



GE T&D India Limited

L31102DL1957PLC193993

T-5 & T-6, Plot I-14, Axis House,  
Jaypee Wishtown, sector-128,  
Noida-201304, Uttar Pradesh

T +91 120 5021500

F +91 120 5021501

<https://www.ge.com/in/ge-td-india-limited>

November 24, 2020

The Secretary  
BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street  
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 11, 2020**

Please find enclosed a copy of the Transcript of earnings conference call with analysts/ institutional investors held on November 11, 2020 in respect of financial results for the second quarter and half year ended on September 30, 2020.

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 Second Quarter and Half Year  
ended 30th September 2020, Earnings Conference Call”

**November 11, 2020**



**MANAGEMENT:**

**MR. PITAMBER SHIVNANI – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER, GE T&D INDIA LIMITED**

**MR. SUSHIL KUMAR – CHIEF FINANCIAL OFFICER, GE  
T&D INDIA LIMITED**

**MR. NAGESH TILWANI – WHOLE-TIME DIRECTOR, GE  
T&D INDIA LIMITED**

**MR. SANDEEP ZANZARIA – COMMERCIAL LEADER, GE  
T&D INDIA LIMITED**

**MR. SHAILESH MISHRA – OPERATIONS LEADER, GE T&D  
INDIA LIMITED**

**MR. ANSHUAL MADAN – COMMUNICATIONS LEADER, GE  
T&D INDIA LIMITED**

**MR. SUNEEL MISHRA – HEAD, INVESTOR RELATIONS, GE  
T&D INDIA LIMITED**

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



*GE T&D India Ltd  
November 11, 2020*

**Moderator:** Ladies and gentlemen, good day. And welcome to the GE T&D India Limited Second Quarter and Half Year ended 30th September 2020, Earnings Conference Call.

We have with us today from the management Mr. Pitamber Shivnani – Managing Director and Chief Executive Officer, Mr. Sushil Kumar – Chief Financial Officer, Mr. Nagesh Tilwani – Whole-Time Director, Mr. Sandeep Zanzaria –Commercial Leader, Mr. Shailesh Mishra – Operations Leader, Mr. Manoj Prasad Singh – Company Secretary, Mr. Anshul Madaan – Communications Leader, and Mr. Sunil Mishra – Head of Investor Relations.

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 '\*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Suneel Mishra – Head of Investor Relations. Thank you and over to you, sir.

**Suneel Mishra:** Thank you, Steve. I wish all of you are safe and healthy. So welcome to today's conference call with our management team. As we know, this conference call has been organized to present and discuss financial results for the second quarter of the current financial year ended on 30th September, 2020.

Please note that this conference call is scheduled up to 6:00 p.m. I hope you would have received the investor analyst presentation, and the same also has been uploaded at our website. I hope you have also read the disclaimer as per Slide #2.

So I would now request Mr. Pitamber Shivnani, who is our Managing Director, to begin this conference call, highlighting key events of the quarter. Thereafter, Mr. Shailesh Mishra will be presenting slides on operations and execution. Then Mr. Sandeep Zanzaria will give us an update on order and market, followed by Mr. Sushil Kumar, who will be speaking on financials.

So I now invite Mr. Shivnani to begin the conference with his opening remarks, and take us through Page 3 and 4 of the deck. Over to Mr. Shivnani.

**Pitamber Shivnani:** Thank you, Suneel. Ladies and gentlemen, good evening. Thanks for joining the call. We hope you and your families are healthy and safe. I would like to start this call by giving you a brief overview about the last quarter and then would request my other colleagues who are present in the call to go through the details.

I must say, I am encouraged by our progress we made in the second quarter. Despite the ongoing effects of COVID-19 pandemic on our year-to-date results, we have building momentum across all product lines, and I am proud of our team's efforts to quickly spring back into action and putting operation back on track after the easing of lockdown restriction. All our factories and project sites are operating at 90% to 100% capacity now. I want to thank all my GE colleagues who have been working round the clock to serve our customers, our communities and our company.



In quarter two, our order booking remained pressured due to the pandemic, but our actions helped us drive an improved profitability and cash performance. Our sales revenue was up by 6% to Rs. 871 crores compared to Rs. 820 crores during quarter two of last financial year and Rs. 643 crores during Q1 financial year 2021. Quarter-on-quarter sales was up by 35%. Financials, our EBITDA in quarter two financial year 2021 was better, which was backed by strong execution and numerous cost saving actions taken by our operational teams. We delivered an EBITDA of Rs. 42.8 crores in quarter two against an EBITDA of Rs. 3.9 crores in second quarter of last financial year. Otherwise, we booked new orders worth Rs. 540 crores in quarter two. As the market unfolds gradually, we will have more opportunities to target. And my colleague, Sandeep, will touch upon the orders in detail later in the call.

India is making great strides towards renewable energy generation and have committed to more than double its non-fossil fuel target to 450 gigawatts by 2030, which is much beyond 175 gigawatt committed earlier as a part of 2015 Paris Climate Agreement. This will open a steady stream of evacuation opportunities for grid industry. In the next five years itself, we expect an investment inflow of US\$15 billion in Indian transmission space. This was primarily driven by increased green energy capacity, expansion of central and state utilities, growth in industrial sector and restructuring of aging assets. We are also expecting a steady growth of opportunities in our neighboring countries like Nepal, Bhutan, Sri Lanka as they strengthen their power infrastructure.

GE T&D India Limited has advantage of having a solid manufacturing footprints in India, backed by more than 60 years of manufacturing presence in India and world-class manufacturing facilities. We are well placed to meet the growing demand in the transmission space. To drive sustainable profitability and incremental revenues in this emerging market, our belief in selectivity, acquiring profitable business remains undeterred. We remain committed on delivering the projects timely and with high quality by continuously strengthening our operational excellence. We leveraged the first two quarters of financial year 2021 to drive lean initiatives across our organization to improve our operational excellence, cash collection and supply chain recovery, all of which helped us to deliver a better quarter in terms of profitability. Going ahead, we will continue to drive these optimization and improvement wherever required.

Cash over revenue continues to be my mantra. I am confident that these efforts will help us to perform even better. Our order book remains healthy, and we continue to have a solid backlog of Rs. 53 billion. With that, I will hand over to my colleague, Shailesh, to talk on operational highlights of Q2. Over to you, Shailesh.

**Shailesh Mishra:**

Thank you, Mr. Shivnani. And welcome, and good afternoon, good evening to all the participants who are there on the call. So as Mr. Shivnani was saying that there are various operational excellence, lean measures are taken during these last two quarters and prior to that also.

We have also been putting lot of emphasis on the environment, health and safety. We all have our own GE standards, however, always customers and institutional certificates give us a more stand onto the activities which we are doing, that we are moving in the right direction. In line with this,



*GE T&D India Ltd  
November 11, 2020*

we received an award for excellence from National Safety Council of India. Herein, we usually have to nominate our projects and they are evaluated on the standards with which we have done the execution. So this was definitely a feather in the cap when we talk about the safety standards, which we are following.

Also, quarter two had been pretty good in terms of operational activities. There had been a strong execution. With a little bit of lull which we saw in Q1, where we had to close down many of our sites, some of our factories as well. Q2 really picked up very well. Customers also wanted their projects to be commissioned on time, and they wanted to recover the time losses, which had happened in Q1. In line with this, we just tried giving a collage of picture, the projects which we have commissioned in Q2. And it is a mix bag of our various customers.

For an example, we did a 66 kV HPPTCL project, which is in Himachal Pradesh, which is a state electricity board. Industry project for HMEL Bathinda refinery, this is a 132 kV and 220 kV GIS substation, that was commissioned in the period of Q2. We commissioned two projects of Odisha Power Transmission Company Limited, which is again a state electricity board, and this is 132 kV GIS substation, both the projects were commissioned during this period. NTPC, Darlipalli as well as Kahalgaon. Darlipalli is a 765 kV switchyard which is commissioned in this period. There are some more activities which are pending, and we are closing that at the site. The Kahalgaon project is a 400 kV GIS project, which is also commissioned in this period of Q2.

So these are from the central utilities. Same project for Bhuj. Bhuj is a 765 kV substation. In that, 400 kV and 220 kV portion is commissioned during this period of Q2. 765 kV portion will also be commissioned in the present quarter. And the Adani Ghatampur Transmission Limited, which is basically customer is a developer, so for them also we commissioned at 765 kV AIS substation at Greater Noida.

So these were some very strong operational and execution related activities which we completed in Q2. With this, I will hand it over to Sandeep for the commercial update.

**Sandeep Zanzaria:**

Thank you, Shailesh. And good afternoon, everybody. So the market remained muted from the commercial side or from the order standpoint in Q2 as well. As you are aware that there was a limited activity which happened in the state sector. And in the central sector as well, the TBCB opportunities have got shifted, so for example, which were earlier due in September are now due in November, December; and two, three packages are due in January. So there was a shift in the TBCB opportunities of Green Energy Corridor as well.

We secured an order intake of close to about Rs. 540 crores, as Pitamber said, during the quarter. And in which the important package was the 400 kV GIS substation along with transformers to be built in Nepal. And this is basically for the hydropower evacuation to be done from Nepal. So an important milestone for there, because this will be one of the large projects which we will be doing in Nepal.



OPTCL, of course, we have a very good strike rate in OPTCL. And practically, for last two to three years, most of their automation business which comes has been won by GE. And in that same continuation, we won the implementation of the substation automation systems for the seven packages of 220 kV.

During last few years, we have been a consistent partner for Tata Power as well for building a lot of substations of 66 kV in Delhi. And accordingly, we also won the latest one which was Bhalswa. And of course, Avaada last year, we won the various packages of 400 kV subscription and transformers to be built for evacuation of their renewable project. And in the same continuation we received the orders for further two numbers of transformers for their evacuation of the power plant.

If you really look at the H1 scenario, then the order intake is close to about Rs. 982 crores from Rs. 1,107 crores last year. But this year, what we are looking is also a reduction in the market because of the COVID situation.

So thank you very much, and I hand over to Sushil.

**Sushil Kumar:**

Thanks, Sandeep. And good evening all. Moving to Page 8 on financials, but before that I will highlight the L1 position, which is mentioned on the Page 7. So besides the Rs. 540 crores of orders that we booked, we have about Rs. 500 crores of L1 position of orders end of September 2020.

And now moving to Page 8 on financials, first talking about the Q2 performance. The revenue for the quarter was at Rs. 871 crores, which represents a growth of 6% versus last year. The revenue was higher than even Q1 where we registered about Rs. 642 crores of sales in the first quarter of this financial year. Because of higher revenue, execution and stronger cost management, etc., the earnings before interest, tax and depreciation, EBITDA, for the Q2 was at Rs. 43 crores versus Rs. 4 crores in the last year. This EBITDA in the Q2 is about 4.9% of the revenue versus only 0.5% of the revenue in the last year. This increased EBITDA on *account* of stronger execution and cost control also led to the improvement in the performance at the PBT level. So for the quarter, we registered a profit before tax of Rs. 13 crores versus a loss of Rs. 77 crores in the last year.

In the last year, we had booked an exceptional item which was the impairment of assets for one of the manufacturing facilities to the extent of Rs. 53 crores. Excluding that exceptional item also in the last year, we had an operational loss of Rs. 24 crores. So this year, we have basically a profit before tax of Rs. 13 crores versus an operational loss of Rs. 24 crores in the last year.

Before moving to the H1 performance, I would like to highlight that in the current quarter we have booked a provision of about Rs. 5.3 crores on account of investment in the IL&FS entities, which is disclosed in the notes to the financial statement.



Moving to the H1 performance. Revenue at Rs. 1,513 crores, approximately 3% lower than the last year and H1 EBITDA at Rs. 43 crores versus Rs. 46 crores EBITDA in the last year. While the revenue and EBITDA are close to the last year level, however, current financial year is impacted by the lockdowns that we had in the first quarter. So if we take out the impact of COVID and the lockdown, then it's a very strong execution in terms of the remaining and the profit if we compare on an apple-to-apple basis versus last year.

On the cash flow side, in the current financial year, on the H1, we generated an operational cash flow of Rs. 19 crores, which is also highlighted and given in the cash flow statement enclosed in the financial statement. And this Rs. 19 crores operational cash flow vs the utilization of about Rs. 314 crores in the last year.

Our net borrowings end of September stood at Rs. 442 crores, whereas it was at Rs. 430 crores end of March 2020.

So that was overall summary of the financial performance. With that, we will now open up for the questions.

**Moderator:**

Thank you very much. We will now begin the questions-and-answer session. The first question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

**Renjith Sivaram:**

Congrats on good set of numbers ,sir. It's very, very good to see such performance. So if you can give some clarity on the future order outlook, you told Rs. 500 crores is L1, but we have been hearing about this Green Energy Corridor and that Leh-Ladakh HVDC for quite some time and there were some smaller HVDCs also planned. So what is the progress out there? And also, we hear that the Chinese competition will be kind of mitigated given the current geopolitical scenario. So in that, do you see an advantage where you can stand to gain in terms of a pricing perspective and in terms of your market share perspective?

**Sandeep Zanzaria:**

So thanks, Renjith. Sandeep here. So basically, the Green Energy Corridor, of course, you are right that they have been shifting. But now it's like kind of the last day, because I think one package got submitted and balance we have about nine packages which will get submitted in November itself, and one in December and probably three in January. So based on our interaction with the various developers also who are participating, etc., so what we are seeing that now the time for submission has actually come and so basically, the other HVDC projects of Adani, the formal inquiry is already in place and the discussions have started there. So that is one activity also which is now on, and we expect that the ordering of that package to happen in the Q4, which is there.

And of course, the last question what you asked about Leh-Ladakh. So what we understand that the power grid has already prepared the detailed project report and submitted to the Government of India. So of course, a project of that magnitude, etc., is going to take time. But we still feel that the next year would be the timeline when that package possibly can also get decided. So this is just an update. And of course, we understand that when this Green Energy Corridor project will be



executed, there will be a matching capacities, which states will also be required to build in order to take this power to their various stakeholders. So we expect further investment to come from state side as well.

**Renjith Sivaram:** Okay. And regarding the Chinese competition, sir, do you see market share easing out or pricing improving or it's early days?

**Sandeep Zanzaria:** So, at least in one or two product lines, like for example, transformers, etc., we have seen a slight increase in pricing. But of course, that is also dependent upon the improvement in copper, etc., prices as well. So it's a combination of both the things. But in many of the product lines, there is already a surplus capacity available. So there we don't see a big impact of Chinese competition going out. But in two product lines, two or three, we see a better realization of prices next year.

**Renjith Sivaram:** Okay. And sir, the TBEA has put a lot more capacity in India. So is there a clarification like Chinese who import or is it Chinese who manufacture in India are also not allowed to compete?

**Sandeep Zanzaria:** So basically, in that if you really look at, there are two aspects of it. So one is that if you are a Chinese, for example, if your principles are Chinese and then you have a factory in India or a company in India, then also you need to get it approved in order to participate. So that is one aspect of it. So that, I think, process what we understand from the market, TBEA has applied. But the approval is not there, and of course, it's very difficult to predict also. So that is one thing. But second other thing is that even when you are bringing the component levels from China, that is also, of course, there will be a restriction on that as well. So the overall situation, we will have to see going forward, how it evolves.

**Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

**Renu Baid:** Yes. And congratulations for good operational performance and cash flow during the quarter. My first question would be to understand a bit more on the cost initiatives that you have undertaken. And to what extent you believe that these fixed over a reduction that we have seen in the first half, which have continued in the second half or the second quarter also would be sustainable? Because then other expense reduction, if it remains at these levels or able to increase it by 10% to 20% on a sequential basis, it can easily add a couple of percentage points to the operating margin in second half. So if you can give some clarity on the kind of sustenance of these cost structure. That's my first question.

**Sushil Kumar:** So thanks, Renu. We explained in the last call that we have taken various actions of cost cutting, that included lower travel, optimizing of all the things that we do in terms of the base cost, etc. Overall, in the first quarter, we saved about Rs. 12 crores to Rs. 15 crores of other expenses. And this quarter also we continue to maintain that trend. And with the initiatives in place, our endeavor is that we spend on only a need basis and continue to spend as minimum as we need for the operations. So our endeavor will be to continue this effort.





**Renu Baid:** So even if we see relative improvement in execution, say, something back to close to Rs. 1,000 crores kind of quarterly run rate, our other expenses in a normalized or current situation should not be more than 11%, 12% of the revenues. Am I right to understand that? Because about Rs. 100 crores, Rs. 120 crores should be the broad outer limit for Rs. 1,000 crores kind of execution run rate.

**Sushil Kumar:** Yes. I will put it differently. If you look at the cash flow statement in detail, it highlights that during the current H1, we have booked about Rs. 26 crores of bad debt reserve, right? So that is embedded in the other expenses of about Rs. 188 crores that we have booked in the H1. So our endeavor is that as the other expenses increase, if the execution increases and some of the expenses are related to revenue like freight and repair and maintenance and operations of the plant increase. Because we are selective in terms of order, etc., so we should have an offset to a large extent coming from these bad debt recoveries. That's also an endeavor. But yes, there will be some increase to push the revenue if we can grow the revenue further.

**Renu Baid:** Agree. Yes. Got it. Thanks for the clarification. Second question would be to understand a bit more on the execution side. Since we have been very particular in terms of cash flow focused execution, how is the environment in terms of the customer readiness to lift deliveries? We now are sitting on a healthy backlog of Rs. 5,100 crores, I am sure, of which close to 70%, 80% will be executed in the next financial year. So do we perceive any execution headwinds for the next 12, 18 months? Or broadly, the environment now looks fairly stable, excluding any uncertainties on the second wave, etc. But rest all the things remaining same, do we expect execution to materially improve in second half from end customer offtake perspective?

**Shailesh Mishra:** Basically, we have seen that, of course, in Q1 there had been some slowdown on execution and in Q2 we picked up all those projects. You also would have noticed in past calls wherein we had been mentioning that we are cautious in terms of taking projects. So enough due diligence happens when we take up a project. And we are seeing that the projects which we take, they do not have kind of headwinds of cash flow or probably the issues related to the land, etc. So at this point of time, the kitty of projects which we have with us, I really do not see much of that kind of challenge. Of course, cash flow in one or two projects it remains a bit of a challenging situation, but I do not see anything big impact coming in this space, particularly the projects in our kitty, which we have.

**Renu Baid:** Right. As in my reason for asking was just the last 1.5, two years we have seen consolidation revenues post completion of CK-2 and now that incrementally short cycle orders from renewables will come in the next calendar year. Should we now see revenues coming back to the Rs. 4,000 crores kind of run rate from next year onwards? At least one shouldn't expect any new headwinds popping up.

**Pitamber Shivnani:** Normally, we do not give forward-looking statements. So we will not be able to respond to this actually.



- Renu Baid:** No issue, sir. Sir, my last question to you did mention of certain initiatives to diversify the revenue in the business stream on the industrial and infra segment like rail and metro. So would we have any updates on that or any particular steps that have taken further to diversify the portfolio? That's my last question.
- Pitamber Shivnani:** See, at present, we are not thinking of updating on rail segment side because that involves largely traction transformers, which is both inside the locomotive. We do not have, at present, any plan for that.
- Renu Baid:** Okay. So broadly, it would be industrial as well as the grid portfolio that we continue?
- Pitamber Shivnani:** Yes.
- Moderator:** Thank you. The next question is from the line of Abhishek Puri from Axis Capital. Please go ahead.
- Abhishek Puri:** Congrats for good set of results. Sir, two things. First, in terms of gross margins have actually come off in the last four to five quarters, at about 28% odd levels versus historical past range has been between 30% to 34%. So do you see any reasons why these margin should bump up or should remain in the same level given there is overcapacity in many of the product segments? Or are we looking at changing the mix of the orders as such, which can be a little high margin month, like grid automation proportion has gone up in the recent times?
- Sushil Kumar:** Yes. Thanks, Abhishek. So basically, if you look at on a yearly basis, in the last financial year 2019-2020, our gross margin was to the extent of 27.8%. And in the first half year, we are doing about 29%. So there has been some improvement if you compare with the last year. And as explained in the earlier calls, so the backlog that we executed in the current financial year is coming from the orders that we booked in the last 1.5 to 2years. And as we have been more and more focusing on selectivity and the right kind of orders, our endeavor is to take it a few percentage points higher, as also we have been explaining in all the earlier calls. So we generally target in the range of 30% to 31%. That's the assumption that we normally go with.
- Abhishek Puri:** Understood. That's helpful. Sir, secondly, in terms of the Naini facility sale as well as some of the warranty provisions that we did last time and in two quarters earlier. And similarly for Essar Project, the receivables that have stuck of more than Rs. 50-odd crores. If you can give an update on all of them, when do we expect recovery of that?
- Pitamber Shivnani:** So on Naini sale, I will respond and the balance, Sushil will respond. Naini sale is progressing in the right direction, but the land lease transfer is yet to take place from UP government to the buyer. And once it is completed, the transaction will get completed. And Sushil, can you take the balance part?



- Sushil Kumar:** Sure. I think your question is on the ESSEL project, and it has been also mentioned in the notes to the financials. We continue to have about Rs. 50 crores of dues from this customer. As mentioned in the notes, the project itself is expected to change hands and move to a new developer or promoter. This application for change of promoter is with CERC. Due to the Supreme Court decision, CERC is not able to pass any order till the member law is appointed. We expect that in next few days or a few weeks, the government will appoint member law, and then hopefully, we should have a favorable order of moving this project to the new promoter. And we then expect to get the past dues liquidated.
- Abhishek Puri:** Have we already spoken to the new company who is taking that over in terms of continuity of the project? Or would they come and renegotiate?
- Sushil Kumar:** We have obviously pre-discussions with them, we had several meetings with them, and they will continue the project once they take over the project.
- Abhishek Puri:** Right. My last question is on the overall strategy that Pitamber has come in and spoken about, which will be focused on cash over revenues and quality improvement. Any of the examples that you can highlight in terms of what kind of orders that we are taking or what kind of decisions that we have taken that should remove the volatility that we have seen in this business over the last, you know, every three year, four year cycle we see a huge amount of provisioning coming in or some of those kind of changes, which have been brought in by the management, that will be helpful to understand and bring in more certainty on the business model.
- Pitamber Shivnani:** So I will respond to that. Actually, we are very cautious and selective in booking the orders, considering at secured payment. So that is our focus at present, actually. And on quality front also, we are focused. So we want to have quality in all actions starting from offer submission till the completion and closing of the project.
- Sushil Kumar:** Just to add to that. In fact, we have been always selective. It's not that this is something being done now. But these provisioning that had to happen because of the financial situation that changed with the customer. So some of the customer financials did not happen rightly, and the bankers did not finance because of the liquidity issues that we had in the Indian economy and the projects got stuck. But now as an alternative, in terms of payment security, we generally demand for the secured payment terms, like letter of credit, etc. And we are doing more thorough due diligence at the time of taking the projects about how this will be funded and the strength of the promoters, etc.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** My question is on the working capital. And we appreciate your emphasis over cash over revenue, but when we look at the working capital, we see that on a day sales basis it looks to have improved, but it is largely coming from payables, which may not be sustainable, the receivable days have



been moving up. So on a sustainable basis, what is the level of working capital to sales that one can expect so that there is a positive cash generation on a consistent basis?

**Sushil Kumar:**

Thanks, Bhavin. Especially for this quarter and this half year, we will have to look at the overall working capital. Because most of the execution happened in the last half of the second quarter, because first half there was a lockdown, and then once the lockdown is open we had to procure inventory and then manufacture. So most of the deliveries and shipments could happen by end of Q2, and that's why you see an execution improvement and revenue going up to Rs. 870 crores. So this increase in activity led to increase in payable as well as increase in receivables. So there is an offset of payable in the receivables. Overall, on the total working capital basis, we have made slight improvement, and our endeavor is to further improve the working capital by, first, strengthening the payment terms as we talked about. And second, liquidation of the old receivable and inventory.

**Bhavin Vithlani:**

Sure. And then the second question, at the beginning of the financial year, you were guiding that the Rs. 500-odd crores debt which is there, and the target is to become debt-free over the next four, five quarters. It's remained broadly similar, and we do understand the pandemic impact. But how should one think about the debt reduction over the next year? What could be the new targets?

**Sushil Kumar:**

So that debt-free kind of target was before pandemic that we talked about. And now with pandemic, of course, there have been a lot of changes, which then leads to a delay in the realization of effort that we are making. So at present, we are in a stage where from the quarter-on-quarter consumption of cash, we have kind of stabilized in terms of the cash performance. And this quarter, you see there is a slight uptick, and we have been in the positive trajectory. As I said, some of the efforts on the liquidation are past due, and the liquidation of the struck inventory, etc., should lead to the result of improved cash flow in the coming quarter. But of course, situation of debt free in, like, a couple of quarters will not be feasible. So it may take a little longer period, maybe 1.5 to two years. But long term, our endeavor remains that, that we want to go into that direction by different actions that we take.

**Bhavin Vithlani:**

Sure. Last question is, so when we are going through the annual report, and we saw some significant increase in the warranty expenses, Rs. 8-odd crores has gone up to Rs. 140 crores. And similarly, there was an increase in the bad debt provision and that continues. So on a steady-state basis, how should one think about these expenses? And what is that normalized level that one can expect? And by when are we expecting this?

**Sushil Kumar:**

So in terms of the warranty expenses, the payable disclosures have been made in the financial statement that they have been made on the best-estimate basis as per the accounting standard, and that was onetime charge that was taken. On the bad debt side, we have been, as we said, making efforts and cleaning and making settlements with the customers. We also have seen some recovery. So if you look at the other income of the current quarter, there have been some improvements where we settled and negotiated with the customer to realize part of the cash also. It will take a bit of a time to clean up everything of the past. The good thing is that with the selectivity we are not



building up any future cases as of now that we see, which will lead to kind of stuck cash or stuck working capital and so on. So with continuous improvement, hopefully in few quarters, things should look better.

**Bhavin Vithlani:** Sure. Just last question to Mr. Sandeep. How is the competitive environment when we see the bidding? Can one expect a slightly better pricing environment as we have been expecting and we want to be selective on the pricing front? Are we seeing that in the underlying environment?

**Sandeep Zanzaria:** So in the product line, where the capacity is like matching the market demand, yes, there is a slight uptick in the prices, which is there in the market. But where there is an overcapacity, because of the, I would say, not adverse, but there is a slow market conditions due to COVID, the pricing pressure is slightly more. So it's basically a mix which is there.

**Bhavin Vithlani:** Okay. But from a past one-year basis, the environment is worse off or better off, directionally?

**Sandeep Zanzaria:** I would say in one of the product lines better off. But like project business, etc., it like not so good.

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

**Jonas Bhutta:** Two questions. Firstly, based on the delays that you have seen in the order award happening through the year. Do you still believe that we can at least match up to the order intake that we did in the last financial year? And if not, what does that imply for our next year sales growth target? So internally, are you sort of revisiting what you're likely to do next year in terms of revenue recognition because a delay in orders could obviously push out execution next year? That's my first question.

**Pitamber Shivnani:** Yes. So at present, we have an order backlog of Rs. 53 billion, which is quite a healthy order backlog. And how the market behaves and how much we will book in quarter three and four, these are forward-looking statements. We will not be able to comment on that. We have to see in quarter three and four how the market behaves, how the tender openings happen, actually.

**Jonas Bhutta:** Sure. My second question is more from the parent perspective. So we have seen some bit of strategy reorganization happening where the parent entity has decided to exit the new coal power plants. And that, in a way, has sort of had an impact on our group company here in India in business prospects at some level. While that has not still happened on the T&D side, but can you at least sort of in a way, elaborate whether what kind of discussions you have had with the parent, how in terms of the growth prospects here in India, the validity of the business and stuff like that. So that sort of gives us confidence at least GE is here to stay at least on the T&D side.

**Pitamber Shivnani:** So as far as this call is concerned, this is pertaining to GE T&D India Limited. And GE Power Limited is a separate legal entity, and you can have separate queries on that call actually. As far as T&D is concerned, we don't have any inputs on that client from the parent company.



**Sushil Kumar:** So basically, just one aspect of it is that we are part of renewable business. And as you understand that renewable globally is a growing portfolio and GE is very much into the renewable part of the business. So I think for us, it is business as usual.

**Moderator:** Thank you. The next question is from the line of Nisarg from Lucky Investment Managers. Please go ahead.

**Nisarg:** Sir, after having experienced several challenges over the last few quarters, first of all, congratulations on beginning this journey of excellence in operations. My question is very basic, sir. Your peers are at 9% to 10% operating margins. We are obviously lower due to our internal issues. By when do you think we can go to those margins?

**Sushil Kumar:** So we are taking all the steps. I mean, it's again a forward-looking kind of question that you're asking. And we have been answering it some shape and form differently in all the calls earlier, that our focus is to improve the execution and once the execution goes up, it gives economies of scale. At the same time, as you rightly pointed out, there have been provisions booked in the past because of the customer financial issues, etc. So, with the selectivity, we need to actually make more effort there, and we are continuing in that direction. Hopefully, the things should stabilize, and we should not see such charges in the future again. And if that happens, then obviously the cost control measures that we have put in place, not having the onetime charge of bad debt, etc., there should be an improvement in the P&L.

**Nisarg:** Sir, your execution and revenue booking in the quarter is not substantially lower than some of your peers. So there is no big mismatch there. But without a forward-looking statement, is it safe to assume that 80% to 90% of the charges or losses or everything that you had to book is now done and over with or you have a few quarters still left? Because that's a sort of a black box for investors. And for that, you will only have to tell us what is left and what is not left?

**Sushil Kumar:** See, every quarter when the financial statements are prepared, they are prepared as per the accounting standard, evaluating and making the best estimate on the business information. So as of end of this quarter, what reserves had to be taken because of the relevant assessment, we have taken that. So there is nothing for the future, except we have been highlighting one significant item of the past due related to ESSEL project, whereas we also believe that we have a strong visibility of collection subject to the approval from the CERC.

**Nisarg:** Sorry, I missed that. Sir, what is the quantum of that amount and that is already booked in the P&L or that is yet to be booked?

**Sushil Kumar:** That amount is about Rs. 50 crores. That is not provided in the P&L because we believe it does not require a provision, because that project is expected to change hands to the new promoter and base on which we will be able to collect money.

**Nisarg:** Okay. But beyond that, whatever had to happen has already been booked, in your opinion?



- Sushil Kumar:** Every quarter the necessary process which needs to be taken based on the assessment of the projects and customers are booked.
- Moderator:** Thank you. The next question is from the line of Jigar Shroff from Financial Research. Please go ahead.
- Jigar Shroff:** Congratulations on good set of numbers. Sir, if you could talk a bit on the export opportunity because relatively, the globe is doing much better than India. So if you could talk something about the export opportunities, sir.
- Shailesh Mishra:** So I think, of course, export opportunities, we are seeing a good market uptick in neighboring countries, like, for example, Nepal, Bangladesh also may be in time to come, we will see some good opportunities coming there as well. Africa and all definitely, due to the market which is there and we are working with all practically EPC companies to supply the product. So I would put it exports as a stable portfolio today.
- Jigar Shroff:** What would be the proportion of exports in our order, sir, in this quarter?
- Sushil Kumar:** For the quarter, the export order is roughly 20% of the total revenue. On an H1 basis, the export stands at 24% of the revenue.
- Jigar Shroff:** 24% of revenue. And how do you see it going ahead?
- Sushil Kumar:** So I will more answer it from the full year basis. On the financial year 2019-2020, the export share of revenue was about 18%. There has been an improvement and hopefully, with more projects adds in the neighboring countries and some of the product supply across Middle East and other regions, that's something the commercial team is targeting. We'll target to register a better number than the current performance on the export side.
- Jigar Shroff:** So directionally, the trend is up, that's what, right?
- Sushil Kumar:** Yes. Directionally the trend is up.
- Jigar Shroff:** And the margins, I mean, export vis-a-vis the domestic business?
- Sushil Kumar:** It's a little difficult to generalize on the company basis because it's dependent on specific product line or the different product portfolio and the geographies . So some of the export markets may have a better margin or much higher, some of them may have a lower margin. It's very difficult to generalize this.
- Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.



- Renu Baid:** Yes. I just have two follow-up questions. One, if you can help us share insights in terms of what is the customer mix that we have for the backlog today between the state private TBCB and center in terms of customer?
- Sushil Kumar:** So out of the total backlog, approximately 60% of the backlog is from the private customers and the rest 40% is from the state electricity board and central PSU.
- Renu Baid:** And within state and center, would we have any broad mix?
- Sushil Kumar:** So out of the 40%, approximately 22% - 24% is with the state. And the balance, about 14% to 18% is with the central PSU.
- Renu Baid:** Got it. Second is on the export side. Since you have already shared the percentage mix, can you also give some input in terms of the absolute growth that we have seen in the export portfolio in the first half of the year? And because the mix keeps varying depending on how domestic execution happens. So what is the absolute growth in exports in first half and in terms of various initiatives to expand the footprint in the external market? Are we adding a presence in new markets or geographies which were earlier not looked up aggressively? And is the bulk of growth in export largely driven by the Indian subcontinent or we see equal quantum of growth being driven by Middle East, Africa or similar other markets?
- Sushil Kumar:** Yes. Just give us a couple of minutes to find the absolute number in terms of the export volumes for the first half year. And I will let Sandeep to answer on the export growth driven by neighboring countries or across other geographies.
- Sandeep Zanzaria:** So Renu, I think we had, for example, this last project of Nepal, what we took so was a big number. And we have some further opportunities of big projects in the line or in the Q4 from the neighboring countries. So presently, the share of neighboring countries in the overall export for at least next one quarter will be much higher.
- Renu Baid:** Okay, right. But any initiatives to expand presence in Africa, Middle East and other markets or both markets remain relatively soft in terms of demand expense?
- Sandeep Zanzaria:** So presently, basically, for example, most of the Africa and the Southeast Asia is already fed from the Indian factories. So I think we continue to focus on those buckets and just keep working with the players or the customers there to enhance our presence.
- Sushil Kumar:** On the volume side, Ms. Baid, we have shared the numbers of the order bookings. So this half year, we did about Rs. 980 crores of orders. Of which around more than 40% is export orders, including the neighboring countries. And in the last year, we did about Rs. 1,100 crores of orders, of which 24% was export orders, approximately.





- Renu Baid:** My question was more from a revenue perspective, growth in export revenue. I can take it a bit later offline, that should not be a problem. One last question, if I can ask, would be on the automation side, given that as the renewable capacities are getting added up. So can you share some insight in terms of how some of the key states will be absorbing enable capacity? How are the spending in terms of grid automation and with grid stability offerings? And have you seen the overall tendering activity pickup on that side of the portfolio as well?
- Pitamber Shivnani:** So I think from the grid automation, so there are two aspects of it. One would be the grid automation, which is like substation oriented. So that would depend upon the number of opportunities, which is actually coming from the substations, which are used for the evacuation of the power. So that has anything to do whether it's a renewable or whether it's a coal-fired or whether it's a hydro one. So if you have a substation, you have a grid opportunity. Of course, from the automation side that if you're looking for the control centers, etc., we are not seeing any large opportunity presently coming. I think there is one opportunity, which we are talking with power grid might come up. But otherwise, not a big traction on the overall control center side of it.
- Sushil Kumar:** Ms. Baid, the answer to your query on the revenue side. Last year, we did about Rs. 215 crores of export sales. And this year, the export revenue is more than Rs. 350 crores.
- Moderator:** Thank you. The next question is from the line of Sameer Bhaskar Deshpande from Fair Deal Investments. Please go ahead.
- Sameer Deshpande:** I would like to know someone had asked regarding the parent company in the recent change in stance of certain orders in terms of the GE Power, another separate company, that is transmission and distribution segment, which is our main business. The parent company continues to be keenly interested in this line of business.
- Sushil Kumar:** Excuse me. Can you repeat the question, please?
- Sameer Deshpande:** I wanted to know that our business is transmission and distribution is the main business of our company. And GE, which is the best company. Is it having all the latest technology and as well as keen interest in this transmission and distribution business?
- Sandeep Zanzaria:** Yes, yes, definitely. We are a global business, present in more than like 70, 80 countries, and we have all the latest technologies available, and globally we remain as a focused business.
- Pitamber Shivnani:** And already Sandeep has said, we are a part of renewables, which is a growing business in globally, actually.
- Sameer Deshpande:** So that would not have any change in stance of the parent. And does the GE parent company also help us in bidding for the contracts in India as well as broad?



**Sandeep Zanzaria:** So basically, in case, for example, if there is some qualification requirement where our principles are required or if, for example, if there is a backup which is required in terms of any technology or in terms of any assistance, yes. But otherwise, as a legal entity, we are present in India for more than, what, like 50, 60 years. We have done quite complex projects, etc. And the factories are equipped with latest technologies and our project groups have the qualifications as well available with us. So at least participating in India, we are kind of self-sufficient.

**Moderator:** We take one last question from the line of Sumit Jain from ASK Investment Managers. Please go ahead.

**Sumit Jain:** Congratulations on good set of numbers. Of the receivables of Rs. 91 crores, which obviously would include the SL projects, Rs. 50 crores and the Rs. 9 crores item, for which you have not taken any provisions. Barring this, what is more than 6 months due?

**Sushil Kumar:** So this number is not readily available, and we can probably take that separately later.

**Sumit Jain:** Okay. And the Rs. 26 crores, the bad debt provisioning in the Rs. 188 crores of H1 other expenses, what is the corresponding number for H1 last year?

**Sushil Kumar:** It's also mentioned in the cash flow. The number for the last year was around Rs. 23 crores.

**Sumit Jain:** Okay. So broadly, when does the cleanup end? It's not asking about when the margins go up or asking for a guidance. But, a) in terms of P&L cleanup and b, coming back to cash flows, again, because this is a noncash item. So I mean, it doesn't impact the cash flows. But the pertinent question is actually your working capital being stable is actually a result of payables going up. When do you see finally some respite, a, on receivables; and b) eventually that gives you room for you to actually reduce payables or reduce your working capital intensity, release more capital from working capital and increase your cash flow?

**Sushil Kumar:** I have already answered this question, but I will answer it again. So end of every quarter. And as per the accounting standards and principles and the policies of the company, we do evaluate each and every account, whether there is a need of provision or not. Whenever there is an incremental provision required, the same is made, based on the new development or any change in the financial provision of the customer or any litigation or settlement-related adjustment with the customer. So there's no, let's say, items which should have been provided and have not been provided and which were required by the accounting standards. So that's where I will say that we don't like keep unreported items that way

But lot of things depend on the change in the financial position and you, as investor community, have much more knowledge about the changes and the liquidity issues that the Indian power sector is facing for the last few years. So that was more on the provisioning side. In terms of the receivables, I answered this earlier in this quarter because we shipped out and the execution ramp-up happened in the second half, which is the month of August and September. That's why you see



*GE T&D India Ltd  
November 11, 2020*

that increased level of purchases, manufacturing and the revenue and the sales were done in the second part of the quarter. As a result, you see the shipment to the customer which ended up in the receivable increase and corresponding increase in the payables. On an overall working capital, the working capital has improved slightly and we will continue our effort and journey to improve and bring down the working capital and realize more cash operationally.

**Moderator:** I now hand the conference over to Mr. Suneel Mishra for closing comments. Please go ahead.

**Suneel Mishra:** Yes. Thanks, Steve, and thank you, everyone, for your participation. So I wish you all a very happy Diwali in advance. And if you have any question or query, you can directly contact me or you may also contact Mr. Anshul Madaan, who is our communication leader on the e-mail ID given on our website. So thanks again.

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