



GE T&D India Limited

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November 15, 2019

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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

Code No. 522275

Symbol: GET&D

Dear Sir,

Sub: **Transcript - GE T&D India Limited Earnings Call for Investors held on November 8, 2019**

Please find enclosed a copy of the Transcript of earnings conference call with analysts/ institutional investors held on November 8, 2019 in respect of unaudited financial results for the second quarter and half year ended on September 30, 2019.

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 Q2 FY20 Earnings
Conference Call Transcript

”

November 08, 2019



MANAGEMENT: MR. VISHAL WANCHOO – CHAIRMAN, GE T&D INDIA LIMITED
MR. SUSHIL KUMAR – CHIEF FINANCIAL OFFICER, GE T&D INDIA LIMITED
MR. GAURAV NEGI – DIRECTOR, GE T&D INDIA LIMITED
MR. SANDEEP ZANZARIA – COMMERCIAL LEADER, GE T&D INDIA LIMITED
MR. MANIKKAPURATH SIVAPRASAD – OPERATIONS LEADER, GE T&D INDIA LIMITED
MR. ANSHUAL MADAAN – COMMUNICATIONS LEADER, GE T&D INDIA LIMITED
MR. SUNEEL MISHRA – HEAD, INVESTOR RELATIONS, GE T&D INDIA LIMITED



*GE T&D India Ltd
November 08, 2019*

**MR. MANOJ PRASAD SINGH – COMPANY SECRETARY, GE
T&D INDIA LIMITED**



Moderator:

Ladies and gentlemen, good day. And welcome to the GE T&D India Limited Q2 FY20 Earnings Conference Call. As a remainder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Suneel Mishra – Head of Investor Relations. Thank you and over to you, sir.

Suneel Mishra:

Thank you, Inba. Ladies and gentlemen, good afternoon. Myself, Suneel Mishra, and I manage Investor Relations for the company. Welcome to today's conference call with GE T&D India Limited's management team. We have organized this conference call to present financial results for the second quarter and half year ended 30th September 2019.

Now, let me first introduce my management available on this call. We have with us our Chairman, Mr. Vishal Wanchoo; Mr. Sushil Kumar, who is our new CFO. We have also sitting with us our former CFO and now Director, Mr. Gaurav Negi. We have available on this call Mr. Sandeep Zanzaria, who is our Commercial Leader; Mr. Manikapurath Sivaprasad, who is our Operations Leader. We have also with us Mr. Manoj Prasad Singh, who is our Company Secretary; and Mr. Anshul Madaan, who is our Communications Leader.

Please note that this conference call is scheduled up to 5 PM. I hope you would have received the Investor and Analyst Presentation and read out the disclaimer on slide number 2.

I would now request our Chairman, Mr. Vishal Wanchoo, to begin this conference call highlighting key events of the quarter. Thereafter, Mr. Manikapurath Sivaprasad will be presenting a slide on operations and execution. Then Mr. Sandeep Zanzaria will give an update on order and markets; followed by Mr. Sushil Kumar, who will be speaking on financials.

So I now invite Mr. Vishal Wanchoo to begin the call. Over to Mr. Wanchoo.

Vishal Wanchoo:

Thanks Suneel. Ladies and gentlemen, good afternoon. Thanks for joining the call. I am just going to start by giving you just a brief overview on the quarter. And as Suneel indicated, we will go through the details with the subsequent speakers.

So first, I just want to highlight, and I think you might have seen the announcements. We have new KMPs within the business. First and foremost, we have Sushil Kumar, who is the new CFO, as Suneel mentioned. He comes to us with about 19 years of experience, 10 years with the company. So we are pleased to have Sushil in the CFO position with us. I think you saw also that Sunil Wadhwa has moved out of the company as of the end of the quarter. And we just announced Pitamber Shivnani as the new CEO, he will be starting effective January 15, 2020. He comes to us with 32 years of experience in the industry. So we are happy to have him join us in the business.



The grid market, I think all of you are very familiar with this. A stable market at approximately \$3 billion. Clearly, the renewable energy additions are creating an opportunity with the Green Energy Corridors. So we continue to see opportunity in the market. If you look at the quarter that we just completed, we had a significant progress made with our high-voltage DC project in Champa. We have Pole 3 commissioned with Power Grid, this is a significant milestone for the company as well as for Power Grid. And Siva will address some of the broader execution. We had a good quarter in execution with 50-plus bays commissioned.

In spite of this, we did have a challenging quarter financially, Sushil will walk us through that, primarily driven by lower volume due to the HVDC ramp down coming of the Champa project and some customer project delays. The profitability was impacted by impairment of assets, we will walk through that, as well as some onetime provisions. Operationally, we were roughly at about a breakeven level in the quarter, excluding these items that I just talked about. Some of the challenges that we see, not a new news to anyone, but the liquidity issues and the stress in the market continue to impact project execution. And of course, there's pricing pressures, which we have been seeing on a continuous basis.

Given that backdrop, we have outlined our priorities for the future quarter very clearly. First and foremost is commercial intensity, ensuring that we are winning share in the market, but also share which gives us the margin levels that we are satisfied with. Operational excellence and execution is key, I think you might have seen that lean is a huge initiative across the GE company. That's driven by our new Chairman, Larry Culp. This is something that we are going to be rolling out more aggressively, really, not just in this region, but other regions as well. This will be a big part of our operational improvement from a margin standpoint.

And finally, driving improvements in working capital. This is a huge priority for us, a lot of focus by the team, as well as cost efficiency. Given where we are on volume, we have to explore what cost efficiencies that we can drive.

So with that, I will turn it over to Siva.

M Sivaprasad:

Thanks Vishal. Good afternoon everyone. Happy to present the key execution achievements of the quarter. So start with, one 765 kV substation we have for Power Grid at Chilakaluripeta. This is one of the earliest TBCB projects, which we have won from Power Grid. And against some challenging timelines, it was completely commissioned in the last quarter. We have also commissioned 18 bays of 765 kV substation at Bhadla and Bikaner in Rajasthan, again for Power Grid, and this is for the evacuation of the renewable energy, which is being generated there.

We have done some more commissioning at 400 kV level at various places like Bhiwani and Gaya at Bihar, and this is again for Power Grid Corporation. In Bhutan, we have commissioned 66 kV AIS substation extension for Bhutan Power Corporation. And we have also commissioned 50-megawatt Bhadla site for Azure Power. And this project we have commissioned from start to finish in four months' time, including the installation, testing and commissioning.



So, across different geographies, across different technologies, across different voltage levels, we continue to pursue to meet the customer expectations in terms of delivery of these projects. That's it. Thanks, and back to you, Suneel.

Sandeep Zanzaria:

Thanks, Siva. I think, as you know that there were Green Energy Corridor tenders, which had come out from the developers in the last six months. And many of the Green Energy Corridor tenders after the grid auction has been decided. But the process of various developers taking over the Green Energy Corridor still is in progress. Some few have been done, but others are still under negotiation. So the last quarter primarily was driven through the mode of state electricity bills business which is there, I think from Power Grid side are the tariff-based competitive bidding side. So the company has won GIS substations in Kerala, West Bengal and Himachal, and then we have taken an order from Bangladesh from new gas business, we have taken an overall project for the gas to be pertaining. Apart from this, there have been various project orders which have been won. The only aspect is that the challenging market condition continues. There is some traction in the renewable at solar and wind evacuation, which is happening. But that is also taking slightly a longer time. And probably, we will see that this quarter and next quarter the market is going to pick up in a much different fashion. So I hand over to Sushil, the CFO of GE.

Sushil Kumar:

Thanks, Sandeep. Moving with the presentation. I am starting with the orders. So for Q2, we registered Rs. 690 crores of orders. This was flat versus the Q2 of last year where we had Rs. 723 crores of orders. On H1 basis, we registered Rs. 11 billion of orders, this is lower than the last year where we had Rs. 13 billion of orders, which was mainly on account of softer quarter Q1 where we had Rs. 4 billion of order because of the non-realization of market and the challenging conditions that Sandeep did talk about.

Moving to the sales execution. In this quarter, we have a revenue of Rs. 821 crores versus Rs. 993 crores in the last year same quarter. The sales revenue are impacted by HVDC ramp down, which is visible on the chart. Last year we had 65 crores of HVDC and this year we have Rs. 21 crores of HVDC. And rest of the impact is largely on account of the delay in the customer projects. Similarly, on the H1 basis, we have Rs. 15.5 billion of revenue for the H1 versus Rs. 21 billion last year. Besides the HVDC and the customer project delays, some of this was also related to the execution timeline of the project as per the projects schedule.

Moving to the profit after tax, the next slide. Last year Q2 we had Rs. 51 crores of profit after tax, whereas in this year, Q2, we had declared about Rs. 81 crores of loss. In this loss, there are two exceptional items. One is the deferred tax restatement because of the change in the tax rate announced by the Finance Ministry, where the tax rate is changing from 35% to 25%. As a result, the deferred tax asset need to be impaired as per accounting rules.

In addition, we declared the impairment of the assets of one of the transformer manufacturing facilities. Post tax impact of that impairment is close to Rs. 40 crores. Taking these two items out, we have operational loss of around Rs. 17 crores. But within this Rs. 17 crores loss also, there are two one-off items. One of them is the Rs. 7 crores IL&FS related provision, which is mentioned



in the notes to the account. And the second one is one-off LD provision from one of the customer, which we believe is a strong case for us, and we are going to contest in the coming months and quarters.

Had these two one-off items not been there, we could be closer to a breakeven scenario in terms of profit after tax for the quarter, despite having the lower volumes. On a H1 basis, similar numbers, excluding the exceptional items or one-off items we would have been a breakeven at the operational level. So really the major impact for the quarter are the exceptional impairment item and the deferred tax restatement.

Moving to the overall financial numbers and the summary of the profit and loss accounts. Sales revenue lower by 17%, resulting with the operating loss of Rs. 6 crores. Excluding that, Rs. 23 crore of one-off items, we would have been at the profitable trajectory to the extent of Rs. 16 crores, roughly. The other number I would like to highlight here is the net borrowing position, which is now at Rs. 428 crores (net of cash with us), compared to roughly Rs. 20 crores at the end of March. So we have, in a way, consumed Rs. 400 crores of cash. Of this, part is because of the dividends that we declared out, around Rs. 50 crores.

Another impact is the on-time payment to our suppliers whereas we didn't experience some of the realization with customers on time. And the rest is more because of the ramping up of the execution, because the quarter one execution was at Rs. 700 crore of revenue, quarter two is now moving up to Rs. 800 crores. As we plan to have more execution in the coming quarters, we need to build up some of the inventories. There the cash is invested, and we hope to have the situation improved in the coming quarters.

So that's overall summary of the profit and loss account. We will now open to questions that you may have.

Suneel Mishra:

Yes. Inba, over for questions.

Moderator:

Thank you very much, sir. Ladies and gentlemen, we will now begin the questions-and-answer session. Our first question is from the line of Renjith Sivaram from ICICI Securities.

Renjith Sivaram:

Sir, the pain points which we see is one the raw material percentage of sales has increased to 72%. So this is something which is not dependent on the volumes or the growth. So what led to this increase in raw mat proportion?

Sushil Kumar:

This is largely on account of the mix, I would say. And in terms of the comparison of raw material or the gross profit ratio, I think we should be valuating more on a long-term basis. So if we look at the H1, this is closer to 69% versus the 66% that we had in last year on an H1 basis. So 3% is really the mix between the quarters, and the rest definitely is something that we need to work upon because we had lower, execution improvements in this quarter, and we are working to have a better situation in the coming quarters.



Renjith Sivaram: So where should they stabilize?

Sushil Kumar: At the gross profit level, our endeavor is to have closer to 30% to 32% of gross profit. That's the long-term indicator.

Renjith Sivaram: Okay. And regarding this cash flows also, when I see your payables have reduced and also the other current liabilities have reduced. So what led to this reduction and that has led to increase in your borrowings?

Sushil Kumar: Yes. So payables, as I said, is the on-time payment to suppliers whereas we could not collect some of the receivables from the customers. And the rest of the other liabilities are largely the project milestone payments, which are not due. And the progress billing is something that we expect to then achieve in the subsequent quarter. So it's the timing of the milestones, which is leading to a reduction in the payable through other liabilities, which is the progress collection.

Renjith Sivaram: Okay. And what is our target in terms of debt level for the full year?

Sushil Kumar: Our endeavor is slowly to go back to the zero debt position. That's where our aim is. But I think the journey will be slow. And we will have, let's say, Rs. 100 crores kind of improvement. That's the target for the quarter. And then we claw back in subsequent quarters on the net debt levels.

Renjith Sivaram: And this will be largely debt led by prior payable improvement?

Sushil Kumar: More, I will say, on the receivable side and more execution, where we need to make a corresponding improvement to the inventory levels and the receivable levels that we have than the payable levels.

Vishal Wanchoo: And I would just add that as I covered on the first page, the priority for the business is to improve our receivable, which include our past years retention payments and the working capital, right? So that is really what the levers are to improve our cash position. So clearly, the company is committed to improving the cash position, as Sushil has said, to get to a debt-free position.

Renjith Sivaram: And this debt-free position, we are targeting by end of this year or will it take some time more? Because given the scenario...

Vishal Wanchoo: Sushil has said it will take time. So our goal is really in fiscal year 2020 and fiscal year 2021. We will continue to see quarter-over-quarter improvements. And our goal clearly in fiscal year 2021 is to be operating debt-free.

Renjith Sivaram: Okay. And sir, you also mentioned in your opening remarks that Rs. 7 crores of IL&FS provision, and there was one more exception in provision. So how much was that quantum?



Sushil Kumar: So that is onetime operational item hit because of the LD charged by customer to the extent of Rs. 16 crores.

Renjith Sivaram: Okay. And the two which we have provided, is there any cash or it's a noncash item, right?

Sushil Kumar: Yes. It's a noncash item for the quarter.

Renjith Sivaram: Okay. And just, lastly, before I move out, there were some projects from Essel which were under stress. So what is the outlook on those projects? And what is the quantum of such projects, which is pending in our order book?

Sushil Kumar: In the last call, we declared about Rs. 200 crores of the projects which are not moving. The situation is same as of now in the current quarter.

Vishal Wanchoo: So we are working or I should say there is work being done on Essel. So obviously, the banks are involved with Essel. We are hopeful that the project will revive. So we are engaged in those discussions.

Renjith Sivaram: How much is the money stuck there?

Sushil Kumar: Up to Rs. 50 crores is what is stuck with Essel right now.

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

Jonas Bhutta: Just a couple of questions from my side. One of the key highlights was that execution was weak because of the government basically orders from the client or the go ahead from the clients. So approximately how much of the revenue would you have lost in this quarter because of this peculiarity?

Sushil Kumar: Around Rs. 100 crores to Rs. 150 crores of revenue.

Jonas Bhutta: Okay. That's helpful. Also, in the Rs. 200 crores of projects that you mentioned which are slow moving, are there projects which are in the state of Andhra Pradesh, for instance, which today again are at the risk of slowing down? So do you have exposure to any of the renewable projects based in Andhra Pradesh? And are they part of this Rs. 2 billion number that you just said?

Sushil Kumar: No. We don't have a significant exposure to projects in Andhra Pradesh.

Jonas Bhutta: Okay. So Rs. 2 billion or Rs. 200 crores is the slow moving part of your entire order book? That's a fair assumption, right?

Sushil Kumar: Yes.



- Jonas Bhutta:** Okay. And lastly, in terms of prospects, other than the GEC, the Green Energy Corridor, two large HVDC projects, one in Bangladesh, the other in Kargil, which is somewhat linked to Green Energy Corridor, nonetheless. Could you just update us on what's happening on those two fronts?
- Sandeep Zanzaria:** So for Bangladesh, the discussion between the government has not probably, but have resulted into that the project has been put under hold because both the governments are not discussing that whether to put a AC link or a DC link. So Bangladesh HVDC project has been put under hold by the client. And Leh-Ladakh project is moving as part of the initiative of the government. But I think because it's a project of a massive size with a different complexity and also because of the cost structure, so the government of India is reviewing that there are other stakeholders, how to make that project, for example, cost-effective for the users or for the consumers. So there is a process time, which is being taken for that. But definitely, we see the traction happening. Maybe in another three to five months, we expect that the clarity to come on Leh-Ladakh project and the way it has to be executed.
- Vishal Wanchoo:** We do expect that possibly in fiscal year 2021. But still, as Sandeep articulated, there's still some work to be done on that. So we are not counting on this happening in fiscal year 2021, but it's possible that it may happen.
- Jonas Bhutta:** So based on initial reports, this project is to be executed on this VSC technology, something that has been used in the Pugalur to Kerala part of the HVDC project? And GE T&D have that technology in-house to be compliant to bid for that project?
- Sandeep Zanzaria:** Yes. So we have the technology compliant with that. In fact, globally, recently, we have executed two large project fronts with the technology. One is Dolphin Offshore hidden project. There is one more project in Europe. So two projects have been completed, and there are other projects which are in pipeline of construction as well. So yes, we have a mature technology, and we meet the requirement to infill that system as well.
- Moderator:** Thank you. Our next question is from the line of Abhishek Puri from Axis Capital. Please go ahead.
- Abhishek Puri:** So first, as per one of the notes to account, this customer receivable of Rs. 657 million is unprovided for. Is this related to the Essel projects only?
- Sushil Kumar:** Yes, it is.
- Abhishek Puri:** Okay. I heard you saying Rs. 50 crore is stuck. This is Rs. 65 crores. So which one is what in terms of the exact number?
- Sushil Kumar:** So Rs. 65 crore is the exact number. I mentioned round ballpark number in the earlier question.



Abhishek Puri: Understood. Okay. On the project prospects, could you talk about the GEC projects that have come through and which are in the tendering phase for you? I mean any of the large projects that are there.

Sandeep Zanzaria: Yes. So the various projects which have been done by Adani, Sterlite, they are under discussion. And also from Power Grid, we are expecting an order to come during this quarter.

Abhishek Puri: Okay. Do they do a back-to-back tie-up at the time of bidding? Or they just take general quotations and then participate? And then they come back and negotiate with you?

Sandeep Zanzaria: So it's like different companies have different philosophy. So we are not ready to discuss their strategies. But it goes for a back-to-back tie-up. Balance other private developers have different strategies.

Abhishek Puri: Okay. Do you have any tie-up with Power Grid at this point in time for any of the bids that we have won?

Sandeep Zanzaria: Yes.

Abhishek Puri: Could you let us know which project is that?

Sandeep Zanzaria: So I think we will not like to disclose it.

Vishal Wanchoo: We will get back to you on that. Once we confirm, we will be able to disclose that.

Abhishek Puri: Okay. So any of the tie-ups done with any private players as such, Sterlite or Adani? I understand all three of them put together have won almost Rs. 14,000 crores worth of projects. I'm just trying to understand your prospect market, and another Rs. 10,000 crores plus of projects have been put up for bidding further.

Sandeep Zanzaria: So we are in active discussions with all of these developers and could not be able to comment anything until something...

Abhishek Puri: But there is no back-to-back tie-up?

Sandeep Zanzaria: I will neither confirm nor deny that.

Vishal Wanchoo: So I think what you will also see and I think you know this from public knowledge is that we do have a history of working with these private developers. So we have got good relationships with them. We are always in discussion with them. The goal is for us to get pre-bid tie-ups during the event where we can and in the event that that's a strategy on the developer's side. So at this point, we would not disclose what specific tie-ups we have.



- Abhishek Puri:** Sure. Great. Okay. So I will move on to my last question, which is on the key orders that you've received in the current quarter discussion. So this is largely from the order that you have received in Bangladesh. It has come in from your parent company. So how does the transfer pricing works here in terms of margins or is it a cost-plus bid? Or how does that work?
- Sandeep Zanzaria:** This is not a parent company. This is basically another vertical of GE. This is gas power business. And normally, this comes in order and then they quote inquiries and then we like to win the orders.
- Vishal Wanchoo:** Just to answer your question on transfer prices. We do follow the transfer price guidelines. So you know how they are defined.
- Sandeep Zanzaria:** They are all at arm's length.
- Abhishek Puri:** Right. And if I may ask one more last question on the three orders that we have received from states. How are the payment cycles there? What are the contractual terms in terms of retention money, in terms of the payment cycle? How that is defined? And how is it different from Power Grid's?
- Sandeep Zanzaria:** Definitely states are not as good as Power Grid. But these days because states have also gone for a big expansion for the state network, even getting retention payment from state is also not such a big challenge that kind of used to be. And many of these projects are also funded by multilateral agencies like ADB or KfW and all. So states also have a definitive time line to close their loans.
- Abhishek Puri:** Okay. And if I may ask, GIS, all three orders are on GIS. So how is the competitive scenario in GIS now? Which are the players apart from you are capable of providing this? I know ADB, Siemens...
- Sandeep Zanzaria:** If I really look at GIS, it would be ADB, Siemens, Alstom and HVF, primary competition for GIS.
- Abhishek Puri:** Right. So even if it is 132/ 33 kV, I mean, the smaller players do not participate here? Would that be correct...
- Sandeep Zanzaria:** This is the GIS substation on a turnkey basis where GIS product is only a part of the substation.
- Moderator:** Thank you. We will take our next question from the line of Payal Verma from Green Portfolio. Please go ahead.
- Payal Verma:** Would you like to tell us about the status of Bangladesh HVDC prices?
- Sandeep Zanzaria:** Payal, we just explained that Bangladesh HVDC project is under hold, the discussion which is going on between two countries about the links which are to be decided whether to have a AC link or DC link. So presently, it is under hold.



Moderator: Thank you. We will take our next question from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: Yes. Just a follow-up on the previous question in that Pugalur bid, which Siemens has won, we were not qualified. It was only ABB and Siemens which got qualified, and Siemens won that order. So can you throw some clarity why we were not qualified there? And now why are you confident that we will get qualified?

Sandeep Zanzaria: So at that point of time, the qualification requirement had asked that you should have completed a VSC project. And that was like what about three, four years back. And since then, we have completed projects of VSC, so now we are qualified.

Renjith Sivaram: Okay. And in terms of localization, do we have an advantage over Siemens and ABB in that VSC technology or is it same?

Sandeep Zanzaria: I would put it as same because we have seen technology. The transformers, etc., are much simpler to make. And normally IGBTs and all, which are there, are mostly they will be coming from the parent for everybody whether it is ADB, Siemens or us. So it puts everybody on a equal footing.

Renjith Sivaram: Okay. And how big that opportunity will be in terms of size?

Sandeep Zanzaria: It very difficult to comment now because like example 2.5-gigawatt rating may have a different combination based on what type of a technical solution which is on the solar side. Like if you put some battery storage, probably you will be able to reduce the size of the HVDC link. And also depending upon the technical solution chosen by the developer or it has become Power Grid opportunity then what Power Grid specifies. The overall valuation can vary for the project to a great extent.

Renjith Sivaram: Okay. And sir, for the full year, what will be the kind of revenues that we'll be targeting? Half year, it's a 28% decline. So will it be kind of manage a 10% decline or you feel that things are still challenging?

Vishal Wanchoo: Well, it won't be a decline from prior fiscal year, but we do expect quarter-over-quarter revenue to increase. So we are doing everything that we can, obviously, to fix. And a lot of that is dependent just, of course, on the execution of the projects that we have in the backlog, again, it goes on a timely basis, plus any additional orders that we can put through to execute.

Renjith Sivaram: And in terms of the order intake, can we assume that the same kind of run rate will continue or you are seeing some risk to that in case of there is a delay in the VSC order finalization? So what's the output there?

Sandeep Zanzaria: No, that is we will see order finalization still happen probably as well this quarter or next quarter because they have a very strict timelines to deliver those projects as well. So we expect VSC order



will get finalized mostly in this quarter. Otherwise, if there are some residual then it might go because of some issues of SEB taking over and things like that, it might go next quarter. But we don't see any further exchange rate.

Renjith Sivaram: So we can safely assume that the order intake at least will match kind of last year numbers?

Vishal Wanchoo: Order intake we expect will be softer than last fiscal year wise. But we do expect that the quarterly profile will be up as you have seen already from quarter 1 to quarter two. So we do expect growth quarter-over-quarter.

Moderator: Thank you. Our next question is from the line of Koundinya N from JM Financial. Please go ahead.

Koundinya Nimmagadda: Sir, one big query is, what is the current order book now?

Sushil Kumar: You mean the backlog?

Koundinya Nimmagadda: Yes, backlog.

Sushil Kumar: That's Rs. 5,800 crores.

Koundinya Nimmagadda: What is the bifurcation between states and private players between itself?

Sushil Kumar: So close to 50% is private and the rest is split between center and state utilities.

Koundinya Nimmagadda: Okay. Sir, you said that Champa project is completed. Do we have any more HVDC projects in the backlog?

Vishal Wanchoo: We don't have any other HVDC in the backlog.

Koundinya Nimmagadda: Any component of Champa that is pending now?

Vishal Wanchoo: Yes. There is a component of Champa that is pending. So we did implement Pole 3, and we will also do the Pole 4 forward.

Koundinya Nimmagadda: Sir, what were the quantum of this amount?

Sandeep Zanzaria: Rs. 100 crore in the backlog.

Moderator: Thank you. The next question is from the line of Jigar Shroff from Financial Research. Please go ahead.

Jigar Shroff: Sir, one observation. I mean, when do we expect a sustainable profitable performance? Because as far as the performance in the last couple of quarters, last two, three quarters is gone completely down, not only in terms of execution, but also in terms of the balance sheet, in terms of debt and



everything. And so when do we expect a sustainable? Do you think from Q3 onwards things should improve? And my second question is, I mean, how do you look at the exports opportunity? And what proportion of sales would be exports in the first half? And any new products or technology, which you would include for your going heads?

Sushil Kumar: As already explained during the discussion, our order profile should improve and we should have quarter-on-quarter growth. Similarly, we mentioned that our endeavor is to improve the execution. Accordingly revenue should be progressively Rs. 900 crores to Rs. 1,000 crores of execution, depending on the mix and progress of the project. And with that volume up, definitely the profitability should improve. I will not be laying out exact number. But our expectation is that the subsequent quarters should be better than the previous two ones.

Jigar Shroff: Sorry to interrupt, sir. Should we reach a 9%, 10% EBITDA margin by the end of Q4, sir? If not 3, should we end the year with that?

Vishal Wanchoo: So we are not going to give guidance on that yet, as Sushil laid out. I mean, clearly, our goal is, is to improve our cash position. Number two is on our profitability. So we do expect quarter-over-quarter improvement, as you said. This quarter has been challenging. A part of that, as Sushil explained, was due to the exceptional items. And that's something that really drove the negative performance for this quarter. So the goals for the team are very clear in the next two quarters that we have to improve our performance in terms of revenue and profitability and cash.

Jigar Shroff: Should we assume that this was a tough quarter, sir?

Vishal Wanchoo: For the current quarter and the next quarter, yes.

Jigar Shroff: And Q3, too?

Vishal Wanchoo: Yes, the current quarter, 3Q, that we are sitting in right now and Q4.

Jigar Shroff: No. Sir, Q2, the erstwhile quarter we just got over that was a tough quarter you would say...

Vishal Wanchoo: Yes.

Jigar Shroff: In terms of performance?

Vishal Wanchoo: Correct. Due to what we just walked you through. Just to make it very clear. So the quarter that we just passed, which is the second quarter, was a tough quarter financially, as you laid out.

Jigar Shroff: No, was it a tough quarter? In terms of performance, was it the bottom you would say?

Vishal Wanchoo: The profitability.



Jigar Shroff: Yes. Okay. And on exports, sir?

Sushil Kumar: Our exports are in the range of 12% to 13% in terms of the total execution.

Jigar Shroff: And do you see that going up as an opportunity, sir?

Sushil Kumar: Not very significant. I mean we will sustain that and maybe a couple of percentage point improvement depending on the receipt of the export orders.

Jigar Shroff: And any new products, I mean, from GE stable that you are looking ahead?

Sandeep Zanzaria: So basically, what we are trying to do is that with the addition of renewables, so the kind of challenges which are coming in the grid, so possibly next year we see a host of new opportunities coming on the compensation side to dilute the grid. So that would be something which we would be looking actively from the overall group perspective from the GE portfolio like STATCOMs and HVDCs and other products.

Jigar Shroff: On the renewable front?

Sandeep Zanzaria: So basically it's because of renewable capacity addition, the challenge which is faced on the grid side. So that's why for balancing the grid you require forward approach and things like that. For that, you have technologies like STATCOM, TPR facilities, so that we will have best technologies.

Jigar Shroff: Right. And sir, just on the debt side, I mean, we were at about Rs. 20 crores as on 31 March 2019, which we had about Rs. 428 crores on 30 September, and you said you are targeting just to reiterate and become debt-free by FY21 end. Am I right?

Sushil Kumar: Yes. Gradually, yes. So our endeavor is to collect as much as possible in quarter three and quarter four. It is difficult to know as the timing to be debt free, but we have maximum improvement in the coming quarters. And during the course of financial year 2021, we aim to be debt free at some point of time.

Moderator: Thank you. Our next question is from the line of Sagar Parekh from Deep Financial. Please go ahead.

Sagar Parekh: Sir, firstly, did I hear it correctly, you said that order inflow expectation for FY20 will be lower than FY19? Did I hear that right?

Vishal Wanchoo: That's correct.

Sagar Parekh: Okay. So last year was Rs. 3,700-odd crores of order intake. You mentioned that Q3 and Q4 you will see a significant inflows coming from Green Energy Corridor. So why would you say that the order, because first half has not been so bad in terms of order intake decline. So why would you



still say that there will be a decline because if there's Rs. 14,000 crores worth of orders which have already come in, I mean, already placed to the OEMs? So I just wanted to understand your sense on that.

Sandeep Zanzaria: The Rs. 14,000 crores order what you are seeing to be placed to the developer that includes even transmission line aspects, which we are not participating.

Sagar Parekh: Correct. So what is our opportunity in that Rs. 14,000 crores?

Sandeep Zanzaria: It would be about 50% or slightly less than 50% of that.

Sagar Parekh: So about Rs. 7,000-odd crores, right? That is the bidding size, I mean, bidding opportunity for us?

Sandeep Zanzaria: Yes.

Sagar Parekh: Okay. And so assuming about 15%, 20% success ratio that comes to about Rs. 1,400 crores, Rs. 1,500 crores. Okay, okay. Got it. And incrementally, these orders that we are winning, how are the margins in those orders? Are they better than the current order book or slightly on the lower side?

Vishal Wanchoo: As we said, we do have margin pressure that we are seeing in the market. That is clear. But at the same time, what I said is one of the key priorities that we are working on is the product cost count and efficiencies in our cost position. So this is something that we are watching very carefully. We want to be in line with what I said earlier in terms of being selective on the projects that we take on and ensure that the backlog margin what we are booking in terms of new orders that we are in essentially along the same lines of the backlog margin. So there's a big initiative around cost side across the various products.

Sagar Parekh: Right. But even for these new Green Energy Corridor orders, you are still seeing the intensity to be higher, so the pricing is affected. Am I correct in the understanding?

Vishal Wanchoo: Yes. There is pricing pressure, yes.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the floor back to Mr. Suneel Mishra for closing comments. Over to you, sir.

Suneel Mishra: So thank you, everyone, for your participation. We will conclude today's conference call. And if you feel to call back, then you contact me or our Communication Leader, Mr. Anshul Madaan, or you may contact through our website. Thank you.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of GE T&D India Limited that concludes this conference. Thank you for joining us. And you may now disconnect your lines.