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August 19, 2020

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Code No. 522275

The Manager
Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, Bandra Kurla
Complex, Bandra (East)
MUMBAI 400 051

Symbol: GET&D

Dear Sir,

Sub: **Transcript - GE T&D India Limited Earnings Call for Investors held on August 14, 2020**

Please find enclosed a copy of the Transcript of earnings conference call with analysts/ institutional investors held on August 14, 2020 in respect of financial results for the first quarter ended on June 30, 2020.

You are requested to take note of the same.

Thanking you,

Yours faithfully,

For GE T&D India Limited

MANOJ PRASAD SINGH

Digitally signed by MANOJ PRASAD SINGH
DN: cn=MANOJ PRASAD SINGH c=IN o=Personal
Reason: I am the author of this document
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Date: 2020-08-19 14:24+05:30

Manoj Prasad Singh
Company Secretary

"GE T&D India Limited Q1 FY '21 Earnings Conference Call"

August 14, 2020

MANAGEMENT: **MR. PITAMBER SHIVNANI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, GE T&D INDIA LIMITED**
MR. NAGESH TILWANI – WHOLE-TIME DIRECTOR, GE T&D INDIA LIMITED
MR. SUSHIL KUMAR – CHIEF FINANCIAL OFFICER, 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. ANSHUL 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

Moderator: Ladies and gentlemen, good day. And welcome to the GE T&D India Limited Q1 FY '21 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 '*' 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, Aman. Ladies and gentlemen, good afternoon. I wish all of you are safe and healthy. Welcome to today's conference call with GE T&D India Limited management team. As we know, this conference call has been organized to present and discuss financial results for the fourth quarter and year ended 31st March 2020.

Now let me first introduce my management team available on this call. We have with us Mr. Pitamber Shivnani – Managing Director and Chief Executive Officer; we also have available on the call Mr. Sushil Kumar, who is our CFO; Mr. Nagesh Tilwani, who is the Whole-Time Director; Mr. Sandeep Zanzaria, who is our Commercial Leader; Mr. Shailesh Mishra, who is our Operations Leader; we have with us Mr. Manoj Prasad Singh – 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 or analyst presentation, as well as the same has been uploaded on our website, http://www.ge.com/in/ge-td-india-limited. I hope you have also read out the disclaimer as per slide number two.

I would now request Mr. Pitamber Shivnani to begin this conference call highlighting key events of the quarter. Thereafter, Mr. Shailesh Mishra will be presenting slide 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.

I now invite Mr. Shivnani to begin with his opening remarks. Then he will take us through Page 3 and 4. 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 a brief overview about the last quarter. And then would request the other colleagues present in the call to go through the details.

We, like many others, had a challenging first quarter of the financial year 2021 that GE T&D team met head-on by executing well operationally while remaining focused to limit our losses due to unprecedented circumstances. Because of lockdown imposed due to COVID, the operations were restricted at most of the plants and project sites. Though T&D factories were allowed to operate during lockdown phase, the production could not be carried out in full swing, despite having pending orders due to unavailability of skilled manpower, limitations with movement of material and other restrictions, due to interstate mobility of workmen by local government. However, our teams did the best to continue to deliver tirelessly. And for that, I want to thank all my GE employees who are working round-the-clock to serve our customers and our communities and our company.

During this lockdown period and continued now, we follow strictly all the central government, state government and GE guidelines on COVID. As on date, all our plants are operating at more than 85% capacity. Out of 100 sites, 98 sites are operational, only one site in Kerala and one site in Chhattisgarh are non-operational, which are closed due to lockdown in their respective areas. The manpower strength at these sites is around 80%. We are gradually reopening the Noida office as this continues to be the limitation in Delhi and NCR.

The grid market continues to be stable at around 3 billion. Just a week back, a few analysis ICRA shared in Economic Times that the investment of Rs. 1.8 trillion by 2025 in power transmission segment, driven by evacuation of infrastructure for renewable projects. And this and other digital transformation that the Indian LNG landscape is going through. And we get a promising market outlook for grid automation, digital service and cyber security. We also welcome Government of India's initiative, Atmanirbhar Bharat, and GE T&D has been existing in India since 1957. Today, we have a strong presence with 26 locations in India, which include six manufacturing units and five R&D centers, 13 offices, two service workshops. We are not only producing India for India, but India for Globe.

Talking about the Q1 numbers. We booked orders worth Rs. 443 crores as against Rs. 480 crores that we booked in Q1 of last year. Few order decisions were delayed during lockdown period, and my colleague, Sandeep, will cover in detail about the orders. We had financially a challenging quarter. But in spite of financial challenges, we could well serve the market and our customers. Nevertheless, we remain cautious going into the remaining part of the year, given the uncertainty associated with pandemic. But Sushil will walk through the financial part shortly.

To drive sustainable, profitable and increment revenues in this emerging market, our strong focus is on profitable market and selectivity across the business with mantra as cash over revenue. And that we have done in last few minutes, and we will continue to do that and various measures in order to improve working capital by driving cost efficiencies across supply chain, accelerating cash collection. I am confident that these efforts will help us perform better.

With that, I will hand over to my colleague, Shailesh, to take the operational highlights of Q1. Over to you, Shailesh.

Shailesh Mishra: Thank you, Pitamber. And good afternoon, everybody, on the call. So, as Pitamber mentioned, Q1 was tough, as such the operations of the site and factories are concerned. In spite of all that, we could do some important milestones we could achieve during this period.

The first one was in Q1 we commissioned the final pole of Champa-Kurukshetra HVDC link. And this is a huge milestone for GE, not only in India but across the globe, being the 800 kV HVDC system. PGCIL has commercialized this final pole and now the CK link has the capacity to transmit 6,000 megawatts of power through these lines, which is set up in India.

During Q1, as we all know, Prime Minister called for a lights-off day on 5th of August, and that was a task in which many speculations were happening about the stability of the grid across India. Both Power System Operation Corporation and Power Grid Corporation of India Limited, we helped them in terms of monitoring the key parameters during the light-off period. And as you know that our advanced Energy Management System solutions are across five regions, most of the regions have got GE Advanced Energy Management Systems. And at National Load Despatch Centre we have our system installed. And significant amount of electricity flows through that power management system. And that helped to monitor key parameters, and we could keep the grid sustained and also provide the continuous power supply to the consumer across India.

Despite the lockdown, our service team worked round the clock to ensure uninterrupted power supply into Delhi and Chennai airport. As you would be knowing that our team operates and maintains the main power system of these two airports. I am also happy to share that our plant at Pallavaram, which is the Grid Automation Plant for manufacturing of relays and control relay panels, has achieved an important milestone of 3,000 safe man days on 27th of May 2020. This is equivalent to 19.03 million man-hours of safety. Safety continues to be one of our important parameters across board from all our sites to all our factories.

During this challenging time, we also commissioned 220 kV/132 kV BSPTCL, Bihar State Power Transmission Corporation, Supaul Substation; and also commissioned six bays of 400 kV project, Ramagundam substation during this period.

With this, I would hand it over to Sandeep for commercial and customer updates.

Sandeep Zanzaria: Thanks, Shailesh. And wishing all the people who are there on the call a Happy Independence Day in advance. And of course, definitely, during this lockdown period the market has been a bit tough. But we being quite a strong digital company we continued our journey with a very strong digital connect with all our customers. So we conducted many webinars, about 14 in numbers, on the latest technologies, which included g3, which is the Green Gas for GIS, which has been launched extensively in the European market. Also, for the GE products what we have launched for the substation automation and the controlled production system. Also, the digital substation, the advancement in the AC substations, the M&D portfolio, the measuring and the detection portfolio for power transformers, hybrid, storage, so there was a lot of asset performance management. And we have seen a good traction which is happening from the customer's side on these webinars which we have conducted. Also, there was lot of connect which was created inside the company. And there were a lot of technical webinars which were held during this time for upgrading the skills of the people in the company as well. So this time was quite effectively utilized as well.

Also, then when we come to the next slide, which will be for the order intake. So of course, it was a bit slower quarter, I would say, in terms of order intake. But when we compare it with the last year, it was still a better number. So we booked an order of about Rs. 443 crores instead of Rs. 417 crores. Definitely, we had L1 positions of about Rs. 250 crores, which got delayed due to COVID because somewhere projects not getting cleared in terms of investment clearance, in terms of the customers are not able to take land in their possession, so they have delayed the ordering in that process.

And the key orders what we have booked were like the series reactor package for Thiruvalam and Nellore from Power Grid. Also, from Power Grid, again, supplying the reactors for their renewable project at Fatehgarh for the renewable evacuation. Then we could secure extremely good order from the Bhutan Power Corporation. So this was during the COVID situation, simply just on, I would say, on the Skype or on the Teams itself the whole contract was discussed, starting from technical to the commercial. We could complete the whole project and then prices were submitted, negotiations were done and the order was received. So this is how the company tried to use various digital tools to connect with the customers.

And of course, the 400 kV Meghnaghat order for Bangladesh, which was secured from GE Switzerland. Because GE Switzerland is building the complete gas power plant in Bangladesh. So definitely, the market scenario was a bit challenging in terms of the order decision-making. But as Pitamber has said that, going forward, we see a good traction happening in the market.

So I hand over the presentation, for the further, to take up, Sushil?

Sushil Kumar: Thanks, Sandeep. Good evening, ladies and gentlemen. We move to the page eight on financials. While this was a challenging quarter for the organizations around the world as operations were impacted due to lockdown, while we still reported the loss for the quarter, the overall performance was significantly better than the initial estimate. And this happened primarily due to better execution, leading to revenue of Rs. 642 crore for the quarter and strong cost control measures undertaken at all levels. These two combined resulted into a positive EBITDA for the quarter.

Compared to last year, the revenue was down by 12%, mainly due to lockdown and this led to the lower EBITDA and lower profit before tax, if we compare to the last year. Overall, on borrowings, we increased the borrowings by approximately Rs. 30 crores during the quarter. This was mainly on account of finance cost of Rs. 17 crore, some direct tax, etc., that we had to pay during the quarter. Overall, the working capital remained at the levels of March 2020 due to strong focus on cash collections during the quarter.

To summarize, we sailed through a very tough quarter very well and hope to continue this momentum in the subsequent quarters.

This was the last page on the presentations. We will open now for the questions. Thanks, Aman. Over to you, Aman.

Moderator: Thank you very much. Ladies and gentlemen, 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: Reasonably good performance given the challenging environment and better than 4Q sequentially. Sir, one thing which I wanted to understand is, sir, from here on how do you see the overall execution, what kind of revenue target which you are working at currently?

Sushil Kumar: So let me answer this, Renjith. As you know, we don't look and give any guidance which is forward looking. And as we discussed that operations were significantly impacted in the last quarter. Now with gradual opening up and the ramping up of production, our first endeavor is to execute as much orders as we can. However, this will largely depend on the site availability and the movement of projects at the customer level. Our first endeavor is to go back to the average execution of the last year, of financial year 2020.

Renjith Sivaram: So, off the current order book that we have, what portion, around 30% of execution, is it something which we can be looking at? Or you feel that, that is also challenging?

Moderator: Sir, there is a disturbance on your line. So I would request you if you can be a bit away from the speaker phone.

Renjith Sivaram: Okay. Yes. Sir, what we were trying to understand is that, things have normalized now so you are looking at what portion of our order book is executable? Or is there any portion in our order book which you feel it's kind of slow moving or something like that?

Sushil Kumar: So Renjith, as we have been communicating in the earlier calls, the portion of slow-moving or rather nonmoving order is still at the same level of roughly Rs. 200 crores to Rs. 250 crores. So if we eliminate that, we have a moving order of around Rs. 5,500 crores. This gives us a revenue visibility of 1.5 year, slightly above the 1.5 year of execution. And as I said previously, our effort is to go back at the first level to the execution level of financial year 2020, the average of that per quarter. Because as Shailesh mentioned and Pitamber earlier highlighted, there are still few hiccups. Some of the sites, they come in the containment zone and so on. However, our effort will be to continue to push the execution higher and we have the capacity to do much higher execution if the customer and the project sites are available.

Renjith Sivaram: Okay. And regarding the order intake, we hear that the Green Energy Corridor, the tenders are planned to be rebid and there can be a delay in that. So what's your overall take on that? Though it can be delayed, there is a probability that the Chinese competition will be reduced. So even though if it's delayed, will you be happy regarding that the competitive intensity can be lower? So what's your overall take on this Green Energy Corridor opportunity?

Sandeep Zanzaria: So two things is that, one, the prices have not been asked, neither by REC or for PFC. So I think I don't see any retendering happening. Only thing is that probably because of the policy changes, etc., their tender submission was getting delayed. I expect that this would further get delayed, but I think that now the pressure from the ministry is there. So the final bidding might happen in September 10th, because presently for many of the packages the due date is like 24th and 27th August. But I think with one more extension, the prices should be there in place in September.

And another aspect, which also we will have to see is that, and most of the projects which are there are basically AIS projects. So in AIS, which is like the normal air insulated product, anyhow the Chinese competition was not there, Chinese competition was primarily there on the GIS side and also on the wind automation side, and also for the transformer side. So of course, it will be hugely positive for transformers, positive for GIS. Few packages are there for GIS as well and also quite positive for the automation business.

Renjith Sivaram: Okay. So that portion of the opportunity is still alive and it's on target for this year, the Green Energy Corridor?

Sandeep Zanzaria: Yes.

Renjith Sivaram: Okay. That's helpful. And regarding the balance sheet, how has been the net working capital? You mentioned that debt has only increased by Rs. 30 crores? But has the net working capital also been at the same levels of last quarter or has that improved or deteriorated?

Sushil Kumar: So Renjith, I would mention in the opening session that working capital has remained at the levels of March 2020. The Rs. 30 crore outflows that we have seen in the quarter is largely on account of the interest and the tax payment, which is the loss that we incurred in the quarter. But working capital wise we are at the same levels.

Moderator: Thank you. The next question is from the line of Ankur from HDFC Life Insurance. Please go ahead.

Ankur: A couple of questions. So just following up on the questions by the previous participant. So this whole move by the Indian Government to kind of restrict Chinese import, and as you said, this would be beneficial more on the transformer side in upcoming bids. So all I am trying to understand is, so you have Chinese players who already have factories in India, for 765 kV transformers. Are these guys also restricted from bidding? Or is it only for direct imports from China?

Sandeep Zanzaria: So as of today, our understanding, because there are multiple circulars which have been come, some have been issued by Ministry of Power, some have been issued by DIPPT and some have been issued by Ministry of Finance. So our understanding is, yes, the people who have put up their factories in India are also not allowed to participate in them.

Ankur: Okay. Because the whole idea of getting them to put up factories was to have manufacturing in India, right? And that's kind of a little counterintuitive, right. But, okay, as of now there is no clarification yet, right, is what you are suggesting?

Sandeep Zanzaria: It will be difficult for us because then it's a question between economics and security of the country.

Ankur: Right. Okay. Understand. Sir, secondly, on this TBCB pipeline, on the Green Energy Corridor. We understand the tenders are being kind of redesigned, if I may call it. So when you say the submissions are in September '20 these would be by the developers, right, is that correct? And then once we say a Power Grid or a Adani wins it, then you would essentially get the bids on your side, to the equipment manufacturers? So that could maybe get pushed out to second half FY '21 financial. Is that understanding correct?

Sandeep Zanzaria: So Ankur, partly, your understanding is correct. I will say partly because what happens is that these projects are with a very short timeline, like the industry or maybe the developing authorities is awarding the packages with a very strict time lines for execution. So it is like some projects are with 12 to 14 months, 15 months, this is the time line. So, even the developers will be also under tremendous pressure to ensure that the product availability is there on time. And another thing which is going to happen is that maybe about 10, 12 projects are going to get decided in the same timeline. And also the same time line will be there for the execution as well. So I think the developers will also try to ensure that the product availability is also there in the market.

When we talk about Power Grid, etc., so Power Grid has a philosophy of tying up in advance. So normally, what Power Grid does is that they call the bids in advance, and they have a tie-up before they are going for a bidding and reserve auction when they participate as a developer. So once Power Grid gets order, maximum timeline in which they place the order on EPC is something like a month's time, etc. So I don't see much delay happening between the developers getting the order and the EPC players or the equipment manufacturing, getting the order. The maximum time shift, which will be there, will be closed between one to two months.

Ankur: Okay. And is the understanding correct that we have tied up with Power Grid for some of these bids, would that be a fair assumption?

Sandeep Zanzaria: So that's like confidential. That's a confidential agreement you sign with whosoever is the L1. So we will not be able to say anything now.

Ankur: Sure. Okay. And just one last thing, sir, then on my side would be, any large HVDC tenders which are upcoming over the next year or so? Which you think either bidding starts, and we may start seeing, therefore, the ordering coming up in the next year or so?

Sandeep Zanzaria: Ankur, there is only one HVDC tender which we are expecting in near future, immediate future, and that would be for Mumbai. So Adani Transmission is planning to put a VSC link in Mumbai for drawing in more power to Mumbai. Because of land restrictions, etc., bringing VSC corridors is not possible. So that is one project. Apart from that, Leh Ladakh presently looks to be further delayed. So probably, if it will happen, it will happen either next year or the year after.

Moderator: Thank you. The next question is from the line of Subhadip Mitra from JM Financial. Please go ahead.

Subhadip Mitra: First, a couple of questions on this particular quarter. We have seen the raw material cost rise to about 71% of sales, I think that's much higher than the average of last year. So is this a one-off primarily because of some pressures in this quarter? Or what do you see as a sustainable number there?

Sushil Kumar: Yes, Subhadip. I will answer more from the gross profit point of view, because the difference between the 100% and this cost of 71% that you mentioned is the gross profit, right?

Subhadip Mitra: Correct.

Sushil Kumar: So last year, financial year 2020, our full year gross profit was 27.8%. This quarter we have done better, it is 29.2%. And the results are impacted in terms of gross profit also because of the COVID impact of lockdowns. So meaning there were expenses incurred which could not be utilized for manufacturing and other related operations. So they were unutilized expenses that we incurred. Had that not been there, our profitability could be better by about 2.5% to 3%, roughly in the range of 2% to 3% further.

Subhadip Mitra: Okay. Perfect. That answers that question. Similarly, if I am looking at the other expenses, there is a sharp fall Y-o-Y. Again, have there been any one-offs in that basket?

Sushil Kumar: So there other expenses, some of the elements are related to the volume, which includes elements like freight and elements like repair and maintenance, etc., so they have come down. Plus, as we mentioned, and we also communicated in the earlier last quarter call that we are putting in stringent control on the expenses. So that really helped us to control all the cost out that we can take and we will continue this journey for the next coming quarters.

Subhadip Mitra: Understood. So there are no one-offs like a provision write-back or anything of that sort?

Sushil Kumar: No, provision write-backs do not fall in this category. We still have in this other expense some element of doubtful debt provision or bad debt write-off, that we had to take because of reassessing the financial situation of the customers, and also reassessing based on the guidance note issued by the institute evaluating the COVID scenarios. So, that is, in fact, a charge to the other expenses or cost in the other expenses and not a recovery.

Subhadip Mitra: Understood. Next, I have some questions on the macro side. So, as we have been talking about the larger T&D ordering perspective, so you did mention that any competition is more on the transformer, the GIS and the automation side. So would it be possible to have a broad bifurcation as to what is the overall addressable market maybe from the TBCB, HVDC angle or from the basket where there has been higher Chinese competition and, hopefully, things will be less competitive in future?

Sandeep Zanzaria: So the immediate market for TBCB what we are seeing is, for us that would be, of course, I am not talking about the product side, but as a project and as well as transformer reactors put together, would be close to about $400 million in future, like something like maybe next two, three months' time. But then that also depends, because we normally put in bids as EPC as well. And suppose if we lose the bid as EPC and if it goes to another EPC player, then we also have further opportunity as an OEM or as the product supplier. So overall, bidding price for transformer reactor plus substation relevant for us, which will be immediately in like next two, three months, will be close to about $400 million.

Subhadip Mitra: Okay. And then similarly, if one starts probably including the proposed e-corridors and other things over the next, let's say, two to three years, if I have to paint a picture, what would be the pipeline or the order basket that one can think of?

Sandeep Zanzaria: So normally, of course, for TBCB, it will be because they will have to go with the Government of India renewable policy and things like that. But normally, as Pitamber has said at the start that we bid for a stable $3 billion market. And one thing which is happening is now the transmission market, earlier, for example, Power Grid market, whatever was the Power Grid or whatever was the inter-state market used to get contributed because of many things like, for example, thermal generation, renewable generation, combination, hydro sometimes, these things. But today, primarily, the whole pipeline of the interstate which is coming because of renewable generation. And of course, we look at that way that may be about minimum of 1 billion every year for the T&D market.

Subhadip Mitra: Okay. Lastly, is it possible to probably quantify what was the Chinese market share so far in that particular segment where one has an opportunity now because the Chinese competition might go away?

Sandeep Zanzaria: So, it will be difficult to quantify as of today, because their market share also, depending upon their loading situation, will also keep on moving. That is one thing. And second also, just to understand one more thing, is that the Government of India, there is a provision that people can go, register themselves with the competent authority and then can continue. So today, of course, that competent authority has to be in place and things like that. So maybe for very immediate bid, yes, definitely, there might be an advantage. But will the advantage remain for a very long time? This is something which we will have to see. So we will not like to comment on that part now.

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

Renu Baid: Sir, a few questions from my end. First would be to understand, broadly, if you look at the grid automation market, how has that market moved in terms of market price for the last two years? And given that now there is more focus on renewables and integration of renewables with the main grid, are we looking at a reasonable step-up in the market size? So, if you can just throw some insights on market opportunities from which customers it can come and what is GE T&D's market share in the grid automation space?

Sandeep Zanzaria: So see, the grid automation market what we address normally is basically through substation or through distribution is basically irrespective of, because of renewable addition it is not generating any additional further opportunities. For example, when we say that the T&D market is close to about 3 billion, so a substation and grid automation of 10 bays, whether it comes from a renewable or whether it comes from a hydro or whether it comes from steam, it doesn't matter. Of course, the same thing is applicable for the distribution side as well. Because normally when you have a distribution side and suppose 33 kV substation or 66 kV substations are built, so whatever power is coming, it doesn't matter whether it is renewable and things like that. So that is one aspect of it.

Of course, I would say that we have a close to about 30%, 35%, maybe about close to 40% market share for grid automation because of our long legacy presence in India which is there. And just because the market is shifting from thermal to or maybe these conventional sources to the renewal, I don't see a very big uptick of grid automation market.

Renu Baid: Okay. Right. Sure. Then second would be, I mean, we have seen that many bids have been postponed in general because of the pandemic. Green Energy Corridor is one part of it. But in general, I mean, if one looks at the overall market, which will also include few gen-cos, the state SEBs and other players, so how are we looking at overall markets? Does that also look equally weak in terms of market size or probably state sector should start seeing some of the orders coming back. And if so, in your view, which could be the states who would be among the early ones to come up with project awards in the second half of the year?

Sandeep Zanzaria: So Renu, you are right that because of pandemic one of the sectors which has got seriously affected is the state sector as well, because the states don't have too much or a very strong, I would say, processes by which they can go on for online tendering and things like that what government is able to do. We are still not seeing a big uptick in the state which is happening. Some states definitely have started moving, for example, Rajasthan has started moving; Assam, there is a big pipeline of projects which is there. Some offshoots we are seeing in Orissa, etc., which is there. But definitely, there is some movement in AP and TSTranscos also. But definitely, there is a big uptick which is yet to happen. And that is one area where we hope that the normality should return faster. But it is still at least three to six months away, apart from the three states, which I have mentioned.

Renu Baid: But can we quantify what could be the likely size of market? Say, not just from a financial, from a calendar year perspective for the next calendar year or 2021, what could be the opportunity from the SEB market in terms of T&D equipment as well as project?

Sandeep Zanzaria: No, that would be still, I would say, we are still analyzing it state by state. But because of pandemic, whatever we are seeing is we think getting shifted. So we are working on that, but we have not been able to firm up a number on that.

Renu Baid: Right. But alternately if I place it across, in your view, how much time you think the state sector could take to come back to FY '20 levels of project awards? It could take two years, one and a half year or probably even longer?

Sandeep Zanzaria: Minimum one year.

Renu Baid: Got it. And one last question, a bit more clarification on the Chinese aspect on what the government is doing. So the curbs the government is talking about in terms of imposing on imports. Whatever little clarities that we have, is it likely to be on the entire equipment imports, which seems logical? But also, on components, which go along in the GIS and other systems which are executed, because that is something component imports would also indirectly affect us as well because substations and SCADA systems, components are also imported there. So you think it could be broadly on only full equipment or system components as well? And this import would be specifically from China or across regions?

Sandeep Zanzaria: So Renu, if you really look at, so there are two directives which are there. So one directive of Ministry of Power, which clearly says that, okay, under Make in India policy which component, like, for example, a 400 kV GIS, how much it should be localized, transformer or a controlled relay panel or a disconnecting circuit breaker, all those things. So, this thing which is there. Second, there is another circular of Ministry of Power which clearly says that, for example, because of now power has moved to a strategic sector, so what they have said that they want to prevent that malware and all these things should not enter into the power sector. And because of that, they want to prevent all such things.

So normally, I can say that, for example, for us, most of the imports which is there, which happens from China, so there is a reference of prior reference countries. So in prior reference countries, the only country which affects us is China. So from them also, it is like that whatever imports which are being done by us are primarily on the component level and that too also on the mechanical front. So it is not on the electronic side. I think on that side, definitely, we don't have too much of a challenge. But we are still to get clarity that how the component side will be viewed by the Government of India.

Renu Baid: Got it. And just a last clarification from Sushil. What was the gross debt in the current quarter ended June? And has there been any orders which were canceled or removed because somewhere inflow numbers, if you look at the math, there seems to be a gap of about Rs. 150-odd crores. So just wanted to tally the number. Is it an FX impact or there was some order which were removed from the backlog as well?

Sushil Kumar: So there were no significant cancellations, maybe very few limited numbers. And there was not a significant FOREX impact also during the quarter in the P&L.

Renu Baid: Okay. And yes, the gross debt number?

Sushil Kumar: Gross debt, I need to recheck, but it will be roughly Rs. 490 crores to Rs. 500 crores range, that range.

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

Jigar Shroff: Sir, one is, you mentioned about bad debts that was there in one-off. What was the quantum of that if you could tell me?

Sushil Kumar: It was roughly in the range of Rs. 12 crores to Rs. 15 crores.

Jigar Shroff: Okay. And if you could elaborate a bit on the cost cutting and savings initiatives that have been taken and what kind of absolute amount can we look at in terms of reduction?

Sushil Kumar: See, we are taking a hard look on each and every line item of cost. This includes cost related to travel, infrastructure, anything that we incur in terms of resources and so on. So all the elements, I will not call out a particular element, but everything is being relooked, revisited to see the necessity and also renegotiate the price with the suppliers.

Jigar Shroff: So what is the internal target have you, I mean, you must be having some internal target in terms of savings that you're looking at through this?

Sushil Kumar: We don't actually lay out the internal target and give guidance around that. And you have seen the numbers of the quarter in terms of the other expense and the salary costs. We will continue to focus on all the areas to optimize and reduce the cost as much as possible.

Jigar Shroff: So I mean, can we look at approximately 10% savings?

Sushil Kumar: No. So if we look at, let's say, the other expense for the quarter and compare it with the last year, it has come down by roughly Rs. 24 crores. Half of this or maybe say Rs. 12 crores to Rs. 13 crores is on account of the revenue reduction because as I said earlier, some of the elements are related to freight and other revenue-related activities are the ones where we have put in a strong control.

Jigar Shroff: So it's Rs. 12 crores per quarter is a sustainable amount you are saying?

Sushil Kumar: Again, I am not giving a forward-looking guidance. As I am saying that we are looking at each and every element of cost. And our logic is that some of the expenses may increase, but then they will contribute to the higher revenue. At this level of revenue, we have put in a control, which has resulted into Rs. 10 crores to Rs. 12 crores of savings. And the rest Rs. 10 crores to Rs. 12 crores has come down in terms of other expenses because of the reduction in volume, especially in this quarter because of the lockdown.

Jigar Shroff: And in terms of employee cost?

Sushil Kumar: Employee cost has remained almost flat for the quarter at around Rs. 97 crores.

Jigar Shroff: That you don't envisage any major reduction over there?

Sushil Kumar: As of now, it will be at the same level. And if there is any plan, we will communicate to you.

Jigar Shroff: Okay. The debt, I think in the last call you mentioned, you intend by FY '22 the target is to be debt-free. Am I right?

Sushil Kumar: See, in the call in the month of October, I remember, for the quarter ending September, we laid out and communicated that our endeavor is to be debt-free by the financial year 2021. And in the last call, we said that because pandemic has lot of implication on economy, the customers, the execution and so on, our long-term vision remains same, but obviously, there will be a deferment. Our strategy, as Pitamber laid out, cash over revenue is a mantra. We will continue to work in this direction, and our effort is to at least break even or maintain a positive cash flow per quarter. This quarter was exceptional, as I said earlier, that EBITDA level we're policy, but financial expense and other related tax impact, we had an outflow.

If you look at last three quarters put together, say from October last year to June, on a nine-month period we have only Rs. 30 crores of outflow, which is specifically linked to this quarter. So cash, just to summarize, our aim and vision remains there. There is a deferment because of COVID-related impact. We will continue to work in the direction to generate breakeven or positive cash quarter-on-quarter by reducing the working capital. And we are working on all fronts, which include receivables, inventory, retentions, payable and so on.

Jigar Shroff: So zero debt by FY '22, is it a fair assumption, end of FY '22?

Sushil Kumar: We are working towards that. Our endeavor remains that.

Jigar Shroff: And also, I think a couple of years back you had some land in Bangalore which you had sold and I think the deal was called off. I think that may also assist, right?

Sushil Kumar: That land is still with us.

Jigar Shroff: Thank you. And last two questions. Can you talk a bit on the Railways opportunity and the export opportunities? That's it from my side.

Sandeep Zanzaria: So the railway opportunity, definitely, there is a lot of investment which is happening in the railways segment, but that is mostly happening at the lower voltages. And most of the factories that are there are mostly geared towards higher level of voltage products like 765 kV, 400 kV and 220 kV. So that's why in spite of this big investment, which is happening, our play in railway segment is quite less or quite small, I would say. Definitely, we will put in bids when there is substation opportunities in terms of metro, etc. But otherwise, on the product side it is very limited.

Jigar Shroff: So is it fair to assume not a significant opportunity for us?

Sandeep Zanzaria: Yes. No, not a significant opportunity for us. And on the export, yes, definitely, we have a target to improve the export which is there. Because of the COVID cycle, etc., most of the places we are seeing that the movement is not too high. But our focus for export remains to be like top priority.

Jigar Shroff: Yes, because it was, I think, I believe FY '20 exports were about 17%, 18% of our sales?

Sushil Kumar: Yes, that was the number.

Jigar Shroff: So do we have any target in mind in the medium term?

Sandeep Zanzaria: So I would say, for the order I can say, that for example, if you really look at this quarter itself, like we picked up order from Bhutan, we have picked up a 400 kV order from Bangladesh, so we remain focused at least from the order side. And obviously, when the focus is there on the order side, it will get reflected automatically in the revenue in the coming quarter.

Jigar Shroff: But I mean, you won't have any target in mind? I mean, going up to 25%?

Sushil Kumar: See, percentages are always relative, right? If there is a, let's say, shortfall in domestic because of pandemic and even if the exports remain same the percentage can look different. As Sandeep mentioned, our effort and endeavor is always to grow on the export. This quarter also we have won a couple of jobs in neighboring countries, which is Bangladesh and Bhutan, which is the primary focus and we will continue to increase the export value in the rupee term.

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

Jonas Bhutta: Congratulations on decent set of numbers given the challenging environment. Two questions. Firstly, while we understand that you do not give a particular guidance, but could you at least help us understand whether, in your opinion, in the current kind of line of sight you have on the environment; do you believe that the operational performance seen in Q1 was the lowest out of the next preceding three quarters? Or you think that there is still not enough clarity to at least say that we don't have that visibility for the next nine months, is that a fair assumption? Or are you uncertain that at least the Q1 performance was the worst that it could have got for the year? That's my first question.

Sushil Kumar: Yes. So we definitely believe that first quarter was better than our initial estimate. And having said that, we have been able to control cost and deliver a good set, let's say, a reasonable set of P&L performance. This quarter, as I mentioned earlier, the operating capacity was not working because of the lockdowns. Subsequently, now as Pitamber mentioned earlier in the beginning of the call, we are working at around 80% to 90% of the capacity. Still there are hiccups, but in terms of the revenue visibility for the next three quarters for this financial year, we do have a good visibility because we have the backlog in hand. And our estimate that every quarter-on-quarter, we should gradually again increase and should perform reasonably better than the current quarter.

Jonas Bhutta: Got it. That's helpful. So in conjunction to that, last year fiscal 2020, through the year we have seen almost Rs. 240 crores to Rs. 250 crores of provisions or costs that were booked in the other expenses, which are spread across bad debt, warranty provisions and LD. Given the current environment, do you believe that those numbers will not be breached in fiscal 2021, and more so when you have taken out Rs. 12 crores to Rs. 13 crores bad debts provision even in Q1? Or that was the normal business kind of thing or do you think that could turn out to be as big as FY '20 level?

Sushil Kumar: See, last year, as we mentioned in the call, in the last investor call, overall, as you rightly mentioned, there were significant challenges in the last financial year. We had a warranty provision, and we had around Rs. 75 crores to Rs. 80 crores of bad debt. This has come down relatively in this quarter. And as we talk about cash over revenue and being selective, we are also very careful in terms of the order. So in terms of accounting debt guidance, whenever we close a particular quarter or a year, all the related information is then considered and the provisions are adequately made. We don't have anything to be provided further in the books as of now, except the disclosures that we made in terms of Essel project, which is expected to then move to a new buyer post the CERC approval. And as per our understanding, that is moving in the right direction. So other than that, we don't see any risk, and we are very hopeful that even that one will move positively for us.

Jonas Bhutta: Sure. My second question was, sir, on the state level opportunity. So in the last, say, five to seven years, the trend that sort of drove CAPEX by state was the up-powering of the grid, so bringing it up from 130 to 220 kV to 400 kV. Like we see in the central sector where GEC is the driving force of CAPEX or the earlier was the high-power transmission, HPPTCL, as we used to call them, was the driving force anchor program that drove the central level CAPEX. In states, and particularly in the four or five states that you mentioned, which is Orissa, TSGENCO, Rajasthan, etc.. Is there like a driver theme that seems to be driving CAPEX or that's very arbitrary, each state to its own? And are we done with that up-powering capacity or up-theme at the state level? And in your opinion, what could be the driver of CAPEX in states or if that is going to stay at the more or less stable pace that it's been doing for the last three, four years? That's my question.

Sandeep Zanzaria: So, I think the answer would be that the driving force for different states would be different. For example, when we talk about Rajasthan, so one of the biggest driving force in Rajasthan would be renewable, again, because lot of renewable projects are coming, so some projects which get connected on CECI, etc., will go for interstate transmission, but there are certain projects which get connected to the state network as well which drives another thing. For example, if you look at Assam, so Assam would be more of expansion of their networks, so most of the opportunities are coming on 220 kV and 132 kV. But there the list of the projects which are there, maybe we see one or two projects of 400 kV as well. Orissa, again, we see that the big projects that are coming are like 400 kV only.

So it's depending upon the need of the state, it is basically. But one thing I would like to say that when you have a Green Energy Corridor which are going to come up 765/400 kV or 400/220 kV, eventually, these interstate projects which are going to generate power are going to go and feed it into the state network only. So depending upon the power which it is going to feed, many requirements are going to be like 400/220 kV and where power is transmitting into a 400/220 kV then the state network, which will get strengthened will be like 220/132 kV.

Jonas Bhutta: Sure. And sir, sorry, I missed out on this point, and the circular that you spoke about from the MoP do they apply to state tenders as well? And given that you already see a time lag or a time delay of almost 6 to 12 months, post pandemic for the state ordering to actually pick up pace, do you think that if they have to comply to these norms that could actually further push out those time lines of returning to normalcy by another six months?

Sandeep Zanzaria: So power is a concurrent subject, so whatever are the circular which are issued by the central ministry, directly are not applicable for a state. But what we have seen is that many of the states have exactly started talking on those lines. And they have started asking for disclaimers on these subjects. So voluntarily, today, we see many of the states have started adopting the practices or the policies which the central government have actually rolled back.

Jonas Bhutta: So you don't see a delay in the state ordering beyond that 6 to 12 months comment that you made to an earlier participant?

Sandeep Zanzaria: I don't see that happening, but we are yet to see. But I see that the market of state should pick up in next one year because eventually when these projects of renewable evacuations are going to be put in, eventually that power has to flow through state networks only.

Moderator: Thank you. The next question is from the line of Gautam Dedhia from Old Bridge Capital. Please go ahead.

Gautam Dedhia: Yes. So earlier in the call, you mentioned that there is a $1 billion opportunity every year. Was that for the GEC that you were talking?

Pitamber Shivnani: No, we said total annual opportunity for is $3 billion in transmission segment actually. That is the transition segment annual opportunity in India we said.

Gautam Dedhia: Sir, if you have to break the $3 billion opportunity on a broad basis between AIS, GIS, transformers, grid automation, what would be the broad percentage numbers be?

Pitamber Shivnani: It will be very difficult to give that percentage actually.

Gautam Dedhia: Okay. Sir, just one last question. You also mentioned something about $400 million in the next two, three months. What was that regarding, I missed that?

Sushil Kumar: I think that was Green Energy Corridor. Sandeep, maybe you can answer.

Sandeep Zanzaria: It is for the TBCB packages, which have been already floated by REC-PFC.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today. I now hand the conference over to Mr. Suneel Mishra for closing comments. Thank you, and over to you, sir.

Suneel Mishra: Yes. Thank you, everyone, for your participation. We conclude today's conference call with this. In case you have any other questions, then please feel free to contact me or Mr. Anshul Madaan on the e-mail ID given on at our website. Thanks, again.

Pitamber Shivnani: Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of GE T&D India Limited, that concludes today's conference. Thank you all for joining us. And you may now disconnect your lines.