



“GE T&D India Limited (Formerly Alstom T&D India Limited) Q4 FY2017 Earnings Conference Call”

May 26, 2017



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Moderator:

Ladies and gentlemen, good day and welcome to GE T&D India Limited (formerly Alstom T&D India Limited) Q4 FY17 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 * 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:

Thanks, Inba. Ladies and gentlemen, good afternoon. Myself, Suneel Mishra, and I am looking after Investor Relations for the company. 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 year and quarter ended 31st March, 2017.

At this side we have, let me introduce Mr. Sunil Wadhwa, who has taken over as Managing Director of GE T&D India Limited. And we have with us Mr. Gaurav Negi – Whole Time Director and CFO. We have also with us Mr. Sujoy Ray – our Commercial Leader; as well as Mr. Manoj Prasad Singh – Company Secretary; joined by me, Mr. Anshul Madaan, who is our new Communication Leader.

Please note that this conference call is scheduled up to 5 PM. And by now you would have received the Investor-Analyst Presentation. I hope all of you have read the disclaimer on Slide #2. As well as already gone through Slide #3.

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

Sunil Wadhwa:

Good afternoon, everybody. As suggested, I would skip the first 3 Slides, and straight go to describing what we see or what our perspective is on the Indian economy, and in particular, reference to the T&D market and the sort of macro environment in which we operate. And I don't think anything is very new to all of you, but still I think just from our perspective as we see, the private sector, especially in the power sector has been holding back fresh CAPEX. There are no new plants coming up over the last few years, and also recently confirmed by the findings or sort of projections, which are given in the National Electricity Plan, which does not foresee any fresh capacity additions in the thermal side for the next 4 to 5 years with exception of solar and the other forms of renewable, of course. But we still see public sector as the main spender of CAPEX, which will continue to drive investment in the current financial year, and maybe the next year as well.

The other thing that is going to bring some fresh scenario in the economy is the impact of GST, which is now going to be implemented for sure from July 1 and the rates and all have been



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approved by the council. So, this is a new factor, which we will see how it stands out into the Indian economy. We also see a positive coming from the way the government is handling, the NPA of the banks and the banking ordinance, which authorizes the Reserve Bank of India to issue directions with respect to the stressed assets including the initiation of insolvency resolution process. So in all I think there are signals we see of improvements coming from these initiatives of the Government of India.

Gaurav Negi:

This is Gaurav Negi. So, getting into the Power and the T&D market. I think as far as the UDAY scheme is concerned, we have seen some pockets of improvements in few states, but the operational improvements in a broader set of states is still awaited.

Sunil Wadhwa:

I think the distribution companies do have an opportunity now to kick start the major reforms in the distribution sector, and improve the T&D losses and make it more self-sufficient and self-financing. I think the issue really is that while UDAY scheme takes care of the past losses and their financing from the books of the Discoms, but today the tariffs, which are currently being received by Discoms are cost reflective of their current costs. I do not expect major tariff increases happening, given the current level of inefficiencies in that system of Discoms. But I do see pressure coming on the Discoms from the regulatory commissions and the states to improve their performance and make their balance sheets self-sustaining may be a combination of both. So, I do see some CAPEX spend coming from the Discoms on the improvement of networks and on the T&D reduction schemes. One factor, I have seen personally in my own experience that when the Discom starts collecting more money from all the customers in order to improve their AT&C losses, expectations of the customers build up for reliable supply of power, and that is where the whole positive pressure kicks in. So I'm hopeful that, this element is going to bring in improvements in the performance parameters of the Discoms.

As far as the renewable segment is concerned, we have seen mostly as per plan a lot of addition in terms of the gigawatts into solar and wind. And at the same time, the solar tariffs have been dropping every time in recent tender, and they are at all-time low and surely convincingly has over achieved the grid parity in all parameters, even if you take all the attendant cost of using solar power through transmission lines with lower capacity utilization and all that. So our expectation is that the solar program as has been planned by the Government of India & MNRE will be implemented as per the plan in terms of the capacities. One needs to see how this speed of implementation of solar will impact the thermal sector in terms of the utilization levels of the existing capacities or in terms of the improving of PLFs of the existing capacities, which are today underutilized. So that is something one has to really see. It will also depend on how the demand for power pans out in the next few years.

Again, coming back to the supply side, the recent policy announcements by the Government of India on the nuclear capacity with the emphasis on Make in India, it is likely to see some capacity additions and the transparent policy for fuel supply to thermal power plants is in my view also a



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very progressive step and will lead to more rational utilization of the limited resource. And I say limited in the sense that, every resource, which is underground is limited. So in that way, this policy really seeks to have a good mechanism for utilization of the fuel, which is available in India to the plants which need it. At the same time, also we see the government really very thoughtfully coming out with this reciprocity based policy when it comes to allowing foreign companies, who are seeking opportunities in the domestic power sector in India, who are otherwise not allowing Indian companies to similarly play in their respective countries. So this is probably going to, I would say, weed out the irrational competition element which are there in the power sector today, and I see lot of relief for the domestic players in many ways.

Coming to the key events that we saw in the last financial year in our company, we had been able to successfully commission the Pole-1 of Phase-1 of Champa 800 kV HVDC project, which basically is transmitting power from Champa in Chhattisgarh. So basically for transmitting power from Chhattisgarh to Northern India, in the state of Haryana, Kurukshetra, this is the project which is a flagship project for our company. And we have two poles of which one has been commissioned sometime in March. Then the other thing that we would like to highlight is the record time in which the 765 kV bay extension project for Power Grid was commissioned at Phagi. Another one which we did for the first time, I mean, one of the first for us, was the solar project of 70 megawatts at Bhadla in Rajasthan, our customer being Tata Power, and also similarly 110 kV GIS Substation along with laying of 16 kilometers of line cable at Kollam city. So we also had achieved a new milestone during the year under reference by delivering this 200 unit of 765 kV Shunt Reactor from our world-class facility at Vadodara. Then we had commissioned more than 1,200 bays of new and retrofit Substation Automation Systems ranging from 33 kV to 765 kV from automation unit at the Pallavaram factory.

And lastly, I'd like to mention that we have been able to commission more than 700 PMU units across the country. So these are some of the key events or achievements, I thought we must share with the investors community. And I must say that we continue to be the market leader, even in this challenging environment that surrounds us.

For a brief mention of some of the main orders that we have bagged, I'm handing over to Mr. Sujoy Ray, who has been most instrumental in getting these orders for the company.

Sujoy Ray:

This is Sujoy Ray. I'm the Commercial Leader for South Asia of Grid Solutions. BGR Energy, we have got this contract, first of its kind 765 kV GIS after we had the facilities established in our Chennai factory, Padappai, so this job is going to give us the reference for compliance with fewer requirements of various other projects.

UPPTCL in UP, we have got this project for Hardoi Substation near Lucknow. Next is TATA Project, this is for NTPC Super Thermal Power Project at Telangana. We have got the electrical balance of plant governing GIS and AIS. Power Grid, we have done 765 kV, 400 kV, AIS



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extension for Jharsuguda. Power Grid again for 80 MVAR 765 kV Shunt Reactors for Champa and Gaya.

CSPTCL in Chhattisgarh Power Transmission, we are doing 400 kV substation there. The ReNew Power and Inox are basically solar projects. So we are doing the complete AC balance of systems for ReNew Power including supply of inverters, which we are localizing in Chennai, in our Padappai factory.

Now we come to the numbers, so I'm handing over to Gaurav Negi, who is the CFO and the Executive Director of Company's Board.

Gaurav Negi:

Thank you, good afternoon to all. So if you can shift to page seven, we will start with the orders.

So in terms of the order intake, fourth quarter, the orders were 11.5 billion, a growth of 5% that we saw versus 11 billion we had in the same period last year. On a total year basis, we had a very good year, where the orders came in at 43 billion versus the 34 billion in the last year, an overall growth of 28%, which included a mix of orders from TBCB, GIS and Solar. Some of them that Sujoy Ray just took us through.

If you go to Page #8, that is the order backlog that we carry. Again, based on the good performance that we had in the last year, we maintained a strong and healthy backlog, which continues to be 81 billion, a growth of 2% versus the order backlog that we carried in the same period last year.

Moving over to the Sale Side now, which is on Page #9. Again a very good execution in the fourth quarter as well as in the total financial year, more particularly in the second half, the fourth quarter sales was at 12.6 billion, a 27% growth versus the 10 billion that we had in the same period last year. And the total year sales is at 42.6 billion, a growth of 23% largely driven by the sales growth and commissioning of the projects that we had in the backlog as well as from some of the new orders that came during the year.

Page #10 is the profit after tax. We had a strong profit performance of 461 million as against a profit of 270 million in the same period last year, an overall growth of 71%. On a total year basis, we recorded a loss of 867 million compared to the profit that we had of 345 million in the last year. As has been shared, we took some one-time provision in the first quarter of this financial year, close to the tune of 1,785 million. And excluding those one-time, the adjusted profit would have been 918 million. This is just for a comparison purpose that we are sharing.

Then going to Page #11 in terms of the key data that we have for the fourth quarter and the year ended. To summarize, the total sales was 12.6 billion for the quarter, 42.6 billion for the year, an overall growth of 23%. Operating profit at 1,049 million for the fourth quarter and 920 million for the total year. And as the percentage of sales was down 1 point and 2 points versus the



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corresponding period in the last year. Profit after tax was 461 million for the fourth quarter and a loss of 867 for the total year. But as was mentioned, excluding the one-time provisions that we had, the overall profit as a percentage of sales would have been 1 point better than last year.

Going to Page #12, just sharing a good news in terms of the dividend. The Board has recommended a dividend of 90% of the face value, which is Rs. 1.8 per share. This is in line with the dividend that has been declared for number of years in the past, and would be subject to approval at the annual general meeting. Despite the dividend that is going to get declared, the post dividend profit and loss surplus that would be in the company would be close to Rs.6 billion.

With that, we will turn it over for questions.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Subhadip Mitra from JM Financial. Please go ahead.

Subhadip Mitra: I have two questions. Firstly, I think the second half of FY17 we have certainly seen a pickup in terms of revenue growth as well as probably execution pick up. My question is largely, have we been seeing this kind of a pickup largely because of some of the large orders like the Champa-1 HVDC project being commissioning. And it can be lumpy going forward or we are actually seeing a sustained pick up in terms of execution of projects across?

Gaurav Negi: So, you're absolutely right. I think in the first half, the revenue side was slow and it has picked up though we had a very healthy backlog. Like we have shared in the prior quarter also, it is a combination of both our execution as well as the readiness from a customer standpoint. We are seeing in the second half, definitely there is more focus on the sales execution as well as the Champa projects are also now supporting the sales that we are seeing. But I would not just limit it to Champa, but we have seen a similar kind of a trend that is happening for a broader portfolio. And if things remain the way they are, we foresee that this is going to be a steady state going forward for us.

Subhadip Mitra: Understood. Secondly, on the margin front again, I think fourth quarter has been particularly good, but that is probably in line with what we have seen over the last few fourth quarters we know barring last year. So, overall what we observe is, on a full year basis, the EBITDA margins tend to be closer to around that 8%, 8.5% number that is at least what has been the case for the last 3-4 years. Would we believe that going ahead given such a huge large order book that we have there can be an upward trend on the margin side?

Gaurav Negi: I think, if you see the page that we have shared, typically the annual operating profit or EBIT percentage is usually around the four points that we see. Fourth quarter, unfortunately, we had some one-offs, which skews the performance just for the fourth quarter. But I would expect the



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four points that you are seeing and where we adjusted for the one timers, our performance would have been closer to the six points. So six points is going to be more of the steady state. I think the fourth quarter is usually an outlier, but steady state it would be more towards the adjusted one-timers that we have for this year.

Subhadip Mitra:

Okay, understood. One last question from my side. This would be just to understand a little better, what would be our product offerings or exposure on the solar side, because that seems to be the upcoming area. And any ballpark percentage in terms of how much of revenue or order book would probably come from renewables as solar?

Gaurav Negi:

On the solar side, typically the offerings that we have is more of it the AC balance of systems that we have, as well as within the GE family, we do have the inverter range also. So we basically bring it all together, and that is going to be largely the offering that we are looking at. Again, it is a new space that we are trying to enter, and we don't have precise numbers right now to share with you.

Moderator:

Thank you. We will take the next question from the line of Renu Baid of IIFL. Please go ahead.

Renu Baid:

Sir, my first question is for Mr. Sujoy, if you can just highlight how is the market outlook looking for financial 2018 for the transmission sector and for a addressable market? And overall for the year ending 2017, how did the market grow?

Sujoy Ray:

Okay. You are talking about 2016-2017 market growth was about 10% as we see. And in case of addressable market, we are aligning ourselves pretty fast. There were certain areas of product gaps, which we have bridged now like we spoke about 765 kV GIS, which constitute something like 200 million of the market that we were not addressing. Now we are addressing because we are ready with the product. And future outlook is I would say positive overall. It may not be the high growth era, but at the same time, we expect nominal growth for sure. So overall, we see that we should be able to maintain the growth as such and it continues to be positive.

Renu Baid:

Sir, probably can one expect that, you know after almost three years of decline, last year we saw marginal growth in the market. So FY'18 similar 10% to 15% growth could be seen in the end markets or probably you think that would be a little too optimistic?

Sujoy Ray:

I don't think we will be able to see 10% growth this year, because of certain areas of concern, but at the same time...

Renu Baid:

Which would be those areas of concern, if you can slightly highlight sir, just comprehending on this number?

Sujoy Ray:

As Mr. Sunil Wadhwa also spoke about that CAPEX from private sector is basically at a standstill at this point of time. And we don't think the CAPEX in private will come up really in



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2018 either. Also we are seeing from Power Grid also there are little bit of slowdown in terms of greenfield projects at this point of time. Renewable will be positive, but at the same time is a very challenging market. We see more or less stable market in 2018 with a nominal growth of 4% to 5%.

Sunil Wadhwa:

The renewable integration is one area where we see CAPEX coming in, definitely in the transmission side. System strengthening requirements also are the ones where we will see some CAPEX, both from the CTU and STU side. At the same time, we don't see much CAPEX coming from the capacity addition on the thermal side. So there is, I think offsetting happening in one way. So while we don't see a dramatic growth as such, I would be cautiously positive.

Renu Baid:

Okay. Sir, my second question is on the financial side, as Mr. Negi can also highlight here, A) what was the impact in revenues and in other income on retentions in the fourth quarter and for financial 2017? And also he mentioned off a very steady state margins of 6 to 7 profile, which is significantly lower than our historical averages that we have seen. Even if you knock off the impact of the provision write-off, which we had in the first quarter, the full year margins were close to 5% levels. So, are we looking at significant deterioration in the existing backlog and the profitability or if you can just clarify on that aspect?

Gaurav Negi:

So, the first one that you had on the retention side. First I will start with the fourth quarter. I think the retention impact would be somewhere on the 10 crores mark.

Renu Baid:

On sales or on other income?

Gaurav Negi:

That is more on the sales side that I'm saying. And then like I have been telling that it then rotates back into the other income side in terms of the unwinding that we get. So that is what in the other income that you are seeing closer to the 2017 right now. We had a bigger amount last time, because we had a better collection from the retention side. This quarter the collections has come from not from retentions, but more from the current AR that we have.

Renu Baid:

Sure. And for the full year.

Gaurav Negi:

For the full year, it is largely going to be neutralized, I would say. Between the two, between revenues and the other income, when you will see, it will be largely neutralized. So you will not have a P&L impact overall at a profit level, because whatever you see in the revenue is getting offset in the other income lines.

Renu Baid:

Okay. But can you quantify that number?

Gaurav Negi:

So just from a quantification stand point, it will be closer to 5 crores, which is going to be a net 5 crores at the revenue, and the net other income is also going to be netted down to 5 crores.



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Renu Baid: Sure. And on the margins, sir, your broad medium-term outlook of 6 to 7 OPMs seems to be fairly depressed. So any particular reasons which make you not so positive on the outlook on margins?

Gaurav Negi: So Ms. Baid, when you say it is depressed because if you see the other years also, I don't think it was substantially different from what I'm calling out right now. And one thing that we have been highlighting also we have been little vary of the fact that there is a lot of pricing pressure that we have been sharing in the past also, which will start reflecting. So the emphasis is right now from our standpoint is on cost optimization. Because like we talked in number of calls earlier also, because of the reverse auctioning, there is a lot of pressure on the pricing side. And the current focus right is towards cost optimization to manage that. But even if you are closer to, I would say a 6% to 7% margins with the increasing revenues that we see, in absolute terms, we are still quite positive, in terms of what the overall profitability of the business is going to be. So it is becoming more from an execution standpoint, grow the top line, manage the cost, and given the pressures of pricing, because of some of the actions that are happening, because of the reverse auctioning, I think in the absolute side, we will still continue to see an uptick.

Renu Baid: So more of a volume driven growth rather than room for profitability improvement?

Gaurav Negi: But that is exactly what is happening in the marketplace that we are also seeing, given if you see the latest trends in the bidding also, there is a lot of pricing pressure right now.

Renu Baid: Sure. And sir, my last question for Mr. Wadhwa. Sir, if one has to look, just trying to leave aside this quarterly numbers and the outlook, from a 2 to 4 year perspective, what are your key strategic priorities for GE T&D business, the key areas for growth, the roadmap, if you can just highlight across some of the key parameters? That is it from my side. Thank you.

Sunil Wadhwa: See, from a strategic perspective, I would say that we have to consolidate and cost optimize our bread and butter business, which you see on T&D side. At the same time, we would like to have newer areas, and newer business models, and look at more of demand creation perspective, where there would be potential for high margin business at least in the beginning. So at the same time also we are looking at the Tier-2 countries or the regional neighborhood countries, where there is definitely traction in terms of T&D business and to mention a few, Bangladesh, Sri Lanka, Nepal, Bhutan. So I think we have the capability & have been having businesses in those countries, and I see that as a growth area. And lastly, within India, renewable, definitely presents some promising potential for our company. But probably, I will be able to say more when we meet the next quarter because there is a substantial potential for our company to be in the solar space.

Renu Baid: Sir, just one small clarification on renewables since you have mentioned it, if we look at only the e-BOP segment for renewables, it is fairly small for our portfolio. We don't have inverters in



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our portfolio. So can renewable be a reasonable share in our business mix, given the smaller size and value of orders?

Sunil Wadhwa: Yeah, we have smaller size when you look at each order, but the way the biddings are happening and the way the tender are coming and when I say demand creation, there is also a different market, which exist rather than the normal utility and the grid and the tenders which are being seen in the market. That is where we see some potential for a larger player.

Moderator: Thank you. Our next question is from the line of Gaurav Sanghavi from Bajaj Allianz. Please go ahead.

Gaurav Sanghavi: Sir, my question is related to our two HVDC project, Champa - Kurukshetra 1 and 2. So if you can update what is the status of both the projects?

Sunil Wadhwa: The first project, the first phase has been commissioned, which consists of two poles and full power flows, and the 1,500 megawatts full power flow is happening. And so it is now more or less stabilized from Chhattisgarh to Haryana region. The second phase is under commissioning, which will again add to ...

Gaurav Sanghavi: Sir, second one?

Sunil Wadhwa: Yeah, so second phase is under commissioning, and as we talk, basically it is the third and the fourth pole. So we feel that it should be fully commissioned in the second quarter, that mean the current quarter. And so that is where it is.

Gaurav Negi: So that is Champa-1, so Champa-1, Phase-1, Pole-1 got commissioned in March. Pole-2, we are looking at somewhere around June end, which is Q2 from a calendar year. And as far as Champa-2 is concerned, that is going to go into next year. Pole-3 is going to be somewhere in the first quarter of the calendar year and is what we are looking at, and then followed by Pole-4, which is the Champa-2 portion. So Champa-2 will be largely in the next year.

Sunil Wadhwa: That is total 6000 mentioned. Total project is 6,000 megawatts of power flow from the Central region to Northern region.

Gaurav Sanghavi: Okay, sir. And second question is on, you mentioned about the pricing pressure. So there was expectation of pricing pressure too is because of the localization. So are we seeing any changes in terms of localization clause with PGCIL implementing localization more strictly or we still face competition from some of the outside player?

Sunil Wadhwa: You would have seen the recent announcement of the Government of India, where they will very soon come out with a policy of non-reciprocity. So that is likely to benefit the domestic players more than what it is today.



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- Gaurav Sanghavi:** Okay. So is it fair to assume that currently that is not clearly implemented and probably once this policy comes...?
- Sunil Wadhwa:** No. They have been implemented already.
- Sujoy Ray:** No. This is Sujoy Ray. The policy has been implemented like domestically funded projects some 25% to 50% quantity has to come from Indian industrial footprints. So what we are seeing that is of the overseas players, they have also set up their shop now on industrial factories at various places. So, the price pressure continues at this point of time. As Mr. Wadhwa said, once this new policy is probably implemented, it will be restraint to some extent, but the pressure continues.
- Moderator:** Thank you. Our next question is a follow-up from the line of Renu Baid of IIFL. Please go ahead.
- Renu Baid:** Yeah sir, on the policy with respect to reciprocity, can you highlight this would be with respect to which particular segments of transmission business?
- Sunil Wadhwa:** Entire transmission business. Even I don't know, the policy is still not out. But whatever we hear and see from the news articles, it is going to start with the transmission business. So it will be the entire transmission sector.
- Renu Baid:** So for the entire equipment, GIS, transformers, reactor, substation everything or do you think it would be more on the automation side, where there would be more security reasons or concerns?
- Sunil Wadhwa:** You could be right, I really can't say until I read the policy document. But surely that was stated to be the reason rather prime reason for this policy. But whether the policy will cover uniformly all type of equipment or will it only have more focus on the automation side and SCADA and all that and lesser on the other, as we told you, these are yet to be seen. So my knowledge is what yours is on this.
- Renu Baid:** Okay. And secondly, just coming back to what was said initially with respect to market outlook in FY18 of single digit, mid-single digit growth, so are we, as in what is our view on the state sector ordering our investments, given most of your other peers who have been there into the EPC space and market, have been fairly bullish on market opportunity opening from various states in the southern market and northern states are also now looking positive. So, are we not looking to participate in those states, or are we seeing competition is fairly intense and we see market shares consolidating there? What is the outlook and view here?
- Sunil Wadhwa:** See, as I see it and also going by what the Plan document also says that, there will be more CAPEX coming from the State Transmission Utilities side but at the same time the central maybe a bit lower. So, I think on the overall, the numbers that I saw in the document and I believe in them as a projection, are the same as the last five-year plan, in terms of the total spend which is



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anticipated in the transmission sector, overall. And for us, there is no specific preference for participating only in the state or the center utilities sector.

Renu Baid: Okay. And sir, my last question would be, if you look at the overall borrowing cost, generally we have only interest as one element, but will it be possible for us to give a bifurcation of what is the actual interest expense and what are the non-fund based expenses sitting in finance cost?

Gaurav Negi: So our overall borrowing cost, the good news again in this quarter, if you would have witnessed, we have had a very strong collections over the last six months which has come down, so the overall borrowing levels have come down. Similarly, because the interest rates are also coming down, we have seen decline in the overall borrowing cost also. In the numbers that you would see, we had a one-off also in terms of the interest we had taken for taxes in the first quarter, but the rates, if you want to know the rates, it will be sub-eight that we are looking at right now.

Renu Baid: Okay. Because if we see, we would be also having a significant share of non-fund based expenses, largely bank guarantees and others. So, as in how large would be that quantum sitting in the finance cost?

Gaurav Negi: That would not be very significant to be honest, I would say close to 30 basis points is the cost for non-fund based lines that we have. And that will not be a significant portion. Our most of the finance costs is largely driven by the loans that we have. And that has been a positive line.

Renu Baid: Correct. And if we see, you are going with the usual trend this year also, we were able to bring down the borrowings by the end of the year to close to Rs. 5 billion. But we understand, we typically have always tend to stand on a much larger average borrowing during the year. So overall for last year, what was the average borrowings that we had? And how are we looking at the average borrowings to move for financial '18? Are we looking that numbers should or the requirement should come down substantially or should be broadly maintained?

Gaurav Negi: Our endeavor is always to bring it down. So that is what happened. If you see the average, we were at one time what we communicated close to 700 crore, but within the quarters, it even went higher than the 700 crores. But over the last six months, we have managed to bring it down to again to the, I would say the 500 crore levels. Our endeavor is going to be to bring this further down now, going forward. Because we foresee that the focus on collection is going to go up significantly, and PFS is going to be to keep it below 500 crore.

Renu Baid: Okay. But the average borrowing throughout the year would still tend to be closer to 650 crores - 700 crores levels.

Gaurav Negi: That is what we saw, I would say in the last financial year. But financial year 2017-2018, I would expect I rather not have that go up beyond 500 crore during the entire year.



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- Renu Baid:** Sure. And, sir, my one last question again here would be on the land sale. We have this land parcel there in Bangalore, so any developments or any traction with respect to how do we plan to dispose that off?
- Gaurav Negi:** So we had entered into a sale a while back, but it is still status quo. I think the market was also not conducive in terms of those kind of pricing that we were getting. So there is not been much movement on that particular topic.
- Renu Baid:** Okay. And broadly, can you help us with how is the split of receivables for financial 2017 with respect to retentions, and more than six months?
- Gaurav Negi:** So close to, I would say 600 crores will be more on the receivable side. Retention is something that we do not have a past due, because retention is something which is not due for us.
- Moderator:** Thank you. Our next question is from the line of Dhruv Muchhal of Motilal Oswal Securities. Please go ahead.
- Dhruv Muchhal:** Sir, the question could be a bit logical, but I thought, I will clarify it with you. Couple of investors have spoken to, have often raised concerns that distributed generation, or in particularly solar along with batteries, will actually kill the high tension transmission network, probably over a very long period of time. So can I have your views on this, or I mean how do you see it?
- Sunil Wadhwa:** Distributed generation that we see might actually be to fill the need for electrifying those far flung areas which has been said, there is about 30% of population. I don't know the exact numbers, but that is what we read is about 300 million people are without electricity or with inadequate infrastructure to reach electricity to them. So, I think some of it might actually get served with distributed generation with storage, which is basically going to dispense with the local network requirement of the Discoms. Beyond that, I don't see that actually replacing the main backbone for the distribution of power, for transmission of power.
- Dhruv Muchhal:** Sir, this is of course considering that you have batteries which come up in a more economical way, going on it, because the pure solar tariff has come down, but all the batteries eventually probably if they come down, to say, for example, Rs. 5, all-in cost of Rs. 5 – Rs. 6. Does that hit your residential side and the requirement for transmitting power for over long distances?
- Sunil Wadhwa:** At the same time, it is not always the load centers of power are the best locations for generation of solar power. Take the case, example the highest addition of solar could be in Rajasthan. And also in those areas, where there is hardly any load. So the load centers would need to get the power supplied from the generation centers. So that equation cannot change by just having batteries. So if one has to look at the need for dispensing with the transmission lines by producing power, where the load is, it may not be the most efficient place to produce power, because the location where the load exists are also expensive in terms of the cost of land. So frankly, I don't



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foresee any model, where the storage batteries can actually displace the transmission lines. I do support the business model, where you take the solar to areas, where there is no power..

But frankly, I don't think it will have any impact on the STU and the CTU networks. And to the contrary, the renewables are going to actually add to the complexities and the CAPEX on the CTU and STU networks.

Moderator: Thank you. We will take the next question from the line of Sagar Parekh from Deep Finance. Please go ahead.

Sagar Parekh: Just got a little confused, you mentioned that there were some one-offs in the interest cost in this current quarter, is it?

Gaurav Negi: Not this current quarter, it was in the first quarter of this year.

Sagar Parekh: Okay. And were there any one-offs in this particular quarter, either below the line or above the line?

Gaurav Negi: No. Nothing of significant value.

Sagar Parekh: Okay, sure. And you mentioned some receivables of 600 crores, I missed that. So, your total receivables as on date stands at round 2,300 crores, right?

Gaurav Negi: Yes, it is 2,300 crores. The split in that, retention will be close to 1,300 crores and the remaining will be receivables. If I got the question right, it was related to the past dues within the receivable balances, and the 600 crores was around the past dues.

Sagar Parekh: Okay, got it. And you also mentioned that you're expecting significant collection traction this current year. Am I right in my understanding? So that would probably bring your debt levels down?

Gaurav Negi: So what I shared was in the second half of this year, we have seen a very positive movement on the collections. That is why our loan balances which are climbed up, I would say north of 700 crores is now back to the 500 crores levels. I think the focus will continue towards the collections from this 2,300 - 2,400 receivables balance that we have, which is quite significant balance that we in the company think, and we need to bring that balance down. And like I mentioned, most of it is also past due. So the focus continues because the past dues also were very high. So if we're able to bring that back into the company, I think the overall balances for the loans will continue to come down.

Moderator: Thank you. Our next question is from the line of Vikram Rawat from PhillipCapital. Please go ahead.



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Vikram Rawat: Yeah. Thank you. Just want to ask, we have full-year basis 140 crores of other income, I think that has changed due to the transition to IndAS. So can you just share the breakup of that other income and whether it is sustainable on an ongoing basis?

Gaurav Negi: Yes, it will be sustainable. When you say sustainable it is actually not through income, it is more the IndAS where like I shared in the past, within the revenue, and this is something that you will probably get clarity, once you get the detailed accounts also for the year.

Under the IndAS, the fair value of the retention goes into the revenue line and when you unwind that, when you collect that retention, it comes in the other income line. So the offset to the other income is actually a negative which is sitting in the revenue. So, if you have a steady state business, anything which is in the other income will be offset by something in the revenue. So you will get two reflection of the operations of the business, and it is not influenced by any accounting. As far as what you see in the other income, it works under IndAS. When you do a fair valuation of the retention, you have to do a reduction in the revenue line. It is part of the accounting that we have to do. So, you do not see the discounting of the revenue, whereas when the retention gets collected, the unwinding of it has to be shown in the other income. So, artificially you will see that your other income is going to become significant, but the offset of that will be sitting in the revenue. But if you were to see at a total year level, what I shared in the earlier comment, there is not going to be any impact at the total year level from this other income, because the offset of that is sitting in the revenue line.

Vikram Rawat: Okay, fine. So is it, there is some lag between debt collection recognition under collection and revenue. Is there some lag?

Gaurav Negi: Yeah. In a steady state there should not be a lag, meaning the amount of retention I create by doing revenue. If I am collecting the same amount, it will come in the other income. Now, if there is a slowdown which happened this quarter, like I mentioned we did not collect as much from the retention. So as a result, you will see a reduction in the other income. But in a steady state, if I'm doing new business, new revenue, there will be retention, which is going to get discounted. And at the same time, I will be closing out projects, whereby, I will be collecting the retention that element will be coming in the other income.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to Mr. Suneel Mishra for closing comments. Over to you, sir.

Suneel Mishra: Yeah. Thank you, Inba. Thanks, everyone for your 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 or Mr. Anshul Madaan on the email ID given on at our website. Thanks again.



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Moderator:

Thank you, members of the management. 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.