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16 August 2022

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

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

Symbol: **GEPIL**

Scrip Code: **532309**

Sub.: Transcript of Earnings conference call held on 09 August 2022

Dear Sir/Madam,

Further to our letter dated 09 August 2022, please find enclosed a copy of the transcript of Earnings conference call held on 09 August 2022.

Thanking you,
Yours truly,

For GE Power India Limited

KAMNA TIWARI
Digitally signed by KAMNA TIWARI
DN: cn=KAMNA TIWARI c=IN o=Personal
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Date: 2022-08-16 16:09+05:30

Kamna Tiwari
Company Secretary & Compliance Officer

"GE Power India Limited Q1 FY23 Earnings Conference Call"

August 9, 2022

MANAGEMENT: **MR. PRASHANT JAIN – MANAGING DIRECTOR**
MR. VINIT PANT – CHIEF COMMERCIAL OFFICER
MR. RAJ RAMAN – COO, PROJECT PORTFOLIO
MR. YOGESH GUPTA – WHOLE-TIME DIRECTOR AND CFO
MR. BRIAN SELBY – GENERAL MANAGER, HYDRO ASIA, GE RENEWABLE ENERGY

Moderator: Ladies and gentlemen, good day and welcome to GE Power India Limited earnings conference call for the first quarter of FY2022-23.

As a reminder, all participants' 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 touch-tone phone. Please note that this conference is being recorded.

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

Prashant Jain: Very good afternoon everyone. A warm welcome to all of you to the earnings call for the first quarter of the financial year 2022-23. Thank you all for joining us today. I welcome my team as well who is joining me to discuss and share about the operating and financial performance of the company. I have with me Whole-time Director and CFO, Yogesh Gupta; our Head, Commercial, Vinit Pant; ASEAN Sales Head, Brian Selby, Regional Head for Asia; Raj Raman, our COO for Project Portfolio.

I would like to briefly touch upon the global economy and then about the power sector in the country and then we will get into the discussion regarding the Financial Results.

A brief background about the global economy which has revived from the pandemic is now gradually getting stronger every quarter to touch the pre-pandemic growth levels. However, it is raising headwinds due to rising inflation, especially in the developed economies followed by a surge in crude prices last quarter and that has had a domino effect on the developing and emerging economies. Additionally, as we know, the conflict in Europe has disrupted the supply chain which continues to be disrupted and the first half of 22-23 has been one of the worst global energy crises which was predominantly triggered by the geopolitical issues and electricity sector was highly affected including the oil & gas sector with steep rise outside, especially in the Europe and America on the energy costs. Due to the recent geopolitical situation, this has also changed the self-reliance in power generation and energy in many countries and that has also delayed their coal phase out plans and lifted several restrictions on coal power generation to meet energy needs. Some examples are known in the press and you can refer to them. The replacement of natural gas due to high prices and less supply amidst the conflict has put emphasis on increased use of coal in many markets leading to price of coal commodity rising in majority of the countries. Governments of most of the developed and emerging countries are enforcing emergency measures to tackle the challenges along with balancing investments in alternative clean energy sources to avoid such crisis in the future. So, all in all, globally, major players are reviewing their energy strategy and energy security in the current situation of crisis driven by the conflict that we are seeing.

Coming to the Indian power sector:

India has been affected by the global power crisis. Due to the extreme temperatures in the country, the demand for electricity went up significantly amidst the reduced supply of coal. The reduced supply of coal was largely due to high commodity prices of the imported coal and sudden pressure on the domestic coal when the power supply demand came up. Seventy power plants across the country operating at very low levels resulted in a power deficit, therefore, increase in the electricity prices as well on the exchanges. The power shortage, as we are aware, was majorly due to supply chain and logistics issues and not due to lack of coal stocks. This year's power shortage has led to some calls to increase India's coal power and mining capacity, thus bringing back the emphasis on coal-fired power plants in the country. In a recent report from the government, India has dropped its target of establishing 500 gigawatts of renewable energy capacity. So, we see in India pressure on the power sector and we see an emphasis on coal. The government has readjusted its renewable energy capacity for 500 gigawatts by 2030 giving itself flexibility of 50% power from non-fossil fuel sources in the commitment to the UNFCCC. This is a significant development. This shows that India is keeping its options open for new coal-based power plants in the projected 820 gigawatts out of total capacity by 2030. If excess demand cannot be met from green fuels, we do new coal-fired power plants to come on the grid.

Now, coming to your company, GE Power India Limited:

As GEPIL continues to improve its challenges on converting orders, we have a strong position in the coal sector and that for servicing existing coal-fired power plants may give that advantage to GEPIL with its competencies.

Now, we come to the performance of the current quarter:

In the current quarter, we continue to have headwinds from the lower volume as well as inflation. That is what has impacted margins to a large extent. Orders are up this quarter by 380% driven by hydro order, Saundatti. This win is helping GEPIL's backlog to recover. Though overall service orders are down in the quarter due to upgrade orders getting deferred, the core service orders are up by 18% with improved profitability. Our active opportunity pipeline remains strong in terms of FGD and services opportunities. Over the past two years and aligned with our strategy, our services revenue grew by 27% in this quarter despite overall lower revenue driven by lower order intake in FGDs. The challenge that we see in the execution challenges in the backlog runoff in boilers is what has impacted the bottom line. We will continue to focus on margin recovery in the following ways:

1) Increase the order volume. That is important, we need volume and we are hoping to close the deal soon with the offer pipeline that Vinit will talk about in a few minutes.
2) And we also need to increase revenue by focusing on lean execution and accelerating milestones to secure corresponding payments and cost savings.
3) Apart from that, we need to continue to optimize the Durgapur capacity with an intense focus on the project execution which is heavily impacted by inflation as well as project

delays because of two waves of COVID in the last couple of years and all the old projects are delayed and those are causing pressures in site execution.

While we are working to improve upon execution and convert orders, we have also spoken about an opportunity to explore in Africa for entering into FGD services and clean combustion services.

Those are the thoughts that we have. I will ask Vinit to talk about the orders and then Yogesh to take us through the financials. Vinit, over to you.

Vinit Pant: Good evening everyone. I am going to talk about the orders. As Prashant mentioned, there has been a big jump in the orders this quarter as compared to last year, almost 380% which is driven mainly by this hydro order of Saundatti which is about 8.6 million. As far as our order mix is concerned, this quarter we have seen orders are arrived and within sight and also its percentage is higher for EPC. This is again driven mainly by the Saundatti Hydro order, but going forward, as we have been talking earlier also, our focus is clearly, as also Prashant mentioned, to grow our services business and also to focus on TP orders instead of EPC.

On the services side:

As I was mentioning, in core services, there has been an 18% improvement in profitability, but we upgrade orders. We are down overall in services, as some of the key upgrade orders have got deferred. This is because in this quarter, there was a huge demand in power and many of the customers have postponed their outages. That was the reason.

FGD:

Clearly, we see there is an upswing in the market. And we have seen that in this year's first quarter, almost more than 6 gigawatt have been ordered as compared to 9 gigawatt in the whole of last year. So, definitely, there is an upswing in the market and FGD order is going to pick up now quarter 2 onwards.

Pipeline:

Again, there is a very robust pipeline which we can see both for FGD and services. FGD, we have seen on the ground a lot of inquiries are there. Customers, especially private as well as state customers are seriously pursuing the opportunities now. And services both for upgrades as well as core, we have a healthy pipeline. So, going forward, I think, things are looking up both for FGD and services.

I would now like to hand over to Yogesh for the next couple of slides.

Yogesh Gupta: Good evening everyone. I would take you through the revenue and the profit before tax for the quarter 1 FY22-23. On the revenue side, the revenue has been down by 496 million and 9.2% if we compare with the same quarter 1 of FY22-23 versus quarter 1 of FY21-22. And if we compare the revenue with the last quarter which ended on 31st March 2022, we are down by 17%. The prime reasons for the lower revenue have been in the FGDs that we have not been able to take new orders in the past two years and this has resulted into a lower revenue for us. Due to the ramp-up and the execution challenges that we have been facing at different sites, the revenue has been impacted. We have been seeing a runoff on the boilers backlog which we have virtually reached the last order on the backlog runoff for boilers. These have been the reasons which have attributed to the lower revenue by almost 9.2% vis-a-vis the same period comparable last year. Services revenue has grown by 27% and this services portion includes both steam and gas and we have been doing well in this area and improving upon our revenue and profitability. The backlog trend has reversed after quite a few quarters, I would say, and 42.9 billion is the backlog at the end of Q1 for FY22-23. This has improved from 37.7 billion INR as of March end and this is the first time after almost about 12 to 13 quarters that we have reversed on the trend of just depleting the backlog.

Moving on to the profitability:

The profit before tax – there has been an improvement on the profitability front if we compare our numbers of the same quarter last year versus the current year and last year as you would recall, we had a negative impact of 850 million on account of the Subansiri project restart in our hydro business domain. And this year still we are continuing with a loss of 634 million versus a loss of 1.5 billion last year. The prime reason for the loss has been the project cost escalations due to inflation and the execution challenges that we are facing. The good part is that workforce situation on the different sites which are running for us has really improved and we are ramping up on our execution side. Another good aspect has been the improved profitability in the services due to execution optimization that the team has been driving.

Now, I would request Prashant to take us to the summary section.

Prashant Jain: **To summarize:**

There are three focus areas:

1) We have to focus on volume. This quarter, we see orders improve due to the Saundatti hydro. Continuous focus on increase in volume is the first focus area.

2) Execution and recovery of claims with better execution and lean execution of the projects.

3) In terms of the additional opportunities for managing the Durgapur factory optimization better as we runoff the boiler backlog.

Those are the top 3 focus areas that we will continue to focus on as a company.

One more clarification I wanted to place regarding the notification that we have done for the exploration into Africa for addressing clean combustion opportunities. This is a particular customer request for which we are exploring options to address the opportunity in Africa and this will be subject to the success with the customer and we expect that we will be able to get some closure around this in mid of 2023. It is to address clean combustion services, largely FGD and boiler and AQCS services in Africa. That is currently premature, but we have sought the approval from the board so that we could place certain letters of intent to the customer to show our interest to participate in this segment as a service provider in that area.

With that, we open up to questions and answers and we will take it from here.

Moderator: We will now begin the question & answer session. The first question is from the line of Sanjay Doshi from Nippon India Mutual Fund. Please go ahead.

Sanjay Doshi: I will restrict to two areas. First, on the current quarter and how we should look at the profit and loss account for our company given that we have been slow in new orders and there have been deferments for new service orders. We just wanted your thoughts to understand given the current run rate of 500 odd crores a quarter and the current mix, do you think that the company will be able to achieve EBITDA break-even?

Prashant Jain: In the current quarter, yes, I do see the challenge on volume; however, considering the big pipeline, I think we will have a couple of quarters by the time we are able to turn around the volume. On the other side, we are also looking at optimizing our structure to address our volume. That is largely coming in from the Durgapur factory volume runoff which is the boiler factory where we have a challenge and we need to find alternatives and services to grow. The area is services. In services, we have two sectors. Core service and upgrades. In core services, we are very well on the growth path and we see quarter-on-quarter growth and that growth continues excepting maybe a couple of quarters in the COVID period, the growth has been fairly consistent and the margin profitability has been also fairly consistent. So, yes, for us to get to the right size of volume and margin mix, we have work to do. And I would ask Yogesh to add in further.

Yogesh Gupta: Mr. Doshi, the challenge we have is on EBITDA and if we look at the June '22 quarter, the current quarter just ended, we are a negative EBITDA of 428, and if we look at the same quarter of last year, it was 1.218 billion INR negative. So, we are improving upon, I would say, on the EBITDA front and as Prashant mentioned that we are still a few quarters away getting to the break-even level of turning around positive on this front. Normally, we don't give any futuristic statement but we are clearly indicating that the order pipeline is reasonably good and we are looking forward to some good order intake in the coming quarters which will ramp up our revenue at profitability and EBITDA finally.

Sanjay Doshi: Just one small followup on this. Our employee expense and other expense for the first quarter is roughly in the range of 90-95 crores. Do you see any major volatility in this or this should be stable going forward in the same range?

Yogesh Gupta: Mr. Doshi, this would be basically our employee benefit expenses. This is about INR 954 million and this is in line with what we had as of in the same quarter ending 30th June 2021, and vis-a-vis if the comparison is with the March quarter, there is an improvement of almost about 120-130 million INR. This was primarily because of true-up provisions that we had to do for gratuity and other retiral benefits. Now we are doing these on a quarterly basis and the indications are that this will continue on the similar lines, at least in the current year.

Sanjay Doshi: This is very recurring kind of a base, right?

Yogesh Gupta: Yes.

Sanjay Doshi: My last question would be to Prashant sir and the team. Sir, we have almost finished 6 months since the parent' intention of depromotization as they wanted to put it over 36 months; it has been now 6 months. Can you please update us on what has been the progress on this front, do we have any concrete plans about how this will be taken forward, and what have been the improvements for GEPIL as a listed entity? Because you would appreciate that we as minority shareholders will have to deal with the uncertainty for quite a long period of time unless you come out with more details on the same.

Prashant Jain: The update is that we are working on the following fronts. One is to ensure that the technology transfer, the competence development for GEPIL to be able to address the market realities independently. That is ongoing and that is on track. And on the FGD today, we are standing at pretty much 100% now local competence both on acquisition and on execution.

The second area in terms of competence development and strengthening the technology is to get GEPIL qualified by itself to address all the tenders. So, GEPIL is also now qualified for state government tenders by itself in the FGD area and that gives GEPIL the credibility, the track record, and references to operate by itself in the FGD segment.

As regards the services segment is concerned, similarly in services, the competence, the technology, the engineering competence that is required, we have started local investments which were earlier a part of the global pool of investments. This year is the first year where GEPIL is investing roughly about $1.5 million in that range on own investment into R&D, especially for addressing the market realities of India with renewable integration with flexibility in the services segment.

That is the update in terms of the FGD, in terms of technology transfer, in terms of competence development, and qualification criteria for the company to operate by itself.

The second area is the new coal opportunities. We see new coal opportunities in the country. For example, for certain technology, now we have also placed purchase orders for technology transfer internally and the team is now qualified by itself to participate in certain tenders in the country. There I can give you confidence for business, whatever that is needed for GEPIL now to operate with its capacity and competence in the area of boiler, in the area of FGD and services, is very well on track and I don't see any concerns in these areas.

Regards the structure of depromotization and the options that GE is exploring, we do not have any update yet, and for sure the moment we have it, we will be coming out and sharing with you. There is no change yet from GE point of view.

Moderator: The next question is from the line of Deepak Narnolia from Aditya Birla Sun Life Insurance. Please go ahead.

Deepak Narnolia: I have 3 questions. First question is regarding this emerging opportunity in coal. There is a new trend emerging, as you mentioned in your opening remarks, globally and in India also. India also changed its target of renewable energy. I just wanted to know in this context, 1) How your company can benefit and what can be the opportunity for you? 2) If you can give the split of your order book and revenue how much is the services part in that and the services is growing. 3) In this quarter, you have done an overhead of 184 crores and it was at similar level in the last quarter. Now that you had certain VRS was going on in the last quarter, this 184 crores of overhead is of recurring in nature or you expect some further reduction in this, and is there any one-off in this quarter?

Prashant Jain: On your first question on the coal opportunities, there are new coal opportunities also in India and I just want to remind that the total capacity in the country is still more than 20 gigawatts and the opportunity that we see is in the range of 7 gigawatts. So, there is still more supply than demand. But yes, selectively we will still be able to participate in one-off opportunities and that could provide significant upsides. The crucial part for new-built technology is that we have a large setup to address the new-built demand and we need to find the right setup to have a sustainable volume so that we can retain the competence and serve the demand as it arises in the country.

Regards the opportunity outside India, we are seeing opportunities coming in from say for example Africa which we have mentioned today. We have also seen one-off opportunity coming in from Malaysia where the customers are seeking service and support on FGD. And we see that, yes, services will see some benefits but it will take time for these opportunities to develop and we still see that it will probably take a couple of quarters by the time we get the complete mandate from GE to operate outside India. But yes, that will also have a positive impact in terms of geographical expansion to address the clean combustion service opportunities outside India.

New coal projects: There will be new coal projects in India. We also see some in other parts of Asia and Africa. But I would not plan a full capacity for that because then this will be a one-off opportunity and we have to make sure we have the right structure so that we are able to selectively participate in that opportunity. That is how we see the opportunity.

Deepak Narnolia: How will you participate? You have your Durgapur plant and that is getting restructured. If these new opportunities come up, then what will be your strategy?

Prashant Jain: I will clarify. In Durgapur, as you might be aware, we have a capacity of 800,000 hours. We have brought it down to roughly 416,000 hours. Once we execute the last couple of projects, the capacity we are planning to bring it down to maybe about 180,000 to 200,000 hours. This way, we will still have the capacity in the factory and we will have the technology and the tools, but we will have a size which is adequate to address the service market. At the same time, should there be a demand, we can always ramp that up if need be, but for keeping a factory idle for a demand that might come four to six quarters will have a lot of under-recovery headwinds on the performance. Therefore, it is important to right size, but at the same time, it will not impact our ability to address the demand if at all it comes for supply from Durgapur. That competence is being retained.

Deepak Narnolia: In short, you can say that you are downsizing the factory in the Durgapur plant, and if the demand comes up, you can ramp it up.

Prashant Jain: Yes, that's right.

Deepak Narnolia: And about your services split and overheads?

Prashant Jain: On the services, we are seeing consistent growth. There are two segments in service. One is the core services which is supply of part services repairs and the second one is upgrades. In core services consistently quarter on quarter, we are seeing growth. We are also seeing the profitability is also decent. The upgrades is where we are seeing a big opportunity pipeline. We have seen a lot of opportunities in the upgrades. There is a big demand for customers to revive or upgrade their existing power plants either to meet the emission standards because they know that there is going to be a longer demand from the existing power plants. New capacity will take at least five to seven years to come onto the grid. So, there is a lot more opportunity that we see coming in from the upgrades. What we are not yet seeing is that opportunity converting into an order. So, there is a big amount of opportunities. There are tenders that have been released by the customers and those tenders are under assessment. So, we hope that in this sector because these upgrade opportunities require approval from the regulators or the DISCOMs based on the type of PPA. That process will take place, but I see a lot more confidence in upgrades from the customers than I saw it two to three years ago in the recent times. So, the opportunity pipeline is much more robust in the upgrades.

Services, we are seeing consistent growth. I don't see a risk. It just will continue to grow on the coal services.

Deepak Narnolia: Sir, how much services revenues are there in your revenues right now?

Yogesh Gupta: Mr. Deepak, we normally don't share the split between new build and services, but broadly like we have the absolute numbers and the indicative percentages I can give you. We can say about 25% to 30% of the revenue is coming from services which includes both steam services and the gas services. This is basically what we have on the services.

Deepak Narnolia: And how was it in the last year?

Yogesh Gupta: Last year also, it was almost about 30% the same quarter if we look at. I would say it was 22-23% approximately. This is how the services business has been happening and as Prashant mentioned that our core services domain is doing very well. And upgrades also, there is a huge pipeline but the orders are deferred. That also will materialize and then you will see the impact of those revenues as well in the coming quarters.

The structural cost is, we are looking at almost about 13.5% that we have and we are doing a review of all the structural costs that we have and we are looking at what kind of structural costs we can, I would say, sustain on a longer period of time and then we are looking at the cost saving measures which were covered in the summary slide of Prashant. We are looking at both the aspects. One is on the structural cost. Second is on the cost of completion of the projects.

Moderator: The next question is from the line of Surabhi Saraogi from SMIFS Capital Markets. Please go ahead.

Surabhi Saraogi: Sir, my first question is that you have been winning a good number of orders. Still at an operational level, the company is incurring losses. When do you folks will start making profits? Which quarter do you hope to achieve a green bottom line?

Yogesh Gupta: Ms. Saraogi, we normally don't give projections for the future like when we will be turning around.

Prashant Jain: Maybe I can just add on the order base. The order that we have booked this quarter is a long-term project from hydro and this project will execute over the next few years. It's a very recent order, and therefore, the revenue evenly spread over multiple years. So, all the project portfolios that we have the project span from the range of…. If it is an industrial utility project, it ranges 2 to 10 years for an order to convert into revenue when you look at the new build project orders. If you are referring to the order of this quarter which we have announced, yes, this will be spread across the next few years.

Surabhi Saraogi: My another question is that in your earlier presentation, you had mentioned that your parent company will be reducing its stake within 36 months. How much stake will it be reducing? What will be the stake of the parent company after 3 years?

Prashant Jain: At this point, we have no further update to that and we will update you as and when we have more information on that.

Moderator: The next question is from the line of Alok Nath, an individual investor. Please go ahead.

Alok Nath: My question is, in the opening of the presentation, they told the revenue is going down each quarter and the reason they stated is they are not able to get the orders. Since we are operating in several diversified like energy level and services level, still why are we not getting more orders?

Prashant Jain: The company is operating in 3 segments today largely. In terms of the order profile, we have hydro projects, then we have the new build coal projects which includes the FGD boiler, and the third segment is services. What is consistently delivering order intake is services. Hydro, the order is once in a while like the Saundatti order which was booked in the last quarter. The earlier order was about a couple of years ago. These are large projects and the projects usually take time – two to five years – in terms of developing and quotation to the final fructifying of the order and that is what is the fluctuation that we see because of the hydro order intake. Regarding the FGD and the boiler; for the boiler, there has been no new order in the market for the last four to five years because the entire focus in the entire sector was to order renewable energy and there was no new order on the new boilers in the last four to five years. So, it is in the entire sector. The country has started to consider new coal projects only this year. But again, there is simple overcapacity in the industry as regards the boiler and therefore the entire restructuring around Durgapur that we mentioned earlier in the call and the previous quarters is because of that.

The last is the FGD which is the emission control to provide control solutions to the projects. In that segment, when COVID happened in that year, the ordering was stalled. The first round of orders was ordered by NTPC, the central utility. Those orderings were completed. There was a lull in the demand for the last couple of years largely due to COVID and there was also a neighboring country ban because of which the customers had to find alternative supply chain to be able to source the demand. So, maybe on the FGD ordering, I would ask Vinit to add a bit more.

Vinit Pant: Prashant, you are right. We have seen the ordering was almost 30 gigawatt plus when it started in 2018 and in fact, the last year has been worst ever for the industry. As you mentioned, Prashant, we had this issue about COVID, and we had plant water issue plus there was some ambiguity on the categorization of plants and implementation timelines. So, last year, as I mentioned, it was very bad and we saw ordering only about 9 gigawatt for last financial year as compared to a peak of 32 gigawatt when it was started. So, clearly, we see there is an improvement on the ground. This year so far, we have seen about 6.4 gigawatt has been placed already. So, definitely, I would say we see on the ground that customers have started…. As I mentioned, there is a very healthy pipeline and we are in various stages. In some cases, we have submitted our offers, but in many cases, we are in the final stages. Clearly, we see ordering to improve next quarter onwards.

Alok Nath: I am also hoping for the same thing, let us get more orders. We are having multiple services but still we are not able to get the orders. That concerns us. I hope you are coming up with a good plan for that one.

Currently, the debt to equity for the company is proper, it's not concerning, but every quarter we are making higher losses actually. If this continues, that will be having a higher impact as we go forward. So, how are you planning to tackle that one? That's my question.

Prashant Jain: Maybe your question is regarding the cash flow for the future. The FGD projects that we have booked is all heavily back-end loaded cash terms which means that we will recover a lot of cash from the backlog in the next three to four quarters, and therefore, we don't anticipate the borrowing to go up significantly due to this. We expect that the cash from the backlog – as we execute the backlog – will come and that cash will help and support the future structural cost requirements if any. We don't expect this to deteriorate in the current situation.

Yogesh Gupta: The borrowings have come down significantly if we compare from the last year same quarter. From the range of about 500 odd crores, we have come down to 286 crores. If we look at the debt-to-equity ratio, it has improved from 0.6 to 0.47, and rightly mentioned by you, Mr. Nath, that this is reasonably, I will say, pretty fine on the front of debt-to-equity ratio. That challenge on the cash flow is not such a big issue because slowly we will be recovering our retention payments from the FGD contracts that we have executed and we will be completing the future periods to come.

Moderator: The next question is from the line of Sameer Mistry from Aditya Birla Sun Life Insurance. Please go ahead.

Sameer Mistry: My question is, what is the core operating margin of the company? Even if you look at this particular quarter, while you were mentioning that there are some restructuring costs and startup costs for the hydropower projects, etc., if you look at the core operating margin, what would that be? Because, you have also mentioned that the gross margins have improved by 200 basis points. If you look at the core operating margin, what would that be?

Yogesh Gupta: Core operating margin, if we look at purely on the gross margin front, it varies from our different segments. It's reasonably, I would say, good on the services side. On the projects side, it is a higher single digit number. This is where we stand. From gross margin if we look at the structural costs, we come down to this negative scenario and what we are seeing at the PBT level and this time there are no exceptional issues in this quarter, we are about 12.9 or 13 odd percent negative.

Sameer Mistry: Basically, what you are trying to say is there are no one-offs in this particular quarter as far as restructuring cost or startup cost, VRS, etc., nothing was there?

Yogesh Gupta: Yes.

Sameer Mistry: Going ahead, in the next maybe couple of quarters, as the top line improves, then the operating leverage can come in. That's what you are saying?

Yogesh Gupta: Mr. Mistry, we don't make futuristic statements.

Sameer Mistry: I am not asking for any futuristic statement or you give me the turnover as such of 700-800 crores you will be doing in the next couple of quarters – I am not asking that. What I am saying is that is the company ready now? Are there any execution challenges further remaining? Or from this particular quarter onwards, you will be at least back to the normalcy as far as execution of orders are concerned?

Raj Raman: We saw this situation; the challenges emerge in the last quarter primarily driven by the inflation. Now currently we are seeing the situation kind of get better and our workforce situation also is improving. So, we should see more stability around this on the projects front, I would say.

Sameer Mistry: The July-August-September quarter could be back to normal is what you are trying to say?

Raj Raman: Yes.

Moderator: The next question is from the line of Danesh Mistry from Investor First Advisors. Please go ahead.

Danesh Mistry: I joined a little bit late. I have just one question if you have touched upon. You basically responded to one of the callers saying that you expect your cash flow situation to improve over the next few quarters given the order backlog. I just wanted to understand where do we stand on the receivables front regarding our projects that we have already done for some of the PSUs.

Yogesh Gupta: Mr. Mistry, we have mentioned that the cash situation will improve by way of recovering on the retention payments in the coming quarters and not just because of the backlog. As we have been sharing in the past meetings, we had close to almost about 40-50% of retention payments in the first phase of FGD projects that we had taken. This was the challenge that we mitigated by way of collecting payments once we completed the retention milestones.

Danesh Mistry: Essentially what we are seeing is that we are at a situation now where at least the retention milestones have kicked in and we don't see any kind of issues in terms of recovering the retention money that was with….

Yogesh Gupta: These retention payments are from the two best PSUs in the country. As and when we meet the milestones, we will be recovering these retention payments.

Danesh Mistry: What is the total retention money outstanding if you can share that?

Yogesh Gupta: Normally we don't share but it is substantial. It is in the range of almost about 80 plus percent of the receivables.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to Mr. Prashant Jain for closing comments.

Prashant Jain: Thank you all for joining and thank you team for clarifying the questions. Looking forward to speaking with you again in the next call. Thank you all, have a good evening.

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