



## GE Power India Limited

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21 February 2023

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 15 February 2023**

Dear Sir/Madam,

Further to our letter dated 15 February 2023, please find enclosed a copy of the transcript of Earnings conference call held on 15 February 2023.

**Thanking you,  
Yours truly,**

**For GE Power India Limited**

**Kamna Tiwari  
Company Secretary & Compliance Officer**

Enc.- As above



“GE Power India Limited  
Q3 FY '23 Earnings Conference Call”  
February 15, 2023



**MANAGEMENT: MR. PRASHANT JAIN – MANAGING DIRECTOR – GE  
POWER INDIA LIMITED  
MR. YOGESH GUPTA – WHOLE TIME DIRECTOR AND  
CHIEF FINANCIAL OFFICER – GE POWER INDIA  
LIMITED  
MR. VINIT PANT – CHIEF COMMERCIAL OFFICER –  
GE POWER INDIA LIMITED  
MR. RAJ RAMAN – EXECUTIVE, PROJECTS – GE  
POWER INDIA LIMITED  
MS. KAMNA TIWARI – COMPANY SECRETARY  
& COMPLIANCE OFFICER**



**Moderator:** Ladies and gentlemen, good day and welcome to GE Power India Limited's Earnings Conference Call for the Third Quarter of FY 2022-'23. 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 star then zero on your touchtone 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:** A very good evening and warm welcome to all of you for joining this discussion on the financial and operational performance for the third quarter of the financial year. Before we dive into the quarterly performance, I would like to welcome my team who is joining me to answer your questions and update performance across various verticals. I have with me Yogesh Gupta, our Whole Time Director and CFO; Mr. Vinit Pant, our Chief Commercial Officer; and Mr. Raj Raman, Executive, Projects on the call with me.

I would like to start with the global economy with some context on the global situation. The year 2022 turned out to be tough for the global markets with volatility in commodity prices and dictated the Central Bank activities in most of the countries, thereby impacting the growth trajectory worldwide in the world trade. Surge in inflation due to heightened commodity prices including crude oil and gas led to global slowdown as major economies witnessed cutdown in retail consumption growth.

However, the first 2 quarters of the year also saw a major energy crisis, primarily in Europe, but with impacts beyond, due to cut in supply of gas from Russia to the European Union. Due to global economic slowdown and projected recessionary fears, the World Bank has revised the world GDP growth at 1.7% for 2023 compared to 3% earlier in its latest global economic outlook report. With global energy crisis, we also witnessed a revival in growth of coal-powered electricity generation as surging gas prices and insufficient renewable energy forced countries to rely on traditional thermal power to meet their growing demand of electricity. This was the global context.

What happened in the Indian economy and Indian power sector? In the Indian context, the World Bank has revised GDP growth for '22-'23 to 6.9% as against 6.5% projected in October 2022. According to the World Bank, the Indian economy is better poised to combat external environment pressures and economic fundamentals are in good place compared to other emerging market economies.

As far as the energy sector is concerned, the country's reliance on coal as a traditional fuel has gone up since the pandemic. Though coal contributes close to 50% of India's installed capacity, its contribution to generation is close to 80%. This is a clear indicator that significance of coal for power generation is undisputable at least for the next few years to come. The situation in India is similar to Europe. The high natural gas prices led to a stronger reliance on coal for



electricity generation. The coal price globally has been impacted due to the Russia and Ukraine conflict. Russia being the third largest coal exporter has disrupted the global coal trade and this has impacted the input price for Indian players as well.

India's coal imports during the 2022 grew 14.7% at 161.18 million tons. The domestic production too has grown by 17% to 524 million metric tons during the April-November 2022 compared to 448 MT in the corresponding period of last year. This also was a blessing for India as India largely relies on domestic coal. India has been, to an extent, protected on the electricity tariffs against the world tariffs because 80% of the generation is still coming from coal. And that has prevented, as far as domestic coal is concerned, certain amount of inflation in the domestic markets.

Coming to the flue gas desulfurization business in India, the segment ordered 20 gigawatt compared to 7 gigawatt during the same period the previous year. This means that the market is higher this year as compared to last year but the expectation that we had was about 30 gigawatts against which we saw 20 gigawatts. So in summary, the market is bigger than last year against 7 gigawatts to 20 gigawatts but our expectation was a 30 gigawatt market in the period so far in 9 months. The segment is seeing this slowdown as the deadline for -- I would not say slowdown, but I would say that certain orders have been delayed as the deadline for coal-based power plants to implement emission standards has been extended by 2 years.

What does this mean on GE Power India operations? The turnaround for GE Power India operations is taking longer than we expected. And one of the reasons is the slowness in the market, for example, the regulatory delay of the mandate to implement FGD technology, but also the Upgrades. Power producers are currently running their assets at full load to benefit from high demand. And we are getting a very good price level for power and thus we're delaying shutdown to implement Upgrades and therefore there is a delay in capex. This we believe is of temporary nature and we are expecting Upgrades to pick up in the midterm.

Overall, we have seen an uptick in the market with the market size of FGDs being larger than at the same time last year which is why our -- and which is of course, lower than the level that we were anticipating, and which is why the orders have gone down from INR 2.6 billion in Q3 of '21-'22 to INR 1.5 billion in the Q3 of the current fiscal year. You can see on the Page 4 in the slide, most of the decrease comes from order intake from the FGD segment.

Since FGD and Upgrades are continuing to come in slower than expected, we are using our existing backlog and therefore, the mitigation actions that we're taking are on two fronts. One adjusting the load at the Durgapur factory and we have done another round of restructuring towards that in the current quarter. And the second is on the -- give me a second, please. And second, which is on focusing on very tight control on the SG&A. At the same time, we are mindful of the fact that we need to keep the right level of competence for us to deliver on our future strategy.

On the strategy, in general, on growing core services, we are seeing good progress. We have been growing and we are expecting to close the fiscal year in the double-digit range. On the core



service execution side, we are doing very well with high levels of productivity. So this is a good part of the strategy that continues to be attractive.

On the new build side, we are continuing to execute the equipment projects from our backlog. And the risks we have seen are from commodity price inflation and supply chain disruptions as a result of the geopolitical instability. And our actions to mitigate these risks include measures to protect the margin during execution and ensuring a mitigation provision in new orders as well as looking at alternative sources for key commodities and components.

While these actions are aiming at keeping our business sustainable on the long-term, these risks include factors that are outside of our control being faced by the entire industry sector. We, as well as the sector, have made joint representations and representations to the Ministry and customers for exceptional one-time relief. Timings of such relief is, of course, subject to the discretion of Ministry and the customers which we are constantly engaging with.

If I have to summarize the executive summary on the Q3, first, I would like to highlight that for GE Power, the year 2022 is a milestone year as we marked 120 years of presence in the country and, this year, is embarking on a significant energy transition journey. The turnaround for GE Power India Limited operations is taking longer than expected due to order intake of FGDs and Upgrades being lower than anticipated. We are taking actions by restructuring and adjusting the load at our Durgapur factory and by reducing our operational cost and SG&A. Core services, we see good progress and we are growing and we expect to close the fiscal year in double-digit range.

So that's the summary in a nutshell and for discussing financial operations, I will now call upon our CFO, Yogesh to open and then we will, of course, open for question-and-answers. So, over to you, Yogesh.

**Yogesh Gupta:**

Thank you, Prashant. Good evening, everyone. And I'm pleased to welcome you today to discuss our financial and operational performance for the third quarter ended on 31 December 2022. Lower-than-expected industry demand and subsequent lower order intake in the last 2 years have impacted our revenue and margin for the quarter. Revenue for Q3 '23 stood at INR 532.7 crores, down from INR 757.1 crores in the corresponding period of last year, whereas the revenue in Q3'23 is higher than the revenue of INR 427.8 crores in Q2 '23.

PBT has been impacted because of lower volume, project cost updates, mainly for 2 projects, Solapur and Jhajjar, and exceptional item for rationalization of Durgapur manufacturing facility amounting to INR 10.7 crores. Loss before tax for Q3 '23 is lower at INR 30.2 crores against a loss of INR 46.2 crores in the corresponding period of last year and INR 112.6 crores in Q2 '23.

Structural costs in the first 9 months of the current year have gone down, but there has been under-recovery due to lower volumes, thereby lower capacity utilization. Loss after tax for Q3 '23 was INR 139.9 crores against a loss of INR 34.5 crores in Q3 FY '22. The increase in loss after tax is due to the treatment of deferred tax asset. The carry forward amount of the deferred tax asset has been reviewed by the company management.



And considering the recent financial performance of the company, lower order intake than expected and delay in order backlog execution, the management has taken a conservative view as per the accounting standards to charge off the deferred tax asset of INR 109.7 crores during the quarter ended 31 December, '22. During the quarter, the company got orders worth INR 152.1 crores against INR 264.7 crores in Q3 FY '22. As of December 31, '22, we have an order backlog of INR 4,020 crores.

This is on the financial front, a brief summary. Now we are open for Q&A.

**Moderator:** The first question is from the line of Danesh Mistry from Investor First Advisors.

**Danesh Mistry:** I had a couple of questions. One is that, if I were to see, this time, your other expenses have gone up year-on-year. So is that in some ways related to the INR 9 crores extra impact that we have taken on account of Solapur? That's question number one.

**Prashant Jain:** Sorry, can you repeat, please?

**Danesh Mistry:** The other expenses, if we were to see our console numbers, so our other expenses in December '21 was INR 51 crores, and on December '22 was INR 69.9 crores, roughly INR 70 crores. So they're up about 40%. So this is on account of any onetime expenses that we have done or is the INR 70 crores a number that now we have to work with in the other expense? And what are these other expenses actually?

**Yogesh Gupta:** Well, I will take this question. On this, like that INR 9.7 crores that onetime is not in the other expenses. And the reason for the increase from INR 512 million to INR 699 million, if we look at our performance in Q3 '21-'22, we had a bad debt provision write-back of INR 94 million, whereas this year, we had to create additional provision of INR 83 million. So this netted an impact of about INR 177 million.

And the second major reason has been the net loss on foreign currency front. This quarter, in the current year, we have had an impact of INR 87 million, whereas last year, there was no impact. The rest other like small like tickets in the range of about plus/minus INR 10 million to INR 15 million.

**Danesh Mistry:** So this INR 9 crores number of Solapur comes where then?

**Yogesh Gupta:** This has been there in our cost of material or you can say on the cost -- basically, this was impacting the project, and this is on account of the insurance, like that will be finally covered. Because of the estimates in the survey we realized that this additional cost impact will come.

**Danesh Mistry:** And I remember a couple of quarters ago, we had also taken some cost write-off on account of that hydro project in Odisha. So has that project started off for us now?

**Prashant Jain:** The hydro project in Odisha, if you're referring to Subansiri project. So yes, there is a good progress on the project. The project is moving well at this point in time. And yes, so we are seeing a good progress, I would say. So we don't see any further surprises there. It's progressing well.



- Danesh Mistry:** Got it. And on the receivables front, if you could also give some sense of the balance sheet today, what is our debt position today? And what are the receivables that are still pending? And any milestones that we see coming up in the next, let's say, 1 year, where some of these receivables would be realized?
- Yogesh Gupta:** On the front of our borrowing, we are at INR 273 crores borrowing as of 31 December '22.
- Danesh Mistry:** This is gross?
- Yogesh Gupta:** Yes, this is the gross borrowing that we have both from external and our internal like affiliate arrangement. And this number was INR 293 crores as of March '22. So we have reduced borrowing by about INR 20 odd crores. And if we look at the September '22 numbers, we have reduced the borrowing by about INR 800 million. So this is on the front of our borrowing. And when we look at our receivables position, we have net receivables of INR 20.74 billion as of 31 December, '22. And this number as of March '22 was INR 23.95 billion. We have improved upon our receivables position as well.
- Danesh Mistry:** And any sense, I mean, on how much we could expect in the next 1 year? Is it 30%, 40%? Just an idea, I mean...
- Yogesh Gupta:** What I can say in terms of the next 3, 4 quarters, we expect that the majority of the work that we will do on the FGD projects is on site work, and we expect to collect majority of the retention payments on the FGD projects in the next 3 to 4 quarters. So that is what we see because most of the supplies are done, now it's pretty much the site works on the projects that have -- in the previous backlog. Of course, we have the new projects, we will start to see them in the next 6 to 7 months, but not in this current year.
- Danesh Mistry:** Actually, one thing that I must congratulate the management on is that you kind of manage your costs pretty well and that's how you've brought it down. Just one last question from my end. What would be the contribution of services in our revenues? In the presentation, you've given the order book breakdown, saying how much is services and how much is new build. But how much is it in the revenues today out of the INR 500-odd crores of revenue that we have done?
- Yogesh Gupta:** This number, in percentage terms I can share with you. In this quarter, we have done a total revenue of about INR 5.3 billion. The services have been in the proportion of almost about 23%.
- Danesh Mistry:** And last year, this was how much, just roughly?
- Yogesh Gupta:** Last year, this was, I would say, a shade lower. So I would not have exact number right now but the indicative number will be about 25% - 20-odd percent, yes. So this is a significant revenue that we have done in this current quarter, which is, in my view, one of the best that we have done in service revenues. So it has been an exceptional quarter on the performances of services. So it's -- that portion of business is -- the core services is doing quite well.
- Danesh Mistry:** And in Durgapur now, have we finished whatever restructuring we had to do or do we still expect any more restructuring in Durgapur?



**Prashant Jain:**

So I would say that the majority of the actions are done. Now, in the last year, what we have seen, against our expected load on the factory, since we had lower levels of inventory and high material inflation, we lost out some bits to the competition who had larger inventory in the factory. So this year now we have to catch up as the material prices stabilize. We are working on a strategy to load the factory.

But at this point in time, I would say that the book and build is going to be very crucial to monitor the performance very closely. So we are monitoring that very closely, that is a large part of the under-liquidation today in the numbers. And we want to retain the competence and the capacity so that as we get back the load, that is what you would see as the under-liquidation that is impacting whereas the SG&A is lower for -- that we've done.

The under-liquidation currently is what we're seeing hurting us, but we have reached at a point where further action without compromising on competency is a challenge. So I think the trick is on how fast are we able to bring orders to -- for the shop.

**Yogesh Gupta:**

So I'll just clarify, it is about -- in the last year same quarter, the service -- clean service revenue was about 16% . And this year, it is about 23% as I mentioned earlier, yes.

**Moderator:**

The next question is from the line of Surbhi Saraogi from SMIFS Capital Markets.

**Surbhi Saraogi:**

Sir, in your opening remarks, you said that the turnaround of GEPIL operation is taking longer than expected. So can you give some outlook as to by when do you expect the business to turn around or by when at least you expect to go EBITDA positive?

**Prashant Jain:**

I would say that the leading indicators, Surabhi, for this would be order intake. We have done the optimization of the capacity. And I would say that you should monitor the progress of order intake. Currently, we are falling short of the orders. And as we see the orders progressing, considering the lead time typically of the orders is what I think we will have to monitor quarter-on-quarter, we would not make any forward-looking statements.

**Surbhi Saraogi:**

Okay. And sir, one more question regarding the incident at Solapur, can you give some comment as to what are the implications going forward, whether all the provisions have been done?

**Prashant Jain:**

Yes, all the provisions have been done. And after the provisions, we now have to start the -- we are now in the process of -- the surveys have been done. The final survey concluded in the current quarter. Therefore, you see the additional hit which we have announced in today's results. That is the update that we've had from the previous. So now we have booked all the costs that are required to be booked on the project in the provisions.

As we now make progress and recover the money from the insurance, we will -- in a year's time, as we will execute the project, we will start claiming with the insurance and make progress on the project. So the provisions have been done, it's about now making progress, investing money and then recovering from the insurance is what we'll have to do as we go forward.

**Moderator:**

The next question is from the line of Mohit Kumar from DAM Capital.





**Mohit Kumar:** Sir, first question is on the thermal pipeline. You said thermal pipeline is improving materially. As we stand today, they're roughly around 7 to 8 gigawatt of order which you opened. Does it - - and we, of course, expect BHEL to win a larger share of order, does it bode well for our order outlook?

**Prashant Jain:** So the number that I mentioned, 7 gigawatt was in the last year, the orders of FGD versus that you've seen about 20 gigawatts of orders of FGD in the current year. And...

**Mohit Kumar:** Sorry to interrupt, my question was primarily on the thermal BTG order, yes.

**Prashant Jain:** Yes. So on the BTG, we are still evaluating the participation. And yes, today, we will announce that we are working on the opportunities. But at this point, it's too early for me to comment. Those are still in early stages of discussions with the customers.

**Mohit Kumar:** Secondly, sir, on the FGD side, of course, there is some delay. But how do you expect it to pan in next 12 to 18 months, given that the first time line, if I remember correctly, is 31 December, '24, and second is '25, third is '26? So I think this is the time -- so FY '24 should see healthy order for FGD side. Is my understanding correct?

**Prashant Jain:** So what we will do is we will make a comment on the market. What we have seen is even though the customers do decide the order, by the time they make the purchase order and they make the payments, we are seeing a cycle of 9 months to 1 year. So the ordering, even if it happens, the customer makes the decision, places the purchase order, then they close the financial commitment and making the down payment, we have seen a slightly longer cycle.

And the orders that we have booked so far, 2 of them, we have booked them almost after closing the deal in a period of 9 to 12 months. And that is what we are a bit concerned of because the time lines have been extended. We see customers are still eager, negotiating, taking offers. But by the time we see the cash coming into the books, it's taking a bit longer. So that's the overall context when we say the ordering is delayed. Overall market is intact. It is just that we would have wished to have the entire order intake in the year so that we could start converting it into revenue.

But it is going to take longer for us to book and convert those orders in the context of what we were trying to explain in the earlier half. On the total project pipeline, I would ask Vinit to step in. Vinit, maybe you want to just make a mention on the market of FGD as we still see it?

**Vinit Pant:** So still I'm looking at what. gigawatt needs to be ordered, roughly 110 gigawatt has been ordered and another 110 gigawatt remains to be ordered, which translates -- of INR 56,000 crores. So that is what needs to be done. And as you correctly mentioned, as far as time lines are concerned, the end date where most of the plants are -- is '26 and --considering And strong time period of just.

Logically you know, thought start ordering in '23 or '24 -- start ordering. But as Prashant said, there is a delay, customers are taking their -- NTPC central utilities have really gone ahead and mostly it would be the IPP and the state utility customers, which is taking time, as Prashant mentioned. We are in -- getting -- with the -- taking more time.



**Mohit Kumar:** And on the new FGD tenders, payment terms should be far better than our legacy orders. Is that understanding correct?

**Vinit Pant:** Yes. That is right. They are far better and clearly, we have a strategy also to look at the cash accretive deals with positive cash flow and our recent orders are aligned with this strategy.

**Mohit Kumar:** And lastly, sir, you have signed an MoU with NTPC for reducing carbon intensity from NTPCs coal-fired units. Is this something likely to materialize over the next 12 to 18 months? Or do you think it's just, at this point of time, at explorative stage?

**Prashant Jain:** Yes, it's early stage at this point in time because this is towards the 2030, we want to achieve certain outcomes in the long term. And we are working -- so initially, we see some engineering, our commitment maybe for 1 year, 1.5 years, where we will do some joint engineering R&D work, and the deployment should happen only in 2 years.

So it's a great investment towards creating a decarbonization strategy for the coal-fired sector. So we think it's a great opportunity. And it is, of course, nonexclusive. So we have to also make sure that we deliver and we develop on that as we move forward. So your estimate is right. We will see it in maybe 2 years more than the engineering that we will see as pilots -- it'll take some time to evolve, but it's in the right direction towards energy transition.

**Moderator:** The next question is from the line of Apoorva Bahadur from Goldman Sachs.

**Apoorva Bahadur:** Sir, I wanted to understand if we have quantified the potential opportunity from this extension of the retirement age for plants, which I think MOP had notified some time back. So do you expect large-scale R&M to be undertaken for any life extensions and if yes, then to what size?

**Prashant Jain:** So if you look at the Indian market vis-a-vis the global markets, we anticipate that Indian markets will remain flat, which means that we will see maybe at the most, we will not see a market going down, it'll be flat, even if -- and the challenge that we are currently seeing with the customers, they did not anticipate the demand. And now because they have the demand, they are not willing to shut down even for normal maintenance. So certain ordering has been actually postponed. So yes, it should convert into upgrades. And we do expect that in the midterm, the upgrades will come up. So Vinit, you want to add around the market development?

**Vinit Pant:** So I think he was, Prashant, referring to the discussion which has taken place in the power ministry where Power Minister has advised not to retire thermal units and go for revamping. So we have that list -- to answer to your question, we have a list of about 224 units totalling 65 gigawatt where potentially there could be a requirement of R&M and this would be mostly 210 and 500 MW units. So we are keeping a track of it. We have already done turbine upgrades in 2 plants, GSECL Wanakbori and NTPC Ramagundam, which are the reference plants also referred to by the CEA and MOP. So we are glad to inform that we have successful references and execution capability and we will be ready to address the requirement as and when the tenders come out.

**Apoorva Bahadur:** So what would be the capex, say, in crores rupees million per megawatt that we should typically associate with, say, a turbine upgrade?



- Vinit Pant:** This is something which we are still working on and will depend on the size of the plant, scope and specification of the project which will vary from plant to plant, it would depend. It would not be correct to put a number at this stage
- Apoorva Bahadur:** Okay. And sir, and the list that you have for the 65 gigawatt which is to be sort of upgraded, is it more towards the state-owned power plants or is it also for these centre and private power plants?
- Vinit Pant:** No, it would be mostly state and centre, it will not be IPP, because most of the IPP units are new with relatively higher efficiency.
- Moderator:** The next question is from the line of Manvira an Individual Investor.
- Manvira:** I have a couple of questions. Can you provide the segregation of order inflow from FGD, clean service, hydro and gas?
- Prashant Jain:** We have already given that indication in the chart for you to see.
- Manvira:** Okay. And do you think the decision of government to extend the emission deadline for coal-fired plants has impacted the FGD order flow?
- Prashant Jain:** So yes, I have mentioned earlier that we were expecting in the period, 30 gigawatts to be ordered roughly, and we have seen about 20 gigawatts being ordered. So yes, we are seeing that certain customers have not been in a hurry to execute. And based on the zones, the time line for even implementing the existing projects, the amount of urgency that was there earlier to get on to that, we are seeing certain ease in the ordering cycle. So yes, in the current year, against the 7 gigawatts last year, we see 20 gigawatts. So market has gone up, but we were expecting 30 gigawatts, but it is 20 instead of 30. So not to the extent that we expected because of these delays.
- Manvira:** And lastly, can you give me the update on the execution front? So last year, you had mentioned that the execution in some of the project is delayed, and which is impacting our profitability. So has the situation improved?
- Prashant Jain:** Sorry, can you repeat the question?
- Manvira:** So last quarter, you have mentioned that the execution in some of the project is delayed, and which is impacting the profitability. So has the situation improved?
- Prashant Jain:** Yes. Raj, would you want to comment on overall execution, how much delays are you seeing in our project portfolio and what you're seeing in the current year in terms of milestones to achieved?
- Raj Raman:** Yes. Thanks, Prashant. So, we -- as such for our FGD execution, we continue to lead in terms of the milestone completion as far as our customers are concerned. Yes, we have seen impact on account of the inflation and the supply chain disruptions. Overall, there has been a delay, which we have seen, again, cascading from the COVID-related delays. However, we have a strong line of sight for many milestones to be achieved in this next 2 to 3 quarters, as Prashant mentioned



in the beginning, and that would really help us to secure our cash on the retentions from the customer.

**Moderator:** The next question is from the line of V.P. Rajesh from Banyan Capital.

**V.P. Rajesh:** So first question on the comment you made in your opening remarks about the relief that you're seeking from the Ministry and the customers. Could you elaborate on that? What kind of relief are you looking for? And what's the potential timeline for any of that?

**Prashant Jain:** Yes. So the -- if you look at the COVID Wave 1 and COVID Wave 2 in isolation, they are individual force majeure events. But when you add the COVID Wave 1, COVID Wave 2 supply disruptions that continued and then the hyperinflation that has happened subsequently because of supply chain disruptions during the conflict in Europe, the combined effect has had an impact on the projects to the tune of 3 to 4 years and the normal indexation that is applied into projects is not adequate to cover this inflation. So we have represented to the Ministry and also to our customers to give a relief in terms of having an index that adequately covers this exceptional situation.

This is not business as usual. And such a prolonged duration on the projects side is not what was anticipated by anybody when we started the project, and this is on behalf of the industry and the sector, not for the company alone. And therefore, we have said that we need a special indexation and a relief for these projects so that the PVC can be applied with a special index and not the normal index for business-as-usual times. So that is what we have represented from the industry.

**V.P. Rajesh:** And what's the timeline of a potential resolution to this? Is it a quarter or 2 or maybe a year...

**Prashant Jain:** That is -- I would not be able to hazard a guess because it's in the government's area. So yes, we have made representation both to the government and customers. Maybe the customer may decide, maybe the government would decide, so we don't know. If some customers do decide, that might come sooner. If the government decides something, it might come sooner, the government may not decide. So it's uncertain, but yes, it's an exceptional situation being faced by the sector. And therefore, I see that this is a problem across the sector that people are representing to secure this.

**V.P. Rajesh:** Understood. And then on the FGD business, you talked a lot about that the customers are not shutting down the plants for regular maintenance, but aren't they required by compliance, etcetera, to put these things or you're saying just because the time period has been extended, they are going to wait till the very end to start doing these projects, which are required anyway?

**Prashant Jain:** Correct. That's right. In that there are 2 topics, right? One is the FGD, the second is services. In services, it's a short-cycle business. And if you expect the customer would have done, say, an outage in, say, in December, January or March, typically an area that we might want to do an outage, but if there is a big demand and you have seen the tariff has actually gone as high as INR 20 or INR 16 now on the exchange, so they would continue then not to stop the plant for maintenance in that quarter, but push it out by a quarter. But if they do that for a quarter, then for that quarter, the service business is gone. So that impacts short-term movement of the quarter



based on the demand. So in my view, that's temporary and that pushes the customers to delay their decisions simply by a couple of quarters, but impacts the short-cycle business.

**V.P. Rajesh:** But that's a revenue loss for us, right? Or is it the revenue...

**Prashant Jain:** Correct. That's temporary, yes, because eventually they will have to catch up. And upgrades, we see the challenge, that upgrades we have seen a big demand in the inquiry, but then we've seen that, okay, they are now deciding the timing of the upgrade and when they want to commit to the capex, we're not seeing a lot of decisions happening towards upgrades yet. But there is a big pipeline, and you heard earlier in the previous question that even the government has now said several plants not to be retired in 2030, that is meaning that the upgrade R&M market should open up, but we're just not seeing that converting into decision yet. And typically, I mean, our experience has been in the past, it takes a few years for an upgrade opportunity to mature. So we are optimistic that in midterm, the upgrade market will come back.

**V.P. Rajesh:** Understood. And then last question, what is the time line for GE parent company to divest its asset? I know you had talked about it several quarters ago, but if you can just refresh the time line again, please?

**Prashant Jain:** Yes. So GE, the announcement was in February for a 36-month period, and that is where we are today, and I have no further update on that. So there are 2 aspects to it. One is about the strategic direction of GE wanting to exit and the second was about making the company independent in terms of technology, knowledge, etcetera. So on the 36 months that I have said, it's in public domain since February. And the second area was the technology transfer, etcetera, which is on track. And in terms of the FGD is concerned, we are now fully independent and the other technologies, we have a road map in place to ensure that GEPIL has all the technology that it needs to be able to run in the area of business that GEPIL would like to run.

**V.P. Rajesh:** Okay. So February '22 is the starting point, is it, or '21?

**Prashant Jain:** It's '22, I feel, yes.

**Moderator:** The next question is from the line of Aditya Shah from Vikram Advisory.

**Aditya Shah:** Sir, I wanted to check that I heard that on December '22, we have a trade receivable of roughly around INR 2,000 crores. I wanted to know that how much out of that is retention money and the time lines that you expect to receive that retention money. The second question is regarding what is the operating cash flow that we've made for the full 9 months this year?

**Yogesh Gupta:** Yes. On the retention, we have approximately about 80% as retention of the total outstanding that we have. This I'm talking of the net receivable position after removing the provision for doubtful debts & LD.

**Aditya Shah:** As of March '22, the retention money that we expect to receive was around INR 1,892 crores, right?

**Yogesh Gupta:** Yes.



- Aditya Shah:** So out of INR 1,892 crores, how much of that is right now -- in December?
- Yogesh Gupta:** It is INR 16.4 billion -- INR 1,644 crores.
- Aditya Shah:** Okay. Okay. Okay. And when do we expect ourselves to receive that INR 1,600 crores?
- Yogesh Gupta:** Prashant has already answered this.
- Aditya Shah:** Average timeline?
- Yogesh Gupta:** So this we are -- most of the projects are in the, I would say, the commissioning and site activity stage. And as and when the milestones will get completed, these payments will be collected. And we are looking at a substantial amount of collection in the coming 2 years.
- Aditya Shah:** Okay. Okay. That is helpful. And the operating cash flow for 9 months?
- Yogesh Gupta:** The operating cash flow for 9 months has been -- we are positive INR 590 million cash flow. And if we consider the borrowings impact also like the reduction in borrowings, then the impact is INR 388 million.
- Moderator:** The next question is from the line of Ramesh Behera an Individual Investor.
- Ramesh Behera:** So my question to management, like it's been a year now, and we are not seeing any information or update around depromoterization. Did GEPIL management had a discussion with GE, the parent company about what exactly going on to protect retail investors interest? Or it's only like whenever they require, they will contact with you guys?
- Prashant Jain:** So yes, as I said earlier, there are 2 parts to the announcement. One part is related to where we are working together with GE on making the company independent in terms of capabilities, knowledge and competency and technology transfer in the areas of business that GEPIL would want to continue. And that portion, we are in constant engagement with GE, and we are on track. As regards to the other part of the announcement, which is strategic in nature, which is at arm's length and on that portion of -- GE, of course, will -- so GE is leading that and the announcement, I don't have any further update on that.
- Ramesh Behera:** So my question is that, are we in get in touch with them? What exactly like the future road map or what they're looking for or it's kind of the disclosure whenever they are going to make to the public?
- Prashant Jain:** Yes, as and when there is anything material or update, for sure, we will update and disclose to the market, I have no information at this point in time that I am able to disclose.
- Ramesh Behera:** Okay. One more question. Like I could feel like -- I'm invested from last 6, 7 years in GEPIL, okay? So basically, what's happening, GEPIL signed a deal on 20 December 2022 with NTPC related to the coal-fired business to like a long-term contract with NTPC, but those kind of information not shared in -- not disclosed in BSE, NSE website and you guys coming with those information on result PDF or presentation. Why you are not sharing that information immediately with the retail investors?



- Prashant Jain:** Sorry, I'm not clear about that. Can you repeat the question? It's not clear to me.
- Ramesh Behera:** So basically, the disclosures, like, it's not happening as it was like for NTPC deal or any orders we have received for last quarter. Those are actually like updating in the PPT presentations, PPT and presenting to investors. So I just wonder why this 23 December incident not reported to stock exchange?
- Prashant Jain:** There is no material information. So I don't know which order you're referring to.
- Ramesh Behera:** It's not order, the contract MOU signed with NTPC.
- Prashant Jain:** The MOU? The MOU is in the public domain, and it has been placed in the public domain.
- Ramesh Behera:** I don't think so it's in public domain. It's in GE website but not in the public domain. So basically, the retail investor will not go to the GE website, right?
- Prashant Jain:** It is not material to the performance of the company. It's a technology discussion with NTPC, and we don't see that it will have a material impact, as I explained earlier, in the next couple of years. So from that point of view...
- Ramesh Behera:** If you go through the other way, like NTPC disclosed that information immediately in the stock exchange. So if you go through the NTPC disclosure, you will get that information like they have signed MOU with GEPIL. So I'm bit worried like how -- like why we are not disclosing this information. The similar way, the orders that we received for this quarter, like September to December, those orders also are not disclosed in a timely manner.
- Prashant Jain:** I don't agree with you there, sir. We are following all the policies and making requisite disclosures
- Ramesh Behera:** I'm in front of the BSE website. I couldn't see any...
- Prashant Jain:** Yes, yes, #1, the press release was issued for this MOU, #2, all the orders, which are required to be disclosed are disclosed to the Stock exchanges if they are material. There is a materiality threshold for making disclosure, and we ensure that any topic that is required to be materially disclosed we disclose. And the total order intake value, as you can see, it is disclosed.
- Ramesh Behera:** I don't understand what does mean that public domain? Are you referring BSE, NSE exchange as a public domain or it's the GEPIL website? These information are available in GEPIL website, but not in BSE, NSE exchange. See, investor like us, they're always looking for the information from exchange rather than the website. So why not we are planning on that way? I couldn't see any disclosure around this particular order intake or the execution of the projects we did for last quarter successfully. Those information not at all disclosing in BSE or NSE change.
- Prashant Jain:** We take the feedback and we'll review. In my view, as I said, there is no intention of not disclosing any topic that requires disclosure so far. But we take this feedback, and we will come back on that.



**Ramesh Behera:** Sure. The one more question, like around the turnaround sentence in the PPT, like what exactly went wrong? Like if you compare to the business or COVID scenario or other things, the similar kind of industry or similar kind of companies are coming with robust result. They are coming with robust implementation for execution and coming with like a good amount of revenue for the quarter. And what exactly went wrong for GEPIL? Why we are looking for a turnaround for GEPIL?

**Prashant Jain:** So when we say the turnaround, it's a good question, there are 3 areas that we have identified for GE Power India Limited. One area, we knew that there is a challenge that there have not been very significant new build orders in the past 4 years and therefore the company had to pivot towards developing service business.

Now as we have started to work towards service business, we see a significant development in the service core orders, but we have not seen any upgrade orders material at all in the current financial year so far. So therefore, the growth that we were anticipating from service is not largely due to upgrades where we have not seen any upgrade orders. We don't see the growth of replacing new build with service as a lever for growth has not moved. It is moving in the right direction, but not to the extent that we anticipated, and it is largely due to upgrades.

The second area is on the FGDs. On the FGDs again, we have had an LOI, for example, and that is taking longer time for converting into cash and order booking, for example, Anuppur that we disclosed in December last year, it took almost 9 months for materializing that order and receiving the down payment.

And similarly, now in certain contracts or even if you are L1, it is taking a lot more time for the customer to materialize and convert that into orders. So if you see 2 years of order intake, where we have had lower order intake, the profitability of the company will depend on the revenue that comes from backlog. So the speed with which we should have added to backlog, we have not been able to add. And today, the backlog is flat. So that is what is limiting for us to turn around faster than we anticipated and largely driven by the market, which was not as we expected. So it is largely coming from FGD and upgrades.

Core, we see good progress, and it is moving. The second lever that we've said was to move towards non-EP and EPC that is on track. And the third lever we had said was we will add more and more private customers so that we have a flexibility of cash terms and lesser retentions. That portion is on track. However, is that compensating for the breakeven volume that we are able to move into a profitable zone and the order cycle to convert into revenue? That is taking slightly longer.

**Ramesh Behera:** The final question is like what exactly the market share we are looking for in FGD order?

**Prashant Jain:** Yes. That's a good question. Vinit, can you please clarify?

**Ramesh Behera:** My question is not yet. And again, like from past 2 years, like I think Prashant sir always saying like it's a lower intake orders. If that is the case, why you were not expanding our like participation in the FGD in other areas rather than only limited to few customers?





**Vinit Pant:** Okay. So the first question, we are targeting a market share of around 10% to 12% in terms of gigawatt. And we are looking...

**Ramesh Behera:** If I remember, this was like 18% to 19% earlier.

**Vinit Pant:** It is right, but now as we are moving more towards state utility and IPP customers. So as mentioned, we are looking at select customers and cash-accretive deals. So for that reason, we are targeting this.

**Ramesh Behera:** Are we not looking in the other opportunities?

**Vinit Pant:** Yes, we are trying to -- in some cases, we are bidding on EPC basis, on EP basis. So it's going to be a mix. And some cases, we're also trying to work with partners in order to achieve our access to the market. We are working on it.

**Prashant Jain:** So what we have done, just to summarize what Vinit have said, what we have done is, we have removed the entire 110 gigawatt that will be ordered in the next 2 to 3 years. Of that, we have categorized there into state IPP. Central is largely done, with NTPC ordering, it's all over. So it's largely now state and private IPP. On the state, we are not going after every state because we cannot take terms which are not cash-accretive or margin-accretive and increase the stress on working capital for the company. So therefore, we have been selective in the opportunities that we think will be cash-accretive, margin-accretive to the company.

Therefore, we are doing a combination of EP and EPC and this strategy is working very well so far. The new orders that we have taken, there we see a good execution. On the 2 EP orders and 1 industrial order that we have so far, we have seen that the execution has been very stable so far, and we have been able to control the outcome very well. So all the learnings that we have learned in the past, that part of the strategy is working quite well.

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

**Danesh Mistry:** I had just one question. You mentioned that essentially power plants are running at full tilt and, given that they have a lot of demand and you see that -- so do you see actually the services business picking up from here, given that if you run a machine for long, it would need service. I'm just asking from a very layman's perspective.

**Prashant Jain:** Yes. So there are 2 parts to the business. One is the core services, one is the upgrade business. So what we've experienced so far, the core services, over a period of 1 year, it balances out. At times, the customers have an annual budget. And in the end, somewhere during the year, if it is pushed from one quarter to the other, it balances out. So I will lead on to Vinit to comment in terms of actual numbers, what we saw in the core services due to this in the market from our expectations so far versus actual landing number in the market in core services.

On the upgrade, typically, it's a large cycle capex where the customer also needs an approval from the regulator, and therefore, the process takes over 2 to 3 years, and it is very lumpy. You get either a big one or you don't get anything for a time. So that's the lumpiness in the upgrades market and it is not smooth. Overall, on an annual basis, the market, if I have to split, is roughly



about 70%, 80% core to 20%, 30% in upgrade. That is how the market is. So, Vinit, if you want to comment on the market of core last year versus this year, and something on upgrades?

**Vinit Pant:** Yes. So Prashant, I would say, for the market, more or less has been the same level for the core services as last year while some of the key upgrade projects have got deferred, but we have shown that we are growing in core services -- and are looking at double-digit growth by the end of this year.

**Prashant Jain:** All right. Before we close, I wanted Kamna to update on the disclosure of MOU with NTPC. Kamna, would you please take up the question? Of course, we consider the feedback, and we will see if we can improve the disclosures.?

**Kamna Tiwari:** The Company is committed to make all the disclosures in compliance with the Listing Regulations. Additionally, the Company has a 'Policy for determination of materiality of event or information' and determines information from qualitative and quantitative perspective in compliance with the aforesaid policy.

**Prashant Jain:** Okay. Thank you, Kamna.

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

**Prashant Jain:** Thank you all for joining the call today, and I would like to thank you all on behalf of my team. Thank you, and have a good evening.

**Moderator:** Thank you. On behalf of GE Power India Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.