhwa, Managing Director, GE T&D India Limited. Today unfortunately Mr. Gaurav Negi – our Wholtime Director and CFO is not well. In his place, Mr. Sushil Kumar who is our Financial Planning and Analysis leader is available with us to present and answer your questions in the absence of Mr. Negi. Also sitting with us Mr. Manoj Prasad Singh – Company Secretary; Mr. Sandeep Zanzaria – our Commercial Leader and Mr. Anshul Madaan – our Communications Leader.

Please note that this conference call is scheduled up to 5 pm. I hope you would have received the Investor Analyst presentation and would have read the disclaimer on slide number two, so we will now begin with Mr. Sandeep Zanzaria – our Commercial Leader presenting the key highlights followed by Mr. Wadhwa and Mr. Sushil Kumar.

I now invite Mr. Sandeep Zanzaria to take over. Over to Sandeep.

Sandeep Zanzaria:

Thanks, Suneel and good afternoon, everybody. I welcome you all on the call and so the major highlights for the quarter in terms of order intake was that we have been able to secure orders worth about 783 crores in this quarter. The highlights being the order from Sterlite Power Grid Ventures for TBCB package for building 2 new substations and some extension base in the North East. Then, we have received a 400kV GIS substation order from GETCO which is one of our esteemed clients from the State Electricity Board Sector. We have received the upgradation and annual maintenance contract for 5 years for the National Load Dispatch Center for Bangladesh. So with this, now we have the Bangladesh, India, Sri Lanka and Nepal all the load dispatch centers with us, Bhutan as well. In addition to that, we have got an order for 66kV GIS to be built in Thimphu from Bhutan Power and so there are some other noticeable product orders from NTPC, BHEL, we have secured an order for 765kV circuit breakers and some automation orders from Delhi Transco.



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Along with this, in terms of complete financial year 18 which has gone, we have commissioned about 48 substations and which includes 15 substations which have been commissioned in the third quarter and the noticeable commissioning which have happened in the third quarter are 400kV air-insulated substation at Chhattisgarh for Chhattisgarh State Board, 400/220kV substations at MSETCL at Kudus. Then, there have been some substation extension packages for Power Grid which have been commissioned in Jind and Kaithal and 400kV AIS substations in Kanpur and the TBCB package of Mega which we have taken, so the 400kV AIS commissioned for them in Greater Noida and along with that, we commissioned some base of RRVN of 400kV in Bikaner.

One of the prestigious projects which we have taken from Sterlite which was in the Amargarh near Srinagar, Jammu & Kashmir is ready for commissioning ahead of time. So these have been certain noticeable execution excellence which has been delivered by the company during this quarter and for the year.

So now I will invite Suneel to I think take over.

Sunil Wadhwa:

So Sandeep, got us lot of orders and our team executed it, so the challenge really was to see that under the tough conditions that we are all going through in substation space not only in India globally how do we improve our bottom-line. So the only thing which we thought was yet to really be focused on a very strong basis of cash. So over the year and especially in the last quarter, the company really gathered momentum and our focus on the cash was very strong and I am happy to inform you that we became debt free sometime in December and over the year, we have generated about Rs. 7.3 billion in the 9 month period free cash flow. 450 crores was the borrowing at the beginning of the year and we closed December at 290 crores of net cash surplus. So which is net of borrowings.

So this has been a great achievement by the team and in all fronts whether it is working capital management and especially the old receivables that have been reduced drastically from the opening balance by about I think close to 30%. The collection against the retention which where money stuck with the customers were closed out, probably we collected almost 3 times what we collected in any year in the last 5 years from the retention accounts. So as a result, the position from the borrowing of Rs. 450 crores got converted into close to 300 crores of surplus cash.

I will just pass over briefly to Sandeep again on the order intake and analysis for the third quarter and 9 months and then we will go on to the financial numbers and Sushil will take over.

Sandeep Zanzaria:

Thanks, Sunil for the third quarter number, it is at 783 crores of order intake, but when we look at the 9 months, then we are neck to neck what we did in 2016 and this being a CAPEX driven cycle, mostly the projects which come for us. So that is why it is basically the orders are normally decided by the customer depending upon the project cycles which are there. So like for example, last year we had a very good third quarter, but this year we had a very good second quarter. So looking into that, the overall numbers are matching and we are very well positioned with the



order in hand of 72 billion which is equivalent of about 1.5 years of sale. Now, I would request Sushil to take over.

Sushil Kumar:

Good afternoon. I will take you through the financial highlights. If you move to page 6, in terms of sales execution, it was a good performance represented by 18% to 19% growth on 3-month period as well as YTD 9 months basis. Sales for the quarter stood at 1,438 crores versus 1,214 crores in the last year and on the 9 month basis, sales stood at 3,571 crores versus 3,000 crores last year. So it was a very strong project execution driving the revenue growth for us.

Page 7, next page which is profit after tax, we recorded a profit after tax of approximately 72 crores which represents a strong 62% growth versus last year same quarter. Profit growth is driven by volume and strong execution as well as the cost initiatives that the company is taking. On a 9-month basis, profit after tax stood at 181 crores versus a loss of 132 crores last year. So last year if you recall, there were losses largely on account of one-time provision but even excluding one-time impact, profit improved significantly.

If we move to next page which is page 8 related to fund position. Sunil already explained about the fund position, happy to again communicate the end of the quarter the company is debt-free and has a net cash surplus of 290 crores. This is significant improvement versus last year when the company was a net borrower to the extent of 625 crores. Strong focus on project execution and retention collections, as mentioned by Sunil, is driving the cash performance for the company.

If you go to the last page, the final summary, overall sales of 1,438 crores, a growth of 18%. The operating profit which is EBIT was at 134 crores, a growth of 31%. Profit after tax of 72 crores representing a growth of 62% and a strong cash performance of 390 crores cash generation in the quarter.

With this, I will now turn it to the questions, please.

Moderator:

Thank you very much sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Sudhir Jain from HDFC Securities. Please go ahead.

Sujit Jain:

If one looks at the order inflows for the quarter and even for the previous quarter that is Q2 in the range of 700 to 800 crores. If I look and compare it with the other MNCs in the same space which are listed, the order inflows have been muted. Plus if I look at the total order book also in terms of we compared with trailing 12 months revenues, the book to bill has come down from about 2.1 to 1.7. So are we losing out the competition some of the orders?

Sandeep Zanzaria:

So just to tell you is that when we compare ourselves to other MNCs, I think probably it is not like to like because we are primarily transmissions and many other MNCs are having a diversified portfolio as compared to us, that is one thing. And when we are tracking the market



share which is there for us for last about 3 to 4 years, our market share remains at close to about 17%-18%. So we are not losing market as compared to our competitors.

Sunil Wadhwa:

In fact, there is marginal increase of close to 1% in the market share.

Sujit Jain:

Broadly can we for the 9 months or for the full year divide the revenue between Power T&D and other sectors like automation and others?

Sandeep Zanzaria:

So it will be very difficult to give a split on the call right now.

Sudhir Jain:

Not exact number, but some ballpark rough figure that if you can indicate.

Sushil Kumar:

So generally I think I can share about the split between our products and projects which is close to 50% each, but then going into automation and other sub segments, will be very difficult at this stage, but that has been a trend and that is continuing and in addition to what you asked in the last time to Sandeep, one of the reason of reduction in backlog is partially because of execution of HVDC Champa project, otherwise in terms of regular order booking as Sandeep mentioned, the orders are coming and execution is happening fast.

Sujit Jain:

So therefore one suggestion from analyst side is that if we can like other MNCs break the revenue division wise like they do it, if you look at for example ABB's revenues, they clearly divided into four segments, that will be helpful in terms of understanding what kind of trajectory we are in. So one more question is on services, solar and exports. What kind of percentage they are in total revenues, you can talk about FY17 or 9 months and as well in the order book?

Sushil Kumar:

So solar, I think we would not be able to share details right now. Service is close to 3% - 4% of revenue and exports continue to be at the level of 10%-11% range.

Sujit Jain:

And in terms of order inflows and order book?

Sushil Kumar:

The same trend continues in terms of order book and execution.

Sujit Jain:

And one last question is that other companies in the space are talking about OPEX led opportunities, when CAPEX led opportunities are not panning out in domestic market and more so into digitalization, both Siemens and ABB has spoken about it and they are banking on their global platform like for example ABB has got ABB ability, you guys have predix with GE. So is there a thought process of utilizing that and applying that to your current asset base in India and converting it into a new stream of revenues?

Sandeep Zanzaria:

Yeah, I think we are also looking into many of the projects which are OPEX based projects and but the time for these projects to mature is comparatively higher. So this is something which we are also working on, but we have to still see the results of it in the coming time.



- Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.
- Renu Baid:** Few questions. First wanting to understand little more on the 3Q results and the exceptional items that we have shared. If you recollect back last year when there was this tax, C-Form related one-off that we had done, it was split between then other expenses and interest. So if you can explain us what was the split in terms of reversal in this quarter as in which heads were they accounted for?
- Sushil Kumar:** So the reversal is mostly in the other income of 105 crores which is highlighted in the financial statement. There is not much impact of interest in the C-Form reversal.
- Renu Baid:** Because as in, in the footnotes there is note mentioned for reference, so we were just trying to understand if there is any correlation there as well on the finance charges?
- Sushil Kumar:** No.
- Renu Baid:** So as in the entire amount is treated in the other income itself and the other expense only includes bad debt provisions of 22 crores?
- Sushil Kumar:** Yes.
- Renu Baid:** So when we only for the purpose of comparison analysis, we add back as in this 22 crores to your operating profits, then margin still is around 9.5% and despite this strong volume execution that we have seen in this quarter, operating margins of 9.5% look optically weak. So is there something that we should read on the gross margins in this quarter, were there any timing issues or any EPC projects where margins lacked or probably you think what would be the reason, low margins orders getting executed?
- Sushil Kumar:** So I will say Ms. Baid that margins have been stable and as explained in the earlier calls that there is a competitive pressure in the market and we see that there is a competition. So as already communicated by Gaurav in the earlier calls, the management initiative is to have a strong execution performance and try to sustain and improve the margins and I think comparison of quarter-on-quarter gross profit or EBITDA is not the right comparison. But if you take a period of 9 months the GP ratio comes close to 30% which is something that the management is focusing on. Quarter-on-quarter is definitely impacted by the mix of projects and the timing of realization of opportunities. My suggestion that let us look for 9 months on a sustainable or long-term basis.
- Renu Baid:** YTD, 30%-30.5% gross margins in your view is fairly sustainable?
- Sushil Kumar:** That is what we target for.



Renu Baid: And overall what would be your comments in terms of the pace of execution now that the GST headwinds are behind and we have a fairly strong backlog. Also citing some inputs on how has been the status of execution on the CK2. So what proportion of the billing is still pending for us in the backlog and what proportion was built in this financial year YTD?

Sushil Kumar: So as explained in the last investor call, there was some impact of GST in the last quarter and that is why the revenues were lower and we have been able to pull those revenues into the quarter. Execution has been fairly strong and Sandeep has already explained the list of key projects that were executed and even the project like Sterlite which has been executed at a faster pace. 1,438 crores is a fairly good execution pace. The execution of project is dependent on us as well as the availability of site and the customer position in terms of funding and their project management. As far as we are concerned, I will say that the company is very well equipped to even execute faster and more projects. On the second question of CK2, we are close to 70% of execution and balance 30% will be executed in this financial year and the next financial year.

Renu Baid: And last question for you is overall the comments that we have been having on the end markets have been bit more cautious especially on the domestic transmission side. Last two quarters if we see order inflow though has been bit lower, YTD the order book is healthy. So in this perspective, what is our strategy the way we are looking at the end markets, are we being more selective with respect to the orders in the market or is that the market volume itself has declined? So what is our perspective on the order pipeline and the order inflow trajectory that we are targeting? Thank you.

Sunil Wadhwa: Sunil Wadhwa here. I think the overall market that we are addressing has remained steady intra-market there are some shifts for example Power Grid purchase lower this year and in the current calendar, we see lower than last year. But the State Electricity Boards are coming up almost more than 2x what they had in 2017. First is shift and secondly because also the tariff-based bidding, so Power Grid as such may not actually have so much orders to give because they have to compete with other private players. So overall we have seen the pipeline for the current year. The current year when I say 2018 is slightly higher on margin, but I would say that is the same number as we saw last year. New players that we are seeing in the market going forward of course Solar continues to be a strong space, it is growing. We see lot of projects coming up on hybrids and storage and there is more shift onto the GIS side, that is one other thing. We also see more HVDC projects coming up one or two in India, maybe towards end of the year or early next year and in the neighboring countries, Bangladesh and Sri Lanka, we see 2, 3 projects coming on HVDC side. Now internally what we are planning is to relook at our mix of offerings and we do have a range of products and services including the EPC services and again a very wide range of margins. All we are looking at is even if we have the same market share, how do we look at a higher share of the high margin products that we sell compared to what they are today and lastly, I think the green corridor is something external side we see huge push. Take the case of Kargil and Leh area, there are lot of discussions happening on solar capacity to be put up there which now in the current pricing make sense a little bit more on transmission cost,



but overall it still make sense and I think whoever we talk to in the government circles there is going to be much more requirement of transmission arising out of renewables.

Moderator: Thank you. The next question is from the line of Charanjit Singh from B&K Securities. Please go ahead.

Charanjit Singh: Sir in your order inflow, we have consistently seen some of the GIS orders being picked up from the State Transcos. So in our current order backlog, how large will be the GIS proportion, what will be our market share in this GIS segment and how do we see GIS market growing going forward?

Sandeep Zanzaria: I think for the GIS slowly what we are seeing the shift in the market is that more than 50% of the opportunities which were earlier AIS is slowly getting converted to GIS. So today more than 50% of the conventional market from states and this thing has moved to GIS and we are seeing about 50% of our portfolio is coming from the GIS which is there which is a pure GIS, but if we look in terms of project and all, then the ratio is much higher because then there are lot of paraphernalia also which is the conventional part which we supply along with the GIS.

Charanjit Singh: And sir how do you see this market growing like from State Transcos, which state Transcos you see will be placing out more orders?

Sandeep Zanzaria: So mostly state transmission company, so this year healthy pipeline we are looking which is coming from West Bengal, Tamil Nadu, Telangana, UP, Andhra Pradesh, Karnataka and there are certain other which have also some decent amount of pipeline like OPTCL and Jharkhand and all. So there are projects which we have seen coming from various state utilities and I think after the complete interstate transmission network is built, more focus will be there on the intrastate which the prerogative of the State Electricity Boards is.

Charanjit Singh: And sir the other question is like we have got some initial success in Bangladesh and we are eyeing some projects in Sri Lanka, Bangladesh both on HVDC side. So it means that our proportion of exports should go up incrementally from here on. So how do we see that market looking at these 4 geographies, Bhutan, Nepal, Sri Lanka and Bangladesh. How large is the opportunity for us and when do we see this entire thing panning out?

Sandeep Zanzaria: So I think Bangladesh, there are many opportunities on which presently we are working and presently also, smaller ongoing projects we already have in Sri Lanka, Bhutan, Bangladesh including some successes like what I read is GIS substation in Bhutan, upgrade of National Load Dispatch Center in Bangladesh, but like HVDC and all, we are expecting the system studies to be completed and tenders to be out by the end of the year. So looking into the complex nature of HVDC, we are expecting the ordering to happen somewhere by in another a year's time from now. So that is going to impact the order intake and revenues for the 2019 onwards and not in 2018.



- Charanjit Singh:** And sir how large these projects could be like they are similar to what we had in India, 5000 crores worth or they could be bigger?
- Sandeep Zanzaria:** No, they would be much smaller in nature because the projects which were in India which we had like 5000 crores. So that was like transmitting 6000 megawatt from one location to the other, but these projects which are coming will be typical in the range of about 1000 megawatt. So we expect them to be close to being around 1000 crores or around that money.
- Charanjit Singh:** And sir the last question from my side is we have seen Busbar Protection Scheme order from Delhi Transco which you have mentioned is an automation order and if you can tell us like what is the size of this order and the implications if you see that other discoms also adopting these kind of automation systems and there could be acceleration going forward as Uday Program is getting implemented. So discoms will start doing CAPEX and automation segment could pick up for us. So you can give us more clarity on this aspect?
- Sandeep Zanzaria:** So it is basically when we say Busbar Protection, it is not on the discom side, but it is again on the transmission side because it is DTL and not the Tata's and the Reliance which is there and this is basically implementing Busbar Protection Schemes in certain older projects where automation was not so high level, but these types of schemes we keep on getting enquiry from various other State Electricity Boards which we keep on working and winning. So difficult to comment on the individual order, but this is our kind of continuous focus area which we are working with various State Electricity Boards and this is which we are doing it not for today or yesterday, but may be for last few years.
- Charanjit Singh:** But sir on the discom side, there has been lot of talk about automation. Do you see that we will have some play over there and this distribution automation system and the other systems which discoms could implement or even the Transcos on automation side?
- Sandeep Zanzaria:** We are expecting the next big investment coming in discom side on the automation. So we expect like for example distribution, management system and upgrade of relays to 61850 and then implementing of new relay technologies in discom including SCADA. So this is we are expecting and we are working with various discoms to advise them. The Tata Project Distribution Management, we have just executed and completed with job. So this is something which is part of our focus and we are continuously working towards it.
- Moderator:** Thank you. The next question is from the line of Subhadip Mitra from JM Financial. Please go ahead.
- Subhadip Mitra:** I joined the call a little late, so at the risk of repetition I am just going to ask these questions. Essentially what we are looking at is in the first half of the year, we have seen very high EBIT margins and now in this quarter, we have seen on an adjusted basis, the EBIT margin probably coming off closer to 10% versus maybe closer to 10% earlier. So just wanted to understand that this would be in line with your long-term guidance of 7% to 8% EBIT margin which is what you



have been guiding as a sustainable number and secondly, also wanted to understand that this is also related to the execution pattern of the HVDC project?

Sushil Kumar: Subhadip, we are not giving any forward-looking statement, but as a part of the question and answers of the earlier call, we have given some information that we want to sustain the current level of margin and it was also explained by Gaurav in the last call that we have multiple projects and quarter-on-quarter numbers are definitely impacted by mix of projects and the realization of opportunities in few projects. So if you look at the YTD 9-month numbers, the gross profit ratio was close to 30% and EBIT margin of 8% to 9% that is the range that management definitely works or we will try to take all the opportunities and initiatives to improve whatever we can.

Subhadip Mitra: And on the HVDC project, is it possible to share how much of the HVDC still in the order book?

Sushil Kumar: Close to 500 crores of HVDC is in the backlog.

Subhadip Mitra: And this is reflected, it gets completed by when?

Sushil Kumar: So part of it will get completed in this financial year and balance in the next financial year.

Subhadip Mitra: Last question from my side is we understand that naturally we are looking at Power Grid related ordering being more subdued even going ahead, at least that is what they were also indicating on their call and again not really seeing that kind of pickup in terms of the discom related ordering. So how do you see the market moving ahead and where are the new opportunities?

Sandeep Zanzaria: So I think what we are seeing is today in the market is that two-three places where we are seeing new opportunities coming up. So one is the State Electricity Board. So whatever market is not becoming from Power Grid, but there is a big thrust from State Electricity Boards to improve their infrastructure and transmission. So there is an increased market which we are looking from State Electricity Boards. Second, we are looking at solar because last year Solar was quite a bit lull, but this year we have seen that about 8 to 9 GW tenders have already come in the first quarter or maybe in last 2 months, that is one area which we are closely working with our customers. And then also we are looking at storage solutions which is there, it was part of our global portfolio that how we are able to, we are able to support the developers in actually building more sustainable solar and build solutions with battery storage systems. Apart from that, as Sunil had said in his last comment was that we are looking at, there is a big generation of renewables which is being planned in Leh and Ladakh and evacuation of that is expected to happen through HVDC technology. So those projects also, we are expecting it to come sometime by the end of the year.

Subhadip Mitra: Any indication as to how each of these baskets would be in terms of market size especially the SEB component of it?

Sandeep Zanzaria: So I think the SEB component will be close to about 1 billion.



- Subhadip Mitra:** And this is 1 billion over the next 2 to 3 years or in the next 1 or 2 years itself?
- Sandeep Zanzaria:** It is 1 to 2 years basically.
- Subhadip Mitra:** And the rest of the baskets whether it is solar or other, is there any indication of how large those can be?
- Sandeep Zanzaria:** So that we are actually working because there is different buying factors in the market for solar. Some go for total EPC and some go for breakup and things like that. So that is still we are working and it will be difficult to project at this point of time.
- Subhadip Mitra:** Understood. So even the Leh-Ladakh project is still not very because I understand it would be a government project.
- Sandeep Zanzaria:** So Leh-Ladakh, maybe, yes, most likely it will be Power Grid, but in Leh-Ladakh, we are talking about the transmission evacuation part which will be like through an HVDC, so that will be a substantial project, but the size we are still working on it.
- Subhadip Mitra:** So this is again expected next fiscal or maybe could get slightly delayed?
- Sandeep Zanzaria:** We expect it to happen maybe in next fiscal only.
- Moderator:** Thank you. The next question is from the line of Sabyasachi Mukerji from India Nivesh Securities. Please go ahead.
- Sabyasachi Mukerji:** I just wanted to understand that if you look at the EBITDA margins, so EBIT margins minus the other income, so if you look at the EBITDA margin, it is around 3.5% in this quarter whereas in the last 2 quarters, it was around 9%. So the raw material cost has gone up as a percentage of sales from 69% to 74% this quarter. So what exactly I wanted to understand the product mix, what was the reason behind this rise in raw material cost?
- Sushil Kumar:** So Mr. Sabyasachi, actually if you move to the page 9 of the presentation that we have shared, EBITDA margin or EBIT margin, this includes as we already given in the note to the financial statement publication and in this presentation that the one-off item, I will not say except, because they are the one-off items for the quarter but though operational are close to 197 million and excluding that, balance income is related to the recognition of revenue on account of faster collection of retention as explained by Sunil on the cash performance and this is quite operational, but this is more change in the way it is represented because of the classification and change due to IndAS. Overall on the P&L because of this, there is low P&L impact, this is a wash. The negative impact of this retention fair valuation is already netted off from the revenue of 1,438 crores even in the financial statement. So all of this other income, I would say is operational except the one given in the note and if you make this adjustment, the EBITDA



margin or let us say EBIT margin will be close to 8% range that we have shown in the presentation.

Sabyasachi Mukerji: The note you are mentioning, it is the slump sale you are referring to you, right. It is 65 million.

Sushil Kumar: Yeah. One is slump sale of 65 million and then if you look at the note 2 and 3 of the financial statement, we said that there is a release of provision to the extent of 360 million for indirect tax and provision of financial reserves for customer financial position to the extent of 224 million. If we include all three elements together, the impact on the financial statement is a net income or profit of 197 million. I will say that excluding 65 million of GFSS sale which was exceptional, you can say one time. Others are though operational, but they are key large items in the financials and again as I mentioned to Ms. Baid earlier that looking at the quarter numbers, this different inflation because it depends on the execution of the project and mix of project. If you look at the YTD 9-month basis, we are close to the range of 8%-8.5% of EBIT margin and that is what the management has been communicating almost on the pages.

Sabyasachi Mukerji: And sir so this other income that is caused by the reversal of around 105 crores this quarter, do you expect in the coming quarters to happen the figure likely to remain same or?

Sushil Kumar: So I will just give you some details for the benefit of all. Out of 105 crores, 6 crores is related to the slump sales. Balance 99 crores has two parts. One is that 36 crores related to reversal of C-Form provision and then around 55 to 60 crores is related to the retention, recognition of income because of the retention collection. This pattern is expected to continue and will depend on the cash flow generation and the recognition of revenue during the quarter as per the accounting process, but overall for the quarter and I think for earlier quarters as well, now IndAS thing is stabilized and it is a wash, it is a neutral impact. The corresponding negative impact is already netted off from the revenue. And regarding the C-Form reversal of indirect tax reversal, we made a provision and from management side, we continue to push for recovery of all the opportunities and we made a significant progress towards the collection of forms. It will be our effort to recover whatever provisions we have made by way of operational efficiencies, but the impact cannot be given at present and it will depend on the realization of those opportunities.

Sabyasachi Mukerji: Just to understand one thing, the reversal of tax is with reference to something it has to do with the tax litigation that you have mentioned in FY17 annual report as well. So we have incurred around 680 million of interest expense on taxes and also the provision that has been made towards the tax litigation in FY17. Is that related to this thing only?

Sushil Kumar: So as a part of the accounting principle and conservatism, we have been making provision of the litigation as well as the provision for non-collection and deposit of C-Form with the authorities. Now, this reversal is mostly related to the collection of C-Form and reversal of provisions made against the C-Form. This one is not related to litigation at present.



- Sabyasachi Mukerji:** And one more thing, so you have told that by this quarter you have become debt free. In that coming quarter or maybe in the coming financial year, what is your CAPEX plans and are you going to raise money by again debt or is it going to be only for working capital to raise money?
- Sunil Wadhwa:** See the target that we have is that we remain debt free and as I said the focus on cash has been strong over the last 4-5 months and we have seen the significant results in the last quarter. So that is the point. There is a target we have that we remain debt free and at sufficiently a good surplus level. There is no CAPEX plan as such we have in my mind and if at all any borrowings will be there, if at all, there will be temporary for working capital, but in our plan that we have in mind, we see no need for that. Of course, there will be other financing cost like bank guarantees and things like that which are associated with the tenders that we address.
- Sabyasachi Mukerji:** Just last one thing, if I can squeeze in. The working capital days, I see an improvement around from 130 days to 117 days as on Q2, but then maybe in the last quarter, so financial year 18, do you expect to improve your working capital further?
- Sushil Kumar:** So as mentioned earlier, quarter 3 we have been able to generate 390 crores of cash. Some of it is related to the profit for the quarter and rest is related to the working capital. So though we are not publishing the balance sheet as a part of this quarterly reporting, but definitely there is an improvement in the working capital at the end of the quarter. As Sunil mentioned as a part of our focus in execution, we expect and target to generate more cash in the coming quarters both from profit as well as working capital and we try to optimize all the opportunities that we have.
- Moderator:** Thank you. The next question is from the line of Ankush Sharma from Motilal Oswal. Please go ahead.
- Ankur Sharma:** My question is more on the shift of ordering towards the state which you highlighted earlier. So clearly I guess most of these orders would be at the 400 and 220kV levels or below. So if you could just talk about the kind of competition you have there, also the pricing. Do we also have reverse auctions there like how we have in Power Grid and also on the working capital? I know there is lot of states where you would probably work, but if you could just highlight in some of the bigger states where you operate on these parameters?
- Sandeep Zanzaria:** So I think regarding competition, yes, competition is there, but it is kind of different in different territories like Power Grid has their own system of qualifying a vendor. So there the competition is different and if you go to for example Maharashtra or Gujarat or if you go to West Bengal, the competition would be different. But definitely today along with the category A players like L&Ts and ABBs and Siemens, we have competition also coming from other players including few Chinese players also who are planning to set up their GIS factories in India. So that is there and I think we are working across the country with various states like Maharashtra, Gujarat and Transco, AP, West Bengal, OPTCL, Orissa, UP. So it is not any one particular state that we have a very strong focus. So we are practically present across the length and breadth of the country and we are working depending upon the opportunities that we have.



- Sunil Wadhwa:** To give answer on the reverse auction, most states do not have reverse auction.
- Sandeep Zanzaria:** Only Gujarat is having reverse auction.
- Sunil Wadhwa:** Gujarat, we have seen having reverse auction, but none other states we have seen doing reverse auction. Power Grid does have and I think the margins in these states are shared better than Power Grid margins, that is what our experience has been maybe because of reverse auction not being there.
- Ankur Sharma:** And that is despite having more players as was mentioned, right?
- Sunil Wadhwa:** So I think the reverse auction element basically is an offsetting factor.
- Ankur Sharma:** Understood. And secondly on you spoke about some of the HVDC opportunities both in India and Bangladesh, where are we in terms of localization of the converters, the associated transformers etc. at this point in time more so opposed the CK2 execution. So I do not know if you can share the percentage in terms of localization or give us some color there?
- Sandeep Zanzaria:** So I think if you really look at CK2 and all, so there we were allowed as per the contract conditions to manufacture 9 transformers. So all the 9 were built in India in our factory at Baroda and today, we are geared up. So we were the first company to manufacture an 800kV HVDC transformer. So that is all the complete transformers have been built here. As looking into the component wise for example, there are like for example the copper and CRGs still come from outside and various other components also like bushings and tap changers and all, but the complete manufacturing has been done here. Like valves and all, yes we have also localized a bit, so some part of CK2 valves supplied from our Indian factories and in the future whenever we are having the new opportunities which are coming, so we are in the best position to offer maximum localized content from India.
- Ankur Sharma:** Just my last question would be on the substation market right and what you highlighted was that you are clearly seeing a shift towards GIS. If you could just talk about the competition, there because I remember Power Grid was talking of domestic manufacturing clause on the 765 as well and there were a couple of players like Hyosung and couple of Chinese planning to set up shop here. So if you could update us where are we on that? Has that domestic manufacturing clause been completely implemented? Has it led to some players moving out of the market?
- Sandeep Zanzaria:** I would say that the clause is still there that you need to manufacture one bay from your Indian factory, but I think so there are lot of Chinese players who are taking the orders and they are in the process of establishing the factories, but still the major part of the GIS for them is coming from China. So even after putting that clause till Power Grid if any Chinese is maybe about 97%-98% of the GIS is still coming from China. But if you look at the local manufacturing capabilities, today we were the first player to put a GIS factory and we also have orders of 765kV GIS. Apart from us, ABB, Siemens, and Hyosung all three have put up the factories and they



are capable of delivering, except us I think all three others are also capable of delivering up till 400kV from India.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: Two questions. One is going by a market share of 18 odd percent, the market size seems to be at 25,000 crores which we understand in the peak was 35,000 crores. Could you help us break this market in terms of Power Grid State and the private sector industry and how do you see the private sector moving up because what we understand historically that has been on other lucrative markets for your company that is my question one. And second if you could help us what is the share of exports and how do you see the share of exports going ahead and like we see some of the other peers speaking about catering to direct exports to Middle East and Africa. Is that the similar strategy for your company as well?

Sandeep Zanzaria: So I think looking at the market, what we are seeing is that we are seeing a big shift which is happening between 2017 and 2018. So Power Grid and the TBCB market, we are looking at about 30% to 40% reduction which is expected to happen in their market because we are not looking at many TBCB opportunities this year and part of the TBCB opportunity again, whatever Power Grid wins, it becomes Power Grid business. So that is what we have. Power Grid in 2018 is looking forward to create JV companies in transmission sector and once they are able to form JV companies, then that state market is actually shifted to Power Grid because the tendering activity and execution is carried for that particular state by Power Grid. So UP recently, they have formed the JV. So there are some projects which were identified as the state of UP and now maybe going forward after the forming of JV will come through Power Grid. So the market remains same, only the bucket changes from state to Power Grid or Power Grid to state, but we are still looking at a substantial reduction in Power Grid market and a big growth in state market.

Sushil Kumar: On your second question on export, as I already mentioned in the call, the export at present is about 10% to 11% of the order size and this is largely on account of product that we export and the network management system jobs that we get, Sunil and Sandeep already explained during the call that we intend to grow in the Bangladesh, Sri Lanka and neighboring countries. So that should contribute to the growth, but at present we cannot give a guidance.

Moderator: Thank you. With this, I now hand the conference over to Suneel Mishra for his closing comments. Over to you, sir.

Suneel Mishra: Thank you, Karuna. Thank you everyone for your participation. This concludes today's conference call. In case you have any other questions, then please feel free to contact me or Mr. Anshul Madaan on the email id given at our website. Thanks once again.

Moderator: Thank you very much sir. 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.