



GE T&D India Limited

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January 17, 2022

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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 Conference Call for Investors held on January 12, 2022**

Please find enclosed a copy of the Transcript of conference call with analysts/ institutional investors held on January 12, 2022, with respect to update on Global Engineering Operations Division (GEOD) of the Company.

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 Conference on Update on Global Engineering Operations Division”

January 12, 2022



**MANAGEMENT: MR. MAHESH PALASHIKAR – CHAIRMAN, GE T&D
INDIA LIMITED
MR. PITAMBER SHIVNANI – MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER, GE T&D INDIA LIMITED.
MR. SUSHIL KUMAR – WHOLE TIME DIRECTOR &
CFO, GE T&D INDIA LIMITED.
MR. MANOJ PRASAD SINGH – COMPANY SECRETARY,
GE T&D INDIA LIMITED.
MR. ANSHUL MADAAN – COMMUNICATIONS LEADER,
GE T&D INDIA LIMITED
MR. SUNEEL MISHRA – HEAD (INVESTOR RELATIONS),
GE T&D INDIA LIMITED**



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Moderator: Ladies and gentlemen good day and welcome to the GE T&D India Limited Conference Call regarding Update on Global Engineering Operations Division (GEOD).

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. 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: Good day to all of you. I would like to take this opportunity to say Happy New Year to all of you. Now welcome to today's Conference Call with the GE T&D Limited Management team. As informed this conference call has been organized to discuss Update on Global Engineering Operations Division, which we also call it GEOD.

Now, let me first introduce my Management Team available on this call. Today we are privileged to have Mr. Mahesh Palashikar, who is our Chairman. We have with us Mr. Pitamber Shivnani who is the Managing Director and Chief Executive Officer. Further we have Mr. Sushil Kumar, who is the whole time Director & CFO. We also have with us Mr. Manoj Prasad Singh who is the Company Secretary. We have with us Mr. Anshul Madaan, who is our Communications Leader.

Please note that this conference call is scheduled up to 05:00 PM. I hope you would have received the presentation sent to you on the topic and the same being also uploaded on our website.

So, I would now invite Mr. Mahesh to begin this conference with his opening comments. Thereafter, Mr. Pitamber Shivnani and Sushil Kumar will take us through the presentation. I now request Mahesh to take over.

Mahesh Palashikar: Good afternoon to all of you. You are our esteemed share owners and investors and it's my pleasure and privilege to welcome you at this discussion. This is the investor call for GE T&D Limited. My name is Mahesh Palashikar, I lead the Board of Directors as Chairman.

First of all, let me please wish the very best to you and your loved ones during the current COVID pandemic situation that we all are facing. I pray for the very best for you and your loved ones in terms of health, safety and protection during the current pandemic.

As you know the purpose of today's call is to update regarding the developments about GEOD business of your company. And the various options which the Management has been working on and Management has been exploring to minimize the impact on the company. This also includes the revised valuation of GEOD and the ongoing effort for its slump sale. You may be



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aware that we have uploaded a brief presentation on the website and hopefully you have had a chance or you are able to view it and have been able to go through the same. With that I would hand over now to Mr. Pitamber Shivnani, the CEO and MD of your company. And he will now share the further details. Thank you.

Pitamber Shivnani:

Good afternoon ladies and gentlemen. First of all, let me wish all of you a very happy and healthy New Year. I hope all of you and your family members are safe and healthy.

As you all know by now that Global Engineering Operation Division provides engineering services to other GE Grid entities outside India through engineering services team. GEOD provides services such as engineering support for tendering, project management and product design to GE Grid entities outside India.

Before I invite my colleague Sushil to share developments around the lump sum sale I will like to share with you the key highlights of Global Engineering Operation Division. The GEOD business is non-core in nature, as GE T&D does not provide engineering and product design services as main offerings.

Revenue from GEOD business in financial year 2020-2021 was 726 million which is less than 2.2% of our company's revenue. GEOD is a captive service provider for GE Grid Group companies, there are no customers outside GE Group. GEOD provide services to more than 15 legal entities within GE Grid Solutions group. There is also no exclusivity from GE Group entities in these contracts purchase order. There are also no specific patents or license in the name of company in relation to GEOD. The contracts and purchase order from other GE Grid Group companies are issued on short term basis. The company continues to have an internal team separate from GEOD to provide engineering support for tendering, project support etc. for its own business.

With this, I would hand over to Sushil to share the latest developments on the subject. Over to you Sushil.

Sushil Kumar:

Good afternoon ladies and gentlemen. Wish you a very Happy New Year. And I hope all of you and your family members are safe and healthy.

So, as Pitamber and Mahesh mentioned that the purpose of today's call is to share update about the GEOD business and the development so far. We have summarized it in the presentation. Hope you have already received the copy. Pitamber already summarized the nature of GEOD business. In terms of financial, as Pitamber mentioned the revenue for the last financial year was 726 million INR. And this was approximately 2.2% of the revenue of GE T&D India Limited. In terms of EBITDA this business unit generated about 146 million of EBITDA in the Financial Year 2021. And in terms of EBIT, the business had 119 million of EBIT for the Financial Year 2021.



Moving to the page #4 of the presentation, in terms of sharing the development so far, as a starting point, in the last quarter of calendar year 2020 GE Grid Solutions globally decided to create a Global Engineering Operation Centre, they call it as GEOC, in GE India Industrial Private Limited, by expanding its existing capabilities under that legal entity, with a purpose to develop advanced grid technologies and accelerate the energy transition for different parts of the world for the global needs and with a vision to become the global high voltage technology player, to develop advanced product design and complex engineering solutions that are required for their global customers. And the purpose was to consolidate the activities under one Centre of Excellence to increase the efficiency and productivity.

And to meet the strategic initiative they decided that it required a strong and coordinated approach with flexibility, speed and business simplification, under the strong leadership of a Global Chief Technology Officer and their team which has the requisite technical and operational expertise and resources to deliver commitment at the global scale.

So, having known the development and post this decision of creation of GEOC the likelihood of the Company not getting orders from GEOD business in future was perceived. And in the best interest of the company a proposal to sell the engineering division to GE India Industry Private Limited by way slump sale, was placed before the shareholder at a consideration of 873 million. However, the resolution was not approved by the requisite majority of the minority shareholder. Accordingly, the related business agreement was terminated.

Subsequently, in order to meet their objectives of grid technology and advancement or development of technology and accelerating the need of energy transition requirements, GE Grid Solutions informed the company that they want to accelerate their GEOC initiative. And accordingly, the company was formally notified by the GE Grid Solutions that will effect on 30th of June 2021 no new contracts or purchase orders will be issued to the company and the existing purchase orders will lapse at the expiry or will be terminated by notice.

The management team of our company has been exploring various options to reduce the impact of excess manpower and assets on the company. And various requests made from the management to the Grid Solutions to extend the date of termination. And while it's last communication on the subject on 13th of December 2021 the Global Grid Solutions have extended the date of termination of purchase orders till 31st March 2022.

In the meanwhile, during the period September to December 2021, the company's Audit Committee approved undertaking one more validation of GEOD business and appointed M/s BDO Valuations LLP who are also a registered valuer under the IBBI as the valuer for the business and M/s RBSA who are the Category I Merchant Banker registered as per SEBI guideline as a merchant banker to provide the fairness opinion. So, BDO provided a fairness valuation of 146 million by the report dated 8th of November 2021 and RBSA also confirmed the valuation to be fair to the shareholders of the company by their report dated 8th of November



'21. Audit Committee and Board have accepted the valuation fairness opinion post several rounds of discussions and extensive deliberation with the valuers and the merchant bankers.

The management has been further exploring and currently discussing with GE Grid Solutions and GEIPL regarding the proposed slump sale and they have at present expressed their interest to pursue another slump sale at the revised valuation.

Moving to the next page of the presentation, which is page #5 and talking a bit about the valuation and the fairness opinion. M/s BDO Valuation Advisory LLP, arrived at the valuation using the discounted cash flow method as a primary method. And as in any discounted cash flow valuation there is a valuation for explicit period and there is a valuation terminal value. So, both put together as on 30th of September, the fair value of the business was arrived at 1406 million. And if we compare that with the trailing 12 months EBITDA, it represents 9.1 times as the implied multiple. The valuers also corroborated the GEOD's implied multiple with broadly comparable select company and consider it to be reasonable valuation.

We will move to the last page to share the various scenario for GEOD business. So, the two scenarios are perceived. In case the company is able to negotiate and conclude the slump sale then there is a let's say in terms of employees there is a continuous employment because employees will be transferred as a part of slump sale. The assets will also be transferred and the value will be realized. The redundancy of facility with GE T&D will not happen because we will be transferring or making a sublease of the proportionate facilities. And overall impact on P&L and cash is perceived to be positive.

Whereas in the other scenario of termination or non-renewal of contracts by GE an inability to then enter into a slump sale also, there is a potential situation of loss of employment for the employees and a severance cost of about 140 million to be incurred. The assets worth 90 million will become redundant, there will be an excess facility or space with the company leading to an annual cost. And overall impact on the P&L and cash is going to be negative.

So, considering these scenarios, we are evaluating and trying our best to find the best solution and are in discussion with GE Grid Solutions and GEIPL for slump sale of GEOD business.

So, this is overall update on the GEOD last few months which we really wanted to share with the investor community. And with this I now hand over to the moderator for taking up the question and answers.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani:

My question is, actually to the Chairman, Mr. Mahesh, and what we would like to understand is the thought process behind formation of GEOC and in the light of that GE in any case owns 75% of the shares of GE T&D India and the talent and the experience already existed in this company



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--. So, if you could help us understand the logic of forming a new entity, which is outside the listed entity who would be doing the same work, and especially on the Grid Solution, which is the core of GE T&D.

Mahesh Palashikar:

As I understood your question as to why this is in GEIPL. So, if I can take couple of minutes Bhavin I can provide you the background. The GEOC which is set up by the Global Grid Solutions that was done in November/December 2020. And there are two or three very important considerations that the Global Grid Solutions team had, when they set it up.

First of all, the global situation in terms of energy transition moving from the fossil fuels, moving more and more to the carbon-neutral, and renewable energy is a very significant global phenomena as we know, which is happening everywhere else. Considering this, the Global Grid Solutions had a couple of big objectives that they wanted to focus on. One is that they really now want to advance the grid technology solutions, which will help the global customers for the energy transition needs. This will need different type of grid solutions for balancing the renewable energy and the fossil energy in all parts of the world.

So, in the global market, Global Grid Solutions wants to be a leading high technology and cutting-edge solution provider that is one important aspect. Also, the Global Grid Solutions will focus on developing Advanced Product Design Solutions, and Complex Engineering Solutions, which the global customers will need as this energy transition happens. Also, the expertise and the capability that will be needed, will be led by a global technology team. There is a very senior talented global leader, leading the global technology team as the Global Chief Technology Officer, who has the required expertise and capabilities that will be needed for serving these global demands, addressing the energy transition needs that Global Grid Solutions needs to support.

So, considering all of this, they really have a plan that they would now focus on a very sharp and coordinated approach where speed, flexibility, productivity that will be needed to deliver commitments at global scale and could be driven by this global technology team. And therefore the Global Chief Technology Officer will be directly accountable for this. They will have the right expertise and the right technical domain knowledge to do this. This is the fundamental reason why Global Grid Solutions had setup the GEOC.

The GEIPL, GE India Industrial Private Limited is an existing entity. And there is already work that the Global Grid Solutions does, in that GEIPL entity, even prior. So, considering what the global team is now going to do for global energy transition, new technologies, new solution, the complex engineering offerings that we will need to provide to serve our customers for balancing the grid and the expertise and capability that the global technology team will need to bring, all of this could not be done in GE T&D. GE T&D has its own scope and limitations in terms of capabilities that it has. This is the primary reason the global technology team is looking at establishing all these expertise, which will be serving the global needs of Grid Solutions. So, it's



a significant priority for the Global Grid Solutions. And hopefully, Bhavin I could provide you the context.

Bhavin Vithlani:

So, the actual question was like, the need of having an engineering setup that is pretty clear, but, the question really was in terms of allocating to the company, because GE anyways owns 75% of this company, and Grid is the core of this, but in any case that decision has been taken. But what we would like to highlight as a shareholder is more of a comment, not a question that, when we look at, I mean the ESG which is becoming a very important part and GE which is having a very great importance in that and we are a company, which is listed in India with a similar size of revenue and similar margin, is trading at a three times higher market cap than GE T&D. And when they had a corporate cash in, in terms of sale and it was acted completely in favor of the minority shareholder. And that was only summation that we have.

The other question that I had is in terms of when the technology development is going to shift to the other entity, will it impact financial cost for GE T&D in terms of extra royalty cost or any technology costs because of the engineering division being housed separately?

Mahesh Palashikar:

So, Bhavin, I understand your comment. And I heard your comment, and I let Sushil Kumar answer the second question. Just to wrap-up on the first comment that you made. I think the GE T&D Company is focused on this part of the world and the geography, and the capabilities that they have, could not have supported what the global energy transition needs, need from us, as well as the expertise and capability that the global technology team will do. So, I think it's a prudent decision for serving the global needs.

Sushil Kumar:

Bhavin, as we mentioned, that overall objective of GEOC is to increase efficiency and productivity at the Grid Solution level. And if that happens, the Grid Solutions businesses across the globe will get benefit of productivity and efficiency largely, but there is no commitment as of now. However, in terms of managing our core business, as Pitamber mentioned, we continue to have separate engineering and the other related teams, to deliver the revenues that we generate in India for the customers in India, for the core business. So, this transition will not have impact on increasing the cost. However, will have impact because we lose the equivalent revenue and EBIT as I explained on the first page. However, in compensation, thereof, if the slump sales goes through, we will get a fair valuation as on the current date.

Moderator:

Thank you. The next question is from the line of Ashok Jain from Aayush Capital. Please go ahead.

Ashok Jain:

If this GEOD slump sale goes through, will the proceeds of Rs. 140 crores be used for a debt reduction of GE T&D India?

Sushil Kumar:

Yes, Mr. Jain, the proceeds will be used for debt reduction and the general corporate purposes.

Ashok Jain:

So, in what proportion will you use the proceeds for debt reduction, may I know?



Sushil Kumar: We will try to maximize the debt reduction, however, we have not, because still a future scenario we have not yet planned for how much of this money will go for debt reduction, and how much for the general corporate purposes. But, yes, debt reduction continues to be one of our main objective and we have been communicating and improving on this, quarter-on-quarter since last two years.

Ashok Jain: My next question is, given the recent government push in the HVDC project area, we recently heard about the Green Energy Corridor \$12,000 investment by government, and that there has notably been increased corporate participation by the likes of Adani Transmission, Tata Power, etc. So, what is your outlook on order wins in the sector in the next two or three quarters? I just want to know your general outlook on the HVDC sector, on the order wins that we may have in the near future.

Sushil Kumar: Mr. Jain, I will just try to answer this question. The purpose of this call is to specifically share the update on the GEOD business, and that is the communication that has gone to the investor community. On the regular business update we do have quarterly investor call. The next call will be in the first or second week of February post we announced our financial results. We are requesting you to join that call and ask the questions on the business and we will be very happy to answer and take up your questions.

Moderator: The next question is from the line of Sameer Deshpande from Fairdeal Investments. Please go ahead.

Sameer Deshpande: Yes, I would like to know, if the company receives around Rs. 140 odd crores for the slump sale, what will be the tax implication and what will be the net proceeds after tax?

Sushil Kumar: Mr. Sameer, broadly, when we enter into any slump sale transactions, there is a consideration received at enterprise value and in return the existing assets and the working capital is transferred to the buyer. So, we do have existing assets and working capital. Eliminating the working capital methods from the proceeds, the difference which represents a capital gain to the business will attract the capital gains tax as per the income tax law.

Sameer Deshpande: Yes, so, what would be the quantum, any idea of that?

Sushil Kumar: At present we should not be sharing the financials of September because they are not in public domain, but you can refer to the earlier discussions we had. So, there is going to be probably Rs. 25 crores to Rs. 30 crores of assets which are embedded in the GEOD business.

Sameer Deshpande: Rs. 25 crores to Rs. 30 crores of the assets, so that a capital gain would be on Rs. 20 crores to Rs. 30 crores.

Sushil Kumar: We have to work on that depending on the date of sale, the assets and liabilities on the date of sale. But broadly in principle, the net proceeds which is net of the realization and the net assets



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transferred to the buyer, the differential becomes the capital gain which is liable to capital gains tax on the business.

Moderator: Thank you. The next question is a follow-up question from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: What would we be the timelines for this like, I believe you will need an EGM for this, so any timeline that you could give us?

Sushil Kumar: Bhavin, we are trying as early as possible, because we have the POs being extended up to 31st of March. We are yet to close few of the aspects and agree on the slump sale, from both sides (from us and the buyer side). And depending on how the things move, we will try to close it as soon as possible. And there will be a postal ballot process, and for which a due notice will be given, for the investors to vote on the postal ballot requirement.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Suneel Mishra for closing comments.

Suneel Mishra: Thank you everyone for your participation. With this, we conclude today's conference call. In case if you have any other question then please feel free to contact me or our communication leader, Mr. Anshul Madaan. With this, we close the conference. Thank you.

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