GE VERNOVA

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21 August 2024

To,
The Manager Listing,
National Stock Exchange of India Ltd.
Exchange Plaza,
Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051

Symbol: **GEPIL**

To,
The Manager Listing,
BSE Ltd.
P.J. Towers, Dalal Street,
Mumbai - 400 001

Scrip Code: **532309**

Sub.: Transcript of Earnings call held on 12 August 2024

Dear Sir/Madam,

Further to our letter dated 12 August 2024 relating to the Audio recording of the earnings call held on 12 August 2024, please find enclosed a copy of its transcript.

Thanking you,
Yours truly,

For GE Power India Limited

KAMNA TIWARI

Digitally signed by KAMNA TIWARI
DN: cn=KAMNA TIWARI c=IN o=PERSONAL
Reason:
Location:
Date: 2024-08-21 16:14+05:30

Kamna Tiwari
Company Secretary and Compliance Officer

Enc.- As above

"GE Power India Limited Q1 FY'25 Earnings Conference Call"

August 12, 2024

MANAGEMENT: **MR. PRASHANT JAIN – MANAGING DIRECTOR, GE POWER INDIA LIMITED**
MR. AASHISH GHAI – WHOLE TIME DIRECTOR & CFO, GE POWER INDIA LIMITED
MR. PUNEET BHATLA –EXECUTIVE - BUSINESS OPERATIONS SERVICES, GE POWER INDIA LIMITED
MR. STUART CONNOR – PROMOTER REPRESENTATIVE

Moderator: Ladies and gentlemen good day and welcome to the Earnings Conference Call of GE Power India Limited in respect of Inter Alia, the Financial Results for the Quarter Ended on the 30th June 2024.

As a reminder all participant lines will be in the listen only mode and there will be no 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 phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prashant Jain – Managing Director of GE Power India Limited. Thank you and over to you sir.

Prashant Jain: Thank you Lizan and a very good evening, everyone. A very warm welcome to all of you for joining this Call to discuss our "Financial Performance" for the Quarter Ended June 30th, 2024.

I am happy to speak to all of you who have shown immense trust in us and our business. I hope you all had a good time to review our Results, the Investor Presentation and the Earnings Release which are available on our Website as well as the Stock Exchanges.

For this call I welcome my team, who have joined me to answer your queries on various aspects of the business. I have with me Mr. Aashish Ghai – our Chief Financial Officer, Mr. Puneet Bhatla – our Services CEO and Mr. Stuart Connor – who is representing the promoter and our Steel Power Global, CEO.

I would start the discussion with a quick update on what we see in the global economy, then we will touch a bit about the Indian economy and then the impact on your Company.

In the last Quarter of 2023 global GDP growth remained robust as international trade continued to show positive trends despite cautious optimism due to rising geopolitical tensions. Increased exports from major economies such as China, India and the United States played a crucial role in supporting global trade growth, thereby mitigating the impact of intensified global power struggles. Nevertheless, the United Nations Conference on Trade Development has expressed skepticism about trade figures surpassing the levels achieved in 2022. While global trade has been on an upward trajectory UNCTAD's output remains cautious.

On the domestic front:

The 1st Quarter of 2025 marked a pivotal period for the country as the new Coalition Government assumed power, committed to continuing with necessary reforms. Despite the complexities of coalition politics, the Government's clear emphasis on building infrastructure capabilities has been evident, signaling an intent to drive forward the country's development agenda. The International Energy Agency has projected that global growth in the energy sector will reach its fastest pace in the last two decades, driven by intense heat waves and a significant surge in demand for solar PV which is set to reach new records.

According to the IEA's electricity linear update, global electricity demand is anticipated to grow by approximately 4% in 2024 up from 2.5% in 2023. The strong increase in global electricity consumption is expected to persist into 2025. With a forecasted growth rate of around 4% once again, the robust expansion underscores the pivotal role of renewable energy sources particularly solar PV in meeting the escalating global energy demands and highlights the urgent need for continued investment and innovation into the renewable energy sector.

Coming to Indian economy and the power sector:

In the Indian context the Government's commitment to expanding renewable energy has intensified. While there is a strong push towards integrating more renewable energy sources in the energy mix, the Government is also acutely aware of the burgeoning electricity demand. Consequently, there is a concurrent emphasis on enhancing the generation capacity of conventional and existing power supply sources. The strategic objective is to ensure that thermal power capacity remains sufficient until an adequate renewable capacity is seamlessly integrated into the national grid. Over the past two years, there has been a concentrated effort to promote the adoption of solar rooftops which is a crucial step in bolstering the overall renewable energy capacity of the country. This initiative has gained further momentum with the Government's latest budget which has allocated substantial capital to encourage solar rooftop installation underscoring the impact of decentralized solar energy solutions in meeting the nation's energy needs.

On the conventional energy front:

The industry is clearly anticipating updates on the deadlines of the installation of the flue gas de-sulpharisation plant, the FGD plants. This technology is vital for reducing emissions from thermal power plants and ensuring compliance with environmental standards. Two years ago, the deadline for installing FGD equipment in retiring plants was extended to the 31st December 2027 while for non-retiring plants the deadline was pushed to December 31st, 2026. From the earlier deadline of December 31st, 2024, the industry is closely monitoring these timelines as timely compliance will be critical for both environmental sustainability and the continued viability of conventional power generation in India. The dual approach of aggressively expanding renewable energy capacity while simultaneously upgrading conventional power infrastructure reflects the Government's balanced and pragmatic strategy. This approach ensures energy security, environment sustainability and the reliable delivery of power to make the nation's rapidly growing economy.

Now moving to the executive summary of the Company's performance for Q1 FY25:

During the quarter, we are pleased to share that this has been a strong quarter for core services and FGD orders and therefore for orders in general. Your Company has received the FGD order worth about 775 crores from Jaypee Nigrie and Jaypee Bina.

There were other developments during the second quarter that we would like to brief:

- We have already communicated once with a set of investors earlier in July. For those who could not attend the earlier call here's the brief. On the 10th of July 2024, the Company disclosed that the Board of Directors has approved the sale of and transfer of its hydro and gas power business. The completion of the slump sale of hydro and gas business shall be subject to necessary approvals, including approvals and as needed.
- On July 25th, GE Power India Limited issued a public disclosure mentioning that GE Steel Power International BV, the promoter has ended its plan to exit from GE Power India Limited and end its plan to de-promoterize. GE Steam Power International BV will continue to be the promoter of the Company. GEPIL's Management has now outlined a proposal which aims to put your Company on a sound financial footing by focusing on lower risk and high margin business. The promoter GE Vernova supports this strategy. To date GE Vernova has not been able to find a new promoter on its earlier announced depromoterization program and therefore on this basis has decided to end its plan to exit from GEPIL and de-promoterize.
- The GEPIL Management on 8th August issued a response on the letter issued by promoter GE Steel Power International BV dated August 7th, 2024 on GE Vernova Hydro Global Strategy. The response note mentioned that GE Vernova Hydro Power business strategic focus would be in selected markets. In the absence of GE Vernova support, GEPIL anticipates a decrease in demand for services to be potentially provided by the center of excellence, CoE that supports the GE Vernova hydro Power business and does not foresee any further anticipation in new hydro bids in the market. This reinforces the decision of your Company to carve out the business and the above development would make it more favorable for the Company in terms of the valuation that is currently agreed with the promoter due to the impact that we see due to the above announcements.

So, if I may summarize:

We now have a strategy for the Company which is margin accretive, cash accretive to focus in improving the working cycle capital of the Company from an average of 10 years to 7 years today to a future of an average working capital cycle of about 2 to 3 years. Therefore, the strategy of the Company to focus on margin accretive, cash accretive service business and upgrade business to focus on lower risk EP projects in the FGD and to continue to bolster the efforts in the Durgapur facilities to provide services for customers in 13 countries, outside India for service parts and for pressure vessels and cryogenic applications for industrial and oil and gas applications, sets the Company towards a positive trajectory with more certainty, also with an end on the current depromoterization program, also GE Vernova to continue as the promoter.

So overall that sets us with the carve out of hydro and gas on a path to be able to deliver double digit margin, a double-digit EBITDA in 2 years time frame from now. On the financial front, I would like to hand over the call to Aashish Ghai; our CFO to share further.

Aashish Ghai: Thank you, Prashant. Good evening, everyone and I am pleased to welcome you all and share the "Financial Performance" for the 1st Quarter of Financial Year 2024-25.

Your Company has started the year on a strong note at the back of the announced stated strategy to pursue margin and cash accretive opportunities. During the current quarter, the Company booked orders worth rupees 1,038 crores. The order in the corresponding quarter of Financial Year 2023-24 stood at Rs. 191 crores. So, what we have seen is a 443% increase during the period. With a strong order intake in the current quarter, the backlog of your Company has also increased quarter-on-quarter to Rs. 3,917 crores as on 30th June 2024 from 3,309 crores as on 31st March 2024.

Moving to "Revenue from Operations" for the Quarter:

It stood at Rs. 430 crores, slightly up from what we saw in the corresponding quarter of the previous year, which was Rs. 424 crores. But worthy to note is that what we are seeing is a favorable shift in the sales mix with higher contribution coming from high calorie service business. The same is also reflected in the performance on the loss before tax which stood at Rs. 11 crores of loss in the current quarter against loss before tax of Rs 136 crores in the corresponding quarter of previous year for the standalone entity.

Your Company is committed to the journey it has embarked upon by choosing commercial deals with the right risk reward profile, thus executing the existing backlog safely and successfully. Thank you.

Prashant Jain: Thank you, Aashish. I would like to once again reiterate that the quarter was good and especially with orders in FGD, which is with lower risk as in the area of EP and consistent growth on the services. So, with that I would like to open up the floor for questions and answers ladies and gentlemen.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is on the line of Tushar Bhavsar from Cognizance 4D.

Tushar Bhavsar: My question was, I had heard in one of the conferences our Company within the FGD markets space in the next 2 or 3 years there is a market size of 60,000 crores for the Indian companies to get in. Can you tell me what market share do we expect in that area?

Prashant Jain: So, yes, I confirm the market size. The challenge that we see from the market is the timing which I've also been sharing previously that the Government had extended the timeline of the implementation. So, in theory the market has to continue by 2026 and 2027 for the retiring and non-retiring units as per the plan. Now that means about 90 gigawatts is up for grabs. What we are looking at is we are being very selective in terms of the scope that we want to bid. So far in the previous years we have had roughly about 8% to 9% market share. In terms of gigawatt, we may continue but what we will do is we would not participate in the EPC anymore. So, we will partner with EPC and participate as EP. So, in gigawatt terms, we might still have a 7% to 5% market share depending on the type of projects that get decided in the year. Because per year depending if in a year you have two or three projects which are coming from state that we don't want to deal with, maybe you would see a bad year but then you might see a good year. So, it depends on which projects get finalized. But yes, our objective is to stay in EP and therefore in terms of, if I have to annualize for the sake of our strategy plan, we are annualizing in terms of one or two orders that we will announce per year. And that value you can assume to be in the range of 300 to 500 crores per year. That is what I would say, we have assumed in our estimate for the business plan that we have shared with you for a plan to be double digit EBITDA in 2 years from now. So, anything that we see better than that could be an upside. But then we have to see which projects get finalized and when. We do see that the industry will seek an extension, but this is subjudice, it depends on how the regulators and the courts rule on that. So, we might see the spurt in ordering as we go forward. So, we have to see how the orders get decided if there is an extension that we work to our favor for sure. But we have to see how the regulators decide on that.

Moderator: The next question is from the line of Nilesh Doshi from Green Lantern Capital LLP.

Nilesh Doshi: Just extending to the previous question, you said that 90 gigawatts equivalent FGD orders are required. FGD implementation is required over and the EPC cycle what you have mentioned is 5 to 8 years versus the timeline is 2027 end, I mean December. I think it is next to impossible for anyone to complete the project within these 3 years, right?

Prashant Jain: Yes, that is right. You're right. In fact, our anticipation is that once they place the order they might go to the Government and the regulators and say look we have ordered in time and please give us an exception. As we anticipate this is what the developers might do.

Nilesh Doshi: That means that they will have to get all these orders placed within next 3 months. I mean hypothetically if they do within…

Prashant Jain: That is practically, you are right. It's practically impossible. We don't see that sense of urgency anywhere today. We do see there is interest yes, but we anticipate, now this is only anticipation that they would order within the timeline and then they would apply to the regulators saying that 'okay' you've ordered it and now please grant an extension and avoid penalty.

Nilesh Doshi: Second is you've agreed that the overall opportunity in FGD could be 60,000 crores which includes EPC. So, if I have to bifurcate between EP and C, will you be able to help us what would be that percentage?

Prashant Jain: I would say that 30% is roughly the scope on EPC for the EP that we would like to bid on. So, it depends on the customer to customer. It can be slightly up and down. But if I have to give an average that would be 30%.

Nilesh Doshi: So, this Jaypee is also from our side is EP, right?

Prashant Jain: Yes, it is a supply portion, and we have a large supply portion in that project.

Nilesh Doshi: But it has been ordered by Jaypee directly to us. Is that the way now FGD is being installed in the country?

Prashant Jain: It depends on customer to customer because some customers have an EPC arm, some customers may want to deal with an EPC. So, every state and every IPP has their own strategy. Some have strong steel in their scope, and they may want to include their steel in their scope. So private IPP's is the one that we find more attractive on the state Government we are only focusing on few states and in the private IPP, we would participate more and select very select few states who will participate. And each project then we are doing project by project tie up agreement because we don't have one single EPC player in the full market and therefore it will be project to project. And each IPP has their preference in terms of what they think they can do by themselves and what they would like to see help from. So yes, it's a deal-by-deal discussion.

Nilesh Doshi: The second is on the Durgapur facility. So, are we planning or contemplating able to get back into the boiler manufacturing?

Prashant Jain: So, for Durgapur our plan today is to, if I've shared my plan previously, Durgapur was about 800,000 hours capacity. We have now dropped that capacity down to about 200,000 hours. Now with this capacity today, we had a service load a few years ago about 10,000 hours. We have today reached a service load of about 170,000 hours. And current FY24-25, we anticipate 175,000 hours to be loaded to the factory. So, this is in our view a good load to be able to come closer to the break even. Our objective is to across 200,000-250,000 hours. The areas that we are currently focusing to get this load one for sure services in India. With the recent strategies of also now we will target parts to 13 more countries outside India where we will supply mills and parts fabricated in Durgapur. We see some traction there. The third area that we are working on Durgapur is the cryogenic and pressure vessels. In fact, yesterday we've dispatched the first lot of the pressure vessel for LMP IOCL jobs. I think that was roughly half a million dollar or something like 6 crores jobs which we are currently executing. So that job and then we have also got certain industrial customers for applications in metal where we are providing fabrication support. Now when we did the evaluation for about 128 odd areas, we have discovered that the most profitable segment for the factory would be to focus on of course the first is the parts and services that we are doing which is our conventional strength, the second area that we have identified is the pressure vessels and cryogenic application which is a low hanging fruit with the capability of the factory. And we have got the factory certified now and the certification is valid for 3 years. And we are now getting the first trial orders, and we are adding customers. Previously we had only one customer. Today we have three customers who have qualified purchase from us, placed their first pilot and as we deliver them then we will expand. And we are also adding competencies for cryogenic applications. So that's where we are in the progress for Durgapur factory. If we are able to cross 200,000 hours then as for our business case, we should already within 2 years deliver with low risk, high margin, high cash and double-digit EBITDA performance for the Company within 2 years. So that is on track as of now. And if you have to watch, you have to watch very closely, the successes that we will see in the Durgapur factory towards this area. We are also evaluating waste heat recovery and industrial applications and these applications where we have technology for boilers. We will see as we see response from the market, we will be keep you updated.

Nilesh Doshi: As we understand from CEA in some seminar that there is a massive shortage of boiler supplier manufacturers in the country, and you are one of the pioneers in that. So that's why the question. The second is on the cryogenic side, do we have the technology to do, I am sure you can do the fabrication, but I am more talking about in terms of insulation and ensuring that we have the technology for all those cryogenic.

Prashant Jain: We have a phased plan to get into the segment. We have mandated KPMG to do a business study for us and we have a 3-year plan. The first plan of course was competency, set up certification, set up a team in place and to take pilot projects, get qualified with certain customers. And we are in the process of that and we see successes there. We have a roadmap there and we are taking that as ‘24-25, ‘25-26, ‘26-27 in 3 years and how do we want to ramp up in that area, test the market, get the competencies and also in thus CAPEX as required. And that is in our budget for the current financial year to enter this market and we are I would say progressing in that direction today. The technology part is not anticipated in the wave one. But yes, as we progress forward, we will have strategic tie ups that is planned in the coming years. That is planned. So today we will start with fabrication that is we will move into that area as we move forward. We are exploring the market. We are today testing a few strategic tie-ups, putting a team in place and we are also assessing end user segment, process OEM segment where is it that we want to play, how is the competitive situation. So, I think we will have better visibility in 6 months on how this is developing and how it is success. So, every quarter we will keep you posted on the development.

Nilesh Doshi: As a layman if I have to understand Durgapur facility, you have spoken in terms of number of hours in terms of manufacturing. But if I have to understand in terms of revenue terms, I mean what kind of revenue we can generate?

Prashant Jain: I will say that Durgapur, I would not want to comment as a layman on Durgapur for revenue, but I will term Durgapur on the margin front. Not being able to fulfill the factory today hits with our 25 to 40 crores negatively today, let's say. Last year it would have hit in the range of 25 to 40 crores on the underutilization of the cost of the factory. So, to me if I can cross the mark of 200,000 hours based on this strategy, I take out this loss from the system and I will make some margin in the system so that would add positively short cycle low risk business. So that will strengthen the performance of the Company significantly. So honestly this is not currently a top line strategy, but it is a strategy to take out the pain that we see currently due to the underutilization of the factory which is on track, and we have seen good progress and that is giving us confidence.

Nilesh Doshi: In Q1 how many hours we would have clocked?

Prashant Jain: Q1 would be about 40,000 hours.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Prashant Jain for his closing comments.

Prashant Jain: Very good evening and thank you everyone. I would like to summarize. The strategy that the Company has identified in the growth areas is on track. We are seeing good progress on the order intake as Aashish pointed out in the speech. And on the strategic front, the Company is focusing on reducing the overall working capital and repairing the net worth of the Company to set the Company towards a double-digit positive EBITDA Company. In the interest of your Company and the shareholders, we need to focus to improve the net worth of your Company. This has a direct impact on our ability to bid for tenders, credit ratings and fund availability with banks as well. Hence the carve-out of hydro and gas business is of paramount importance. This transaction provides about 214 crores plus 38 crores which is about 252 crores net liability reduction which will improve net worth of your Company, and this will further be boosted by consideration of gas business of 44 crores. This is subject to the carve out getting approved by shareholders. This would also unlock 700 crores of non-funded limits with banks and help in avoiding working capital requirement of 500 crores which the hydro business standalone is expected to consume in 2 years assuming no further restructuring. This is a slump sale and with sales valuation of 44 crores for gas and premium of 100 crores for hydro which generates higher wealth for shareholders on demand. In future this will steer for a business strategy leading to profitable unrestricted free cash flow dividend yielding Company with lower working capital cycle. So, with that I would like to thank you all and I would like to thank you team for the support. Have a good evening. Good day.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of GE Power India Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.