



GE T&D India Limited

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September 14, 2016

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Exchange Plaza, Bandra Kurla
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MUMBAI 400 051

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

Code No. 522275

Symbol: ALSTOMT&D

Code No. 17035

Dear Sir,

Sub: Transcript - GE T&D India Limited Earnings Call for Investors held on September 8, 2016

Please find enclosed a copy of the Transcript of earnings conference call with analysts/ institutional investors held on September 8, 2016 in respect of unaudited financial results for the first quarter ended on June 30, 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) QIFY17 Earnings Conference Call”

September 08, 2016



MANAGEMENT: **MR. RATHIN BASU -- MANAGING DIRECTOR, GE T&D INDIA LIMITED**
 MR. GAURAV M. NEGI – WHOLETIME DIRECTOR & CHIEF FINANCIAL OFFICER, GE T&D INDIA LIMITED
 MR. VIJAYKUMAR KRISHNAMURTHY – FINANCIAL CONTROLLER, GE T&D INDIA LIMITED
 MR. MANOJ PRASAD SINGH – COMPANY SECRETARY, GE T&D INDIA LIMITED
 MR. SUNEEL MISHRA – INVESTOR RELATIONS, GE T&D INDIA LIMITED



Moderator:

Ladies and Gentlemen, Good Day and Welcome to GE T&D India Limited, formerly Alstom T&D India Limited Q1 FY17 Earning 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sunil Mishra from GE T&D India Limited, formerly Alstom T&D India Limited. Thank you and over to you sir.

Suneel Mishra:

Thank you, Jennis. Ladies and Gentlemen, A Very Warm Good Afternoon. Myself Sunil Mishra, looking after Investor Relations for the company. As you have been aware of that name of our company has been changed w.e.f. 2nd of August and the new name is GE T&D India Limited. You can therefore kindly take a note of this change. So welcome to today's Conference Call with GE T&D India Limited management team, formerly known as Alstom T&D India Limited. We have organized this conference call to present June 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; Mr. Vijay Kumar Krishnamurthy – Financial Controller and Mr. Manoj Prasad Singh – Company Secretary, GE T&D India Limited. Please note that the conference call is scheduled up to 4 p.m. and by now you would have received the Investor or Analyst Presentation. I hope all of you read the disclaimer on Slide #2.

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, Sunil. Good Afternoon, Ladies and Gentlemen. I assume that you have read the Slide #2 Disclaimer.

On Slide #3, you have the information on name change which my colleague, Sunil just read out to you. I also request you on the Slide #3 to take note of the changing accounting GAAP norm as well as our statement on the open offer. For the sake of time, I am not reading the text that we have put in the Slide #3.

If I may go to Slide #4, we have our comments on the Indian Economy and the T&D market. On the Indian economy, one major step forward is the clearance of the GST Bill in the upper house which is indeed a very positive phase and we believe it should get implemented sometime in 2017 but we still do not know at which time period, the earliest being 1st of April. We also still do not know what will be the rates and that is also a piece of information which we as the business need to know as soon as possible

The non-performing assets stress and the banking system continues and we have discussed in this forum on this topic several times and we do not see any clear sign of improvement with our customers. Consequently, the cash flow crisis that we have been witnessing in our industry and business with the private IPPs in particular and also the state electricity boards continues to be a huge-huge challenge and it does affect the operations of the company.



On the capital investment, the CAPEX environment continues to be unfavorable and as we reported in the previous quarters, only central and some state utilities are investing. We do not see the private and the industrial investments as yet.

If we focus towards the Power and the T&D market, what we witness is there are limited new opportunities in the traditional power gen market. The introduction of UDAY Scheme and we expected ECB investment to pick up but we have not seen any significant pick up of new investments. Consequently, the market growth is still not visible in the T&D domain which is also a stress because there is already an unbalancing situation between the supply and demand and this is the situation which has been going for the last four years.

On the positive side, we do see a Solar opportunity and the previous occasions we did keep you informed that at GE we do see some new opportunities of Solar having some new products in the house and we are exploring such new opportunities.

Finally, there is a new phenomena which we discussed in the previous quarter as well, reverse auction has become a new process for some of the utilities and it is being used an additional step beyond the normal bidding process and in many occasions we have seen stress on the margin because it is leading to further fall in market price level.

Slide #5: Here we have the Key Financial Highlights in terms of order wins. So we had a positive quarter of Rs.800 crores of orders in this quarter, certainly better than what we had in the previous fiscal year. Our order backlog continues at a healthy level of Rs.78.6 billion or Rs.7,860 crores, is more than two years of backlog. We had good sales of Rs.850 crores compared to Rs.760 crores in the corresponding quarter last year. So that way the execution side has been better. In terms of profitability, we had an operational loss of Rs.170.3 crores compared to an operating profit of Rs.27.2 crores in the corresponding period last year. Loss after tax for the quarter is Rs.197.4 crores compared to profit after tax of Rs.10.2 crores for the comparable period.

I would also draw your attention to some of the key events: First, let me read out the changes in the board that we had in the last quarter and till yesterday. So we have now Gaurav Negi, my colleague, who has joined the board. Before he was already nominated as the CFO. So he has joined the joined as a Wholetime Director

We have also inducted Ravi Krishnamurthy as a Wholetime Director. He was already there in the company and running the Air Insulated Switch Gear business.

Michel Augonnet, Chairman of GE T&D IL as part of his retirement plan has resigned from the board.

Mr. Stephane Cai has joined the board as Non-Executive Chairman effective yesterday, September 7.



Mrs. Neera Saggi has been inducted on the board as an Independent Director. She also fulfills one of the requirement of having a woman director on the board.

On the Business side, we have successfully commissioned at Greater Noida 765 kV Substation. Another 400 kV Substation at Secunderabad both for our customer “Mega” this was if you recall a project under TBCB. We have also successfully commissioned 220 kV GIS Project in West Bengal at Vidyasagar Park and 400 kV AI Substation at Sankari for Gujarat Transco. Overall, we have retained our leadership position in the T&D domain till last quarter.

On Page #6, we have listed some of the major orders...I am not going to read line-by-line, but basically as you can see most of the orders are coming from Power Grid and some state sectors and we have one order from private group on the power sector for Transformers. Despite I would say very difficult market conditions, we have succeeded respectable size of orders for the quarter.

On Slide #7, we have just a comparison between our order win in Q1 of last fiscal to this one. So approximately we are up by 12.3%.

On Slide #8, our order backlog as I said before order backlog is more or less at a stable level which has come down a little bit mainly because we have done more so than order wins in this quarter, but the level of backlog is I would say healthy backlog for manufacturing unit and project units.

I will now hand over to Gaurav Negi, our CFO and he will take you through the balance of the slides. Over to you, Gaurav.

Gaurav M. Negi:

Thank you, Mr. Basu. Good Afternoon to all. So if you can go to Page #9 is a graphical representation of the sales during the quarter. The overall sales has grown at 11.6% closing at Rs.8.5 billion for the quarter as against Rs.7.7 billion that we had in the corresponding period last year. The growth was largely driven by strong executions and conversion of the order backlog and deferrals.

If we switch to Page #10, this is a graphical representation again of the profit after tax. We recorded loss for the quarter of Rs.197 crores as against profit of Rs.10 crores in the corresponding period last year. As per the guidance that we shared, the loss was largely on account of provisions we have taken in the books towards bad debt reserves amounting to Rs.69 crores where we have revaluated some of our receivables that we had from the customer as well as direct and indirect tax impacts of Rs.38 crores and Rs.145 crores respectively were we reassessed the pending matters and documentations associated with all these tax matters.

Going to Page #11, again a summary of the key data for the quarter ending June 30th. As shared, the sales were Rs.8.5 billion against the Rs.7.7 billion last year during the same period, an increase of 11.6%. Profit was Rs.170 crores loss compared to a profit of Rs.27 crores in the corresponding period last year and as a percentage of sales it was a negative close to 20 points



versus 3.6 points that we had last year. Profit after tax was at Rs.197 crores loss compared to the Rs.10 crores of profit that we had in the corresponding period last year, resulting in a negative 23 points on sales for the profit after tax which was a loss of this period and 1.3 points profit after tax for the period last year.

With that I will hand over for any questions that are there.

Moderator: Thank you. We will now begin with the Question-and-Answer Session. We take the first question from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Sir, firstly, wanted to understand the ECL related impact and provisions. It has been quite some time that we are having this hit on provisions and costly estimates. So the Rs.69 crores impact which has come on the books, is it primarily because of the ECL impact under IND AS or there has been further increase in provisions? What are the reasons which are driving higher amount of provisions for doubtful debt?

Rathin Basu: First, I would make some opening remarks and then I would request Gaurav to carry further. We have been in this forum keeping you fully informed about the non-performing assets and its impact on some of our customers, mainly in two buckets – one in the category of private IPP, that is the Power Gen sector and the second in the bucket of State Electricity Boards. Over the last several years, we have not seen much improvement in the process. So therefore, we had a fairly large amount of reserves of books on this accounts in particular and we have not been able to reduce these levels much despite all best efforts. The reason being that most of the private IPPs while their intention is not bad, but they always say that it takes too much time from a group of banks to get an extension of the credit line which are basically necessary for the IPPs to come out of the NPA situation or the stressed asset situation. These are all known all over the country. So I am not going to detail. So this is where we are that we have a group of customers who say sorry but unfortunately are not able to pay. The other bucket we have state electricity boards where you already know that they had huge debt so they had a problem of line of credit, real cash position. So recently many of them have signed UDAY during the period of December to let us say as late as June-July. But at the end of the day, this extra line of credit which are now available to the SEBs who have signed the UDAY Scheme are not translating into cash flow for us. So these are the two prime reasons where we have to had a specific look particularly as you all know that the acquisition is over. So we have a new owner and therefore it has new policies and therefore there is a relook into all these aspects. So I will now ask Gaurav Negi to add whatever....

Gaurav M. Negi: I will just build on what Mr. Basu expressed. So these are incremental provisions over and above the IND AS. As Mr. Basu already shared we have done a reevaluation and given the significant time it is taking around the collections, we felt that we needed a provision related to the specific customers and given the situation that we are in, in terms of collections from them.

Renu Baid: Of this Rs.69 crores, what would be the approximate value attributable to revaluation and approximate related to write-offs or provisions which are not recoverable, just trying to



understand what could be a recurring item with respect to reevaluations and what would be the one-off which has been impacting the numbers in this quarter?

Gaurav M. Negi: Largely, it is going to be one-offs that has happened. It is not going to be recurring in nature. Majority of the piece relates to specific provisions that we created in this period.

Renu Baid: In line with this backdrop, just wanted to check with Mr. Negi as in if we look overall post IND AS our 1Q '16 profit numbers are down 50%. So any idea or probably any color on how the impact for the entire financial '16 broadly has been under the new accounting system?

Gaurav M. Negi: We have given guidance for the first quarter because these results are published under the first quarter of June 30 under the IND AS. The future quarters we will be coming out publishing those results as and when they become due. So currently, we are just giving the results for the first quarter only.

Renu Baid: My second question is with Mr. Basu, you did mention about reverse auction picking up. Recent interaction with Power Grid does suggest that they will extend this process to a wider bucket of projects and orders. So what is the view as in do we actually expect pricing environment probably over the next 12, 15-months improving if this becomes the order of the day or probably do you think pricing concerns will continue to persist?

Rathin Basu: What has happened over the years in other geographies and other international markets, too much of reverse auction leads also to fall in quality. So we have as a supply to the market given the feedback to our customers that there is a limit to which one would go to win an order and it cannot be repeated over say six months, one year or on a continuous basis. So today the rush that you see in the market we believe it is temporary, it will hopefully stable down at a certain level but what is unpredictable is when people would come to a realization that is the end limit. So this is why the market is that way unstable and unpredictable to that extent. So this is the situation. So what we have disclosed in the past to all of you is that despite we becoming L1 in some of these bids we lost out in the reverse auction because we found somebody else very aggressive and going down to a very-very low level and we felt it is not worth it and we gave up. So that has been the situation. So despite all that, our Q1 order book is still not bad when you compare to the market conditions that we have in the country.

Renu Baid: On the finance cost, this particular quarter we have seen a very sharp jump in the finance expenses which seems that it could be something one-off item? Align with that if you can throw some light on how the debt levels have moved sequentially and what is now the status on a land monetization in Bengaluru now that the GE acquisition, everything is complete, so how does that aspect of the business look like?

Rathin Basu: I will take the second question first; on the land monetization, there is no progress as yet and surely as soon as we have some progress, we will keep you posted. So that is the response to the point.



- Gaurav M. Negi:** You are right on the finance cost there is a one-off. So given the tax provision that we are taking, we have also taken the associated interest cost for the tax provisions which is already included in our guidance again the numbers that we shared. So the overall finance cost has an element of interest from the tax provisions.
- Renu Baid:** What would be this element if you can share because I guess the notes in the release are not very clear on what is the amount related to the finance cost in the provisions which has been done?
- Gaurav M. Negi:** It will be in the range of Rs.50 crores which is on account of the tax provisions and the resulting interest for that.
- Renu Baid:** Overall, have we seen increase in working capital or the debt levels at the end of the quarter sequentially?
- Gaurav M. Negi:** Yes, there has been a slight uptick on that front also, largely because we are executing some large projects for which we need working capital. So there has been a slight uptick on that.
- Renu Baid:** What would be the closing debt at the end of June quarter?
- Gaurav M. Negi:** So it will be close to Rs.700 crores.
- Moderator:** Thank you. We take the next question from the line of Ankur Sharma from Motilal Oswal Securities. Please go ahead.
- Ankur Sharma:** Sir, my question was actually on the 765 kV GIS market, now obviously we understand that both Power Grid and increasingly even the states are moving towards that. What I was trying to understand really is that GE T&D historically has been a market leader in that segment, but over the last maybe two or three years, we have not really been able to take enough share there or maybe we lost out to the Chinese and the Koreans. So, a) why is that happening – is it only because they have been extremely aggressive in terms of pricing, is that the key reason why we lost out and therefore what are we doing to get back that share?
- Rathin Basu:** Mr. Sharma, if I understood you well, your question is specific to GIS 765 kV, right. I think we discussed in this forum in the past but I will explain to you again. So 765 kV GIS projects had a particular qualification clause with Power Grid and we proposed to Power Grid three years ago itself that we intend to manufacture 765 kV in India at our Chennai factory where we have been already producing GIS Made in India since 2009 and we happen to be the largest GIS base supplier Made in India to the country. But the barrier to the entry was such that our Chennai unit and our legal entity could not be qualified to participate in the GIS base consequently. There was at that time no local manufacturing clause in those tenders. It was very open for any foreign company to bid from offshore. That is why we saw a huge number of Chinese and Koreans jumping on this market literally at prices which can be qualified as dumping...of course, it is our point of view. That has been the scenario over the last 3-4-years. Some of you would recall I am sure around 2009-10 we had a similar phenomena in the



Transformer and the Reactor segment of the market where we saw huge Chinese and Koreans price jumping and later on Power Grid came up with a local manufacturing clause. So in GIS, we expected our new government particularly to push the Make in India phenomenon in the country and we as GE T&D in India having been a leader of Make in India expected that even for 765 kV GIS such a thing would happen. We have been representing to the concerned authorities on this. There was a new guideline issued by the government towards it. So we believe that this new guideline probably will be followed by both the central and the state utilities and if it is followed then we GE T&D India would be able to quote for 765 kV GIS Made in India. By the way we have our base fully ready and completely invested in to make such products in the country.

Ankur Sharma:

Is that right, now we are qualified to supply 765 kV GIS to Power Grid?

Rathin Basu:

It is not crystal clear because we have not seen a recent tender as yet. So I cannot very clearly say yes, because in the past, we did bid but our bid got rejected. So therefore to say to all of you very clearly that we have invested, we wanted to produce it in India but we could not because the qualification clause was not friendly for us to quote in this market despite being the most local among all companies in the country in the High Voltage and Extra High Voltage domain.

Ankur Sharma:

Just again on the ordering, what we are pretty much seeing is that our quarterly run rate is around 800-900-odd crores number, so do you think that this number would remain at these levels, do you expect a significant uptick and if yes, what are the key categories you feel could drive that uptick from here?

Rathin Basu:

Again, I might sound repetitive, but I have been constantly saying over the last four years that the market is actually negative. So how can we expect suppliers like us to deliver high numbers in such a negative market? If we focus on this particular year and the quarter, we do not see any remarkable shift in market conditions. The situation is again the same that the market for the T&D segment is largely dependent on central and limited state utilities. We still do not see the private sector investing mainly because they are all in the category of sick over the last four-five years because of NPA and we do not see any industrial uptick in the market. So therefore, in such a market it will be very difficult to estimate there will be massive growth. Then the new element which is coming up is the TBCB market. But then TBCB is also driven on the one side by Power Grid and on the other side some of the private groups or private developers. But that is also a slow moving market because we do not see too many TBCB projects. So therefore I think what I would say sum up as a final comment on your question is that until and unless the T&D market as a whole becomes positive with the support of the private investment and industry uptick, things will more or less remain at this level except if a company like ours bring in latest technology such as HVDC Statcom and the like. So that makes a differentiation.

Ankur Sharma:

Just last question would be on the export markets. One, how much would exports be during the quarter and more importantly are you also exploring any new markets Zee has come on board



is that something that you are looking at and is that something you would want to quantify in terms of what you could achieve along with GE now in terms of export market?

Rathin Basu: In the past also we said that we prefer to follow the domestic market. We do export but export is not the number one strategy because we work in a particular given geographical territory. So roughly our exports are more or less at the same range of numbers, I cannot be very precise but 14 or 15% would be a good guess estimate and close to reality. But if you look outside, international market is also not that rosy, we do not see radical large markets. So therefore, our focus will continue to be for the Indian market and limited opportunities for the global market.

Moderator: Thank you. We take the next question from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Sir, my first question on the current quarter. If I exclude one-offs like the provision for bad debts and also it is not very clear of the remaining tax rate how much is related to above EBITDA? If you can tell us broadly after adjusting for this what sort of margin you saw at EBITDA level for the current quarter?

Gaurav M. Negi: At the EBITDA level without the adjustments that we are carrying out would be probably around breakeven.

Madan Gopal: If you can broadly touch upon what is the current status of CK1 and CK2 in terms of execution timelines?

Rathin Basu: In CK1, the timeline is to establish power flow in the period October to December 2016. So that is the timeline we are working on with Power Grid. For CK2 it would be in later part of 2017.

Madan Gopal: You talked about Solar some new products you are targeting this market. If you can elaborate a bit on that?

Rathin Basu: We are looking at the Solar with the following scenarios: We are offering what is known in the Solar market of (AC) Alternating Current part for the balance of systems which can be read as equivalent of balance of plant in the traditional power plant, so equivalent of **(EBOA) 33:36**. So that is ACBOS. So that is mainly from GE T&D in the limited portfolio. So what we are trying to add on is the inverters. The inverters come from a GE family and what we are trying to do is to go to the customer to increase the bucket and scope to offer ACBOS as well as inverters of the package. We also see some of the customers being interested as we are well known as a turnkey player. If we would be ready to expand our scope in Solar, so this is understudy. So we are not yet fully committed to trade yes, unless we assess the risk and the payoff. So that is the current situation on Solar.

Madan Gopal: What would have been our booking orders, any rough sense you can give on the megawatt in terms of order we would have got in Solar so far say last year?



- Rathin Basu:** I need to check whether it was booked in Q1 or not. Probably not. So I will be able to disclose it in the part of Q2. We have some success on Solar but since we have not issued a press release, I prefer that we disclose in a public domain so that you can capture it.
- Madan Gopal:** My last question is on Statcom. Sir, some recent projects have been given out by PGCIL. We came to know about some of these peers who have won it, but I think some more still pending, some Chinese companies also won it. So what is your take on that – is it also going the same 765 kV GIS route or do you think GE T&D Indian entity would also get some share of it?
- Rathin Basu:** In the Statcom side, the first wave is mostly towards the Chinese type of companies. The second wave is going to happen sometime end of the year but for a decision in 2017. So we are keen on this market. There was also like the GIS issue of not specifying local manufacturing and support. So I believe it is being looked into. So, if that is the case, we would be keen to follow this market.
- Moderator:** Thank you. We take the next question from the line of Abhishek Puri from Deutsche Bank. Please go ahead.
- Abhishek Puri:** A couple of things: Firstly, in terms of the competition, the CEA note regarding restricting to domestic manufactured competition for the government funded projects, has that rule helped really in practical terms to us? Koreans and Chinese have set up facilities with small investments here.
- Rathin Basu:** It should help but the notification has come I think probably two months ago. So it is yet to be seen in the tender documents by the utilities but it should help and because we have seen in the past during the Transformer and Reactor days of 2009 and 2010, so it made the difference. We have no issue of any foreign investors coming to India, setting up a local manufacturing facility and following the market through the Indian legal entity because when they do so, the competition becomes different because it is easy for someone to dump from offshore company, but it is not easy for an Indian legal entity to do so. So we have seen this behavioral change in some of the companies, particularly Asian companies who actually set up the manufacturing facility in the country and thereafter we have seen that the behavior is different. So we hope and that once this notification becomes part of the tender documents, things should be better and hopefully offer better opportunities to a company like us who have invested heavily in this country.
- Abhishek Puri:** Would you expect that there will be a minimum portion which has to be manufactured locally and some portion can be still outsourced or there is no percentage like that which has to be done?
- Rathin Basu:** No, it is not really a percentage if I remember it well, I think it is a serious condition and you need to be local and if you are not then there are financial penalties. If someone wants to quote from abroad, I believe that the foreign exchange will not be protected. So therefore someone will have to take the risk of foreign exchange because the payment will be only in rupees.



Abhishek Puri:

Secondly, we were looking at the long-term transmission planning document release by CEA. If I have to just look at the inter regional capacities and the circuit kilometers that are being planned, 2017 over 2012 plan period had 160% jump in the capacity addition whereas in 2022 year over 2017 the increase is very miniscule, it is about 26%...I am talking about five year plan period. So are there any big projects in the pipeline that you are seeing which are coming through now apart from the ones which have already been ordered like CK has already done now and the new ones which are ordered obviously the Raigarh-Pugalur project has been ordered, which other projects are there in the pipeline to commission till 2022?

Rathin Basu:

If you are specific on the HVDC only, I would say beyond Raigarh-Pugalur at the moment, the visibilities of one project, but then in HVDC the visibility is only 18 months because there are several projects on the drawing board but there are a lot of other considerations before those projects come on board. So you could have future HVDC projects under TBCB as well. Actually it is more likely to be in TBCB including Raigarh-Pugalur which was originally planned for TBCB but it was allocated to Power Grid mainly due to urgency. So if you just purely look at the network scenario in the country, you will see that there has been a massive increase in the power generation capacity but we have not in the country invested adequately in the whole of the T&D network...when I say whole, I will split in three buckets – one would be the top-10 which is the transmission grid, mostly at the central level. So at this level, I would say, the country has invested adequately and brought in latest technology. The second level has been the sub-transmission and this is mostly in the domain of the states. Same is the case of distribution which is also in the domain of the states. So this segment the state T&D has remained hugely underinvested and this is the point which has to be addressed and we were hoping for uptick mainly due to the UDAY Scheme which came into play where the concession and the grid could be addressed and this has to be driven by the state. So this is one area where the next investment cycle has to come. But then the funding mechanism for the states are still not clear. So there is a huge hidden demand. From the state point of view or state planning point of view 2020 or 2022 is too far away. So the states in general think only for tomorrow literally next year or at best year after. So that is why you do not see those numbers in the CEA planning document. But imagine, when 100 GW of Solar gets onto the grid by 2022 or overall as is the target of the central government to add 175 GW of renewable, if those gets added, the generation capacity will be somewhere in the range of 450 GW which is today at around 300. So all this new generations would need a substation. Do not forget the factor that 100 MW coal will actually produce 80 MW of continuous power, the 100 MW of gas would literally produce 95 MW of continuous power, but 100 GW of Solar on an average throughout the year, will produce 17-18 MW of power. But each of this power plants be it coal, gas or solar, would need the same type of substation because substation is always designed for the megawatt but not with the power load factor. So therefore the more the solar, the more will have to be the substations to be connected to the grid. This is a point which is missing in the planning documents as of now.

Abhishek Puri:

Just to drill down a little further on this, when the state start to invest, would that be downtrading of the voltage level instead of the high voltage level we will go down into 220 kV levels or lower? Second is on the Renewable Energy side, since most of the projects are being



built into the consumption states. So requirement of the high voltage lines is reducing because of that. Would that be a fair assessment?

Rathin Basu:

Let me take the last question first. Not exactly a fair understanding for the reason is that you are looking at it purely from the local connection point of view, but imagine a state which had 500 MW of generation, they are adding 300 MW of Solar or Renewable, so suddenly the generation capacity of the state becomes 800, the state might become surplus in power. So do you think the network that the state had before would be good enough to carry this extra 300 MW power out of the state? No. Similarly, at the central level, when you want to transfer bulk power from one region to other, you will need High Voltage AC or DC. So long as the phenomena of addition of generating capacity continue, you have to build the line and substation systems, you cannot remain in an isolated phenomena because you have one country, one grid. Therefore you can literally sell power from any point of India to another point in India.

Abhishek Puri:

I am sorry to go back to the macro question again. How much of under investment do you think is still there in the transmission and distribution especially the transmission network or the high voltage level network I would rather focus on because we are already seeing low tariffs in spot power, the power is being sold freely which is why one nation, one grid has been achieved and low power tariffs have obtained across all the regions. So how would we justify further investment? I am just trying to understand that.

Rathin Basu:

So just bring in another data that study, just look at what is India's per capita consumption, we are at 1,100 units per year, China is at 4,000 plus, western world is 13,000. So if tomorrow India has to be different then every five years this has to be doubled. It has to happen if you just add the power generation capacity. So while you do not see this, and the numbers that you quoted, is because of three factors -- you do not see the jump in consumption for two reasons -- you have not reached to all the consumers, second there is a suppression, load shedding mostly done at the discom level, third reason is there is a congestion in the network. So therefore theoretically you are surplus but practically you are not because you are not able to move power from one location to other and you can see this picture if you go to the national control center at Katwaria Sarai in South Delhi. Because of the three factors the market price is low, because you are selling to a market which is very limited and with limited buyers.

Abhishek Puri:

So basically power consumption has to go up for investments in T&D to be justified further from here?

Rathin Basu:

Yes, if I just change my hat and if I just become an economist, I would say that this country needs to increase power consumption per capita double every five years if we want to be truly an industrial country.

Moderator:

Thank you. We take the next question from the line of Sanjay Doshi from Reliance Mutual Fund. Please go ahead.



- Sanjay Doshi:** Sir, a couple of questions from my end. First, if I look at the quarterly result for the current period, we see a very sharp jump in our RM-to-sales or the gross margin has declined significantly. So is there any particular reason for this?
- Rathin Basu:** Again, quickly I think the ratio is RM-to-sales is about 72% to 72.9%, so it is 0.9% difference probably. That is what you are drawing my attention to...
- Sanjay Doshi:** On the YoY basis, you are right, sir, but if look at the trend for the full year basis, last year we were at around 67% on an annual basis and now this quarter we are at 73%. Is anything...?
- Rathin Basu:** This is basically the fundamental that you probably know that we have a strong turnkey business and that is roughly 50% to 60% of business depending on the year and depending on the quarter when we trade our revenues. So therefore if you look at this number on a quarter-on-quarter basis, then it is a bit of narrow window because for the projects business, the cycle time is typically 12-months to 3-years whereas for products such as Transformers and others, product cycles are different. So in any given quarter, this raw material statistic will not give you a very accurate picture of what you are trying to look at.
- Sanjay Doshi:** So on an annualized basis we will be back to that 67%-68% kind of...?
- Rathin Basu:** I do not want to give a prediction because I cannot say that because we still do not know the project or product mix till March '17 accurately because we will be trading in real life actually, but just a following remark could be useful for your future is that such a number is useful for a single product entity such as a company which is only making Transformers, it could be different if you try to compare a power transformer with a distribution transformer company because the ratios could be different. Similarly, if you compare a company having power transformers and another company with automation products, again the raw material ratio will be different. So here is your company which has transformers, which has automation which has switch gear again switch gear is air insulated, gas insulated and then you have project business and in project business you have bought outs. So these are bit complicated. Therefore it is not easy to use this as a very strict measurement number. It is a good guidance, that is for sure but the answer to your question is that it depends on the mix of our revenue in a given quarter.
- Sanjay Doshi:** The other things I just wanted to clarify, do we envisage any further provisions because we have taken a large in this quarter and they have been last year also. So are there any further areas where we believe there could be further provisions?
- Gaurav M. Negi:** Actually, as we mentioned our current balance sheet and where we stand today we are very comfortable. Go forward, depending on the external conditions which cannot be predicted, how things will pan out. So as things stand, we are very adequately provided for from a balance sheet standpoint.



- Sanjay Doshi:** We have a very comfortable order backlog and we have seen some improvement in execution. Do you see the execution run rate pick up as we are executing some of the large HVDC projects that we have in our backlog?
- Rathin Basu:** In this forum, I have always refrained from giving a future prediction as a methodology of the process. So I can only say that we strive to do better provided external conditions do not stop us from improvement. So it is our intention to grow because you are logically right that we have a very good backlog. So why can we not run at a better speed? We will try to do so but we cannot guarantee. So that is the intention.
- Moderator:** Thank you. The next question is from the line of Debdutt Saha, he is an individual investor. Please go ahead.
- Debdutt Saha:** You mentioned earlier regarding rejection if I am not wrong from PGCIL. So I have a generic question like despite our market leadership and experience, such problems keep occurring and there is a government initiative and there is a big gap in generation and transmission, but I just needed to understand how big a problem is this for us in terms of revenue growth and what can we do and what are we doing to ensure that such dependency have at least possible effect on our profitability?
- Rathin Basu:** I did not say that rejection. What I said is that Power Grid has a qualification process. So when you want to be a bidder to power grid, you need to have a certain number of clauses where we meet the requirement. So I was addressing to a question that someone asked today in the forum that are we in the 765 kV GIS business. So my answer to that was we have the technology, we have a factory that produces light up to 400 kV GIS in the country at Chennai, we have produced the largest number of GIS. But if my customer does not allow me to bid with the 765 kV GIS on this factory, what can I do? That was my point.
- Debdutt Saha:** That is exactly what I was asking that when we face such practical issues, so is there anything that we are doing to ensure that such thing have a less amount of effect on our profitability?
- Rathin Basu:** No, it is again customers' decision. The country is following Make in India policy and most of the national and state utilities are government-owned. So we expected that national policies of Make in India would be translated to the buying policies of the companies who are majority owned by the government, but apparently this is not exactly in synchronism, but we cannot do anything more than that, we can only appeal but the decision maker is always the buyer.
- Moderator:** Thank you. Due to time constraints, this would be the last question of the conference. I now hand the conference over to Mr. Sunil Mishra for closing comments.
- Suneel Mishra:** Thank you, everyone. We conclude today's conference call of GE T&D India Limited, formerly Alstom T&D India Limited. In case you have any other question, please feel free to contact me on the e-mail ID given on our website.



Moderator:

Thank you. 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.