GE VERNOVA

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19 November 2024

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

Symbol: **GEPIL**

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

Scrip Code: **532309**

Sub.: Transcript of Earnings call held on 11 November 2024

Dear Sir/Madam,

Further to our letter dated 11 November 2024 relating to the Audio recording of the earnings call held on 11 November 2024, please find enclosed a copy of its transcript.

Thanking you,
Yours truly,

For GE Power India Limited

KAMNA TIWARI

Digitally signed by KAMNA TIWARI
DN: cn=KAMNA TIWARI c=IN o=PERSONAL
Reason:
Location:
Date: 2024-11-19 16:42+05:30

Kamna Tiwari
Company Secretary and Compliance Officer

Enc.- As above

"GE Power India Limited

Q2 FY 2024-25

Earnings Conference Call"

November 11, 2024

MANAGEMENT: **MR. PUNEET BHATLA – MANAGING DIRECTOR – GE POWER INDIA LIMITED**
MR. AASHISH GHAI – WHOLE TIME DIRECTOR AND CHIEF FINANCIAL OFFICER—GE POWER INDIA LIMITED
MR. ROSHAN SINGH –SENIOR SALES STAFF MANAGER FUNCTIONAL MGMT– GE POWER INDIA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Earnings Conference Call of GE Power India Limited, in respect of Inter Alia, the financial results for the quarter and half year ended on 30th September 2024.

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 a touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Puneet Bhatla, Managing Director of GE Power India Limited. Thank you, and over to you, sir.

Puneet Bhatla: Thanks. Good evening, everybody, and thank you for joining today's call. I'm thrilled to lead our company into its next phase of growth and innovation in the energy sector. This call provides an opportunity to discuss our financials and operational highlights for the quarter, review progress on our strategic initiatives and address the recent challenges. Alongside my team, I'm dedicated to deliver the disciplined performance, operational efficiency and sustainable value back to our shareholders.

I hope you all had time to review our results, investor presentation and earnings release, which are available on our website as well as Stock Exchanges. For this call, I have with me our Chief Financial Officer, Mr. Aashish Ghai; and Mr. Roshan Singh, Commercial Leader, who will join me to answer your queries and update you on our financial performance.

To set the context, I would like to first discuss the global developments and the trend in the energy sector in India. We are currently navigating a complex period marked by heightened global volatility. While we have yet to observe a direct impact on global growth or trade, ongoing geopolitical conflicts, particularly, the escalating crisis in the Middle East and in Europe are the major areas of concern. These tensions are shaping global supply chains, impacting market sentiments and could potentially have broader implications in the near term.

The ongoing conflict in Middle East and Ukraine have put energy security back in the spotlight in the worldwide. While the immediate impacts of the recent global energy crisis started to ease somewhere in 2023, the risk of further disruptions is still very real.

Over the past few years, we have seen how heavily relying on a specific countries or region for energy can quickly become a weakness. This lesson does not just apply to oil and gas, but also to clean energy, which has its own supply chain issues. Many of the materials and technologies needed for renewable energy production come from a few concentrated markets, making them vulnerable to global disruptions.

Clean energy is growing fast with government policies and industry strategies providing strong support. However, there is currently a lot of uncertainties about how these policies might shift in the near future.

In 2024, countries that account for half of the world's energy demand is holding elections. Energy and climate issues have become hot topics for voters who have been dealing with high energy prices, fuel costs and the impacts of extreme weather events, including floods and heatwaves. These elections could lead to new approaches to energy and climate strategies, adding to the uncertainty around the future of the clean energy.

Yet, the move towards clean energy isn't driven solely by the policies and the climate targets. Economic factors like decreasing cost of renewable technologies will play a huge role along with intense competition among countries and the companies wanting to lead in the clean energy.

Clean energy industries are major source of innovation, job creation and economic growth, making them essential parts of the global economy. The energy outlook today is complex with many competing factors shaping the path forward.

With respect to Indian economy and the Indian power sector, against this backdrop, India's economy outlook remains notably resilient. With GDP growth forecasted to reach approximately 7% over the next two years, India is poised to be one of the world's fastest-growing major economies.

This optimism is supported by major global financial institutions that see India's demographic advantage, rising investments and ongoing economic reforms as the key drivers for this growth trajectory. Additionally, sectors like manufacturing, technology and infrastructure are seeing sustained investments, further bolstering the country's economic resilience. As a result, India continues to stand out as a beacon of growth amid a challenging global environment, attracting both domestic and international interest.

The nation's energy demand is expanding in lockstep with it's economic ascent. In the recent years, the power sector has experienced robust growth, driven by an impressive annual increase in electricity demand of around 8%. This surge in demand underscores the country's rapid pace of urbanization, rising industrial activities and expanding customer base. Notably, the India's economy modernizes, the need for reliable, affordable and sustainable energy resources has intensified.

Investment in power infrastructure across generation, transmission and distribution are being accelerated to meet this demand sustainably. The power sector's trajectory highlights the scale of energy needs associated with India's growth ambitions and reflects country's commitment to both powering and greening its future.

India's energy demand is projected to grow faster than any other nation's over the coming decade, fuelled by its vast and growing population as well as surging needs across various sectors, according to the World Energy Outlook 2024 report by the International Energy Agency (IEA). India became the world's most populous country in 2023, surpassing China even as its fertility rates fell below the replacement level.

The democratic shift alongside the rapid economic development is expected to increase India's total energy demand by nearly 35% over the next decade. Additionally, country's electricity generation capacity is forecasted to triple, reaching about 1,400 gigawatts by 2035.

As India progresses towards its commitment to net zero emissions by 2070, coal will continue to play a critical role in the national energy strategy for over several decades. CEA in its reports published in July '23 identified about 68 gigawatts, which in terms of the number of units, stands more than 200 units for R&M and life extension from 2022 to 2030.

Given the country's growing energy needs, reliance on coal is expected to persist in the near future. This presents a promising opportunity for your company, as power generation companies will increasingly prioritize initiatives to reduce sulphur emissions and enhance the efficiency of coal-powered plants. By supporting these advancements, your company is well positioned to capitalize on the industry shift towards cleaner, more efficient coal usage, aligning with the broader goals of sustainability and environmental responsibility.

During the quarter, we have made several key announcements aimed at ensuring ongoing value creation for our stakeholders. This quarter marks the completion of sale and transfer of the Gas Power business as on 30th September 2024.

I am pleased to share this has been a very strong quarter in terms of execution of our strategy, specifically for core and upgrade services. Our company is awarded with two major orders, one from Wanakbori Steam Turbine from Gujarat State Electricity and Boiler R&M for Vedanta Jharsuguda Power Station. The Durgapur team, successfully, has manufactured and delivered the pressure vessels for L&T IOC and Panipat.

Before we open the forum for question and answer, I would like to invite our CFO, Mr. Aashish Ghai, to share financial performance with you. Over to you, Aashish.

Aashish Ghai: Thank you, Puneet. Good evening, everyone. Thank you for joining today's call. I would like to add two data points to the commercial updates that Puneet has just shared with you, followed by the financial performance of the company in the current quarter.

During the quarter, the company got orders worth INR446 crores compared to INR653 crores in the corresponding period of the last year. In the corresponding period of last year, we booked GSECL Sikka's FGD-EPC order worth INR444 crores. This was an EPC scope, which is not a part of your' s Company's new commercial strategy which has core services, services upgrades, FGD's brownfield equipment and Durgapur parts. If I compare orders booked pertaining to the strategy, we have seen a 2x increase from INR209 crores to INR436 crores versus the corresponding period of the last year.

Amongst the order flow in the quarter, R&M job, which is refurbishment and modification jobs of steam turbine project at Wanakbori worth INR243 crores and Boiler R&M at Jharsuguda site, which is worth INR65 crores were the key highlights.

Moving on to the financial performance. We are seeing a steady and favourable shift in the sales mix where we continue to progress on execution of FGD EPC contracts and convert it to sales, while the higher-margin business like core services are increasing.

In the current quarter, we reported revenue of INR217 crores compared to INR241 crores in the corresponding period of last year from continuing operations. Current quarter also saw strong focus on execution and profitability with drivers like fire insurance claim recovery in NTPC Solapur FGD project of INR18 crores, supporting to close the quarter at INR9 crore profit before any exceptional items from continuing operations.

Also, as estimated, your company was successful in completing the gas power business undertaking slump sale, resulting in a gain of INR58 crores, which is reported in the exceptional items. The profit for the quarter -- after exceptional items for the quarter was INR66 crores, against a loss of INR62 crores in the corresponding period of last year. As of September 30, 2024, your company has an order backlog of INR2,560 crores from continuing operations and a stand-alone net worth of INR112 crores.

Before I open the forum for Q&A, I want to emphasize again that your company has embarked on a turnaround journey of its performance. And now I open the forum for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Premal Shah, who is an Investor. Please go ahead.

Premal Shah: Good evening. I have one single question. In between, there was a report in the newspapers from Niti Aayog's study on FGDs that coal-based power plants may not require FGDs because sulphur dioxide is not harmful to the environment. So what are your takes on this because FGD being the main product line for the company? How do you all look at this kind of a study?

Puneet Bhatla: Thanks, Mr. Shah. I think -- can you hear me?

Premal Shah: Yes, yes, I can hear you now.

Puneet Bhatla: So, thanks, Mr. Shah. It's a prominent and a good observation which you have been seeing it in the market. But let me try to explain the situation to you. The report which you have seen, it's an analysis and the recommendation based on a study which has been conducted by the research institutes, CSIR and NEERI.

This is neither a recommendation by Niti Aayog nor any conclusion by the related ministries to stop the FGD at this point of time. Our teams are also in very close connect with the related bodies, including the Niti Aayog, Ministry of Power, Ministry of Environment Forest and Climate Change, and others to make sure that our views are also considered on this matter before any further actions are being taken.

Till that time, it is the business as usual, and GEPIL continues to remain focused and delivering its best on the ongoing existing projects as well as on the biddings.

Moderator: The next question comes from the line of Smit Shah from JHP Securities. Please go ahead.

Smit Shah: What kind of order book growth do you envisage for the next two years?

Puneet Bhatla: Mr. Shah, are you meaning towards the FGD?

Smit Shah: Yes.

Puneet Bhatla: Okay. Another good follow-up question, Mr. Shah, on to this. Let me try to respond it into this. The opportunity will be spreading over a few years. There has been delays in the implementation as we have been seeing in the past. And our expectation is that we should definitely be getting more or less like INR 3,000 crores of the business of this segment over the course of next three to four years.

Smit Shah: Okay. Understood. And there have been delays in this segment. So from when do you expect like any kind of execution -- significant execution on the FGD part?

Puneet Bhatla: Mr. Shah, I think you need to really come up again. There was a bit of a disconnect in the line.

Smit Shah: Yes. So, my question is that there have been many delays on the FGD part. So, from when do you expect any significant orders coming in and any significant execution, if you can provide any timeline?

Puneet Bhatla: I'd like to answer it with this. We have seen within this year that we have got in the last quarter, a good order from Jaypee Bina and Jaypee Nigrie about INR750 crores-plus. So, there has been a flow of an order coming into the -- from the market to us, Mr. Shah.

And normally, these projects are for 33 to 35 months of time frame. So, as we are today in the form of the engineering deliverables and all those stuff, so it is picking up, and we will see more progress as we move forward into the next year as per the contractual schedules and timelines.

Smit Shah: Okay. Understood. And do you have any near-term margin and top line guidance for FY '25?

Puneet Bhatla: So Mr. Shah, I'll just ask my CFO to respond back to you on to this topic.

Smit Shah: Sure.

Aashish Ghai: Mr. Shah. So, we kind of restrain from giving any forward-looking statement, including the guidances. However, what we can tell is that ahead of the year, of course, we had a target in mind. And with the performance and with the execution that is going through, like I said, that we are seeing our FGD EPC contracts in execution where we are reducing the backlog while we are executing it, and the core services is growing.

So, considering the execution focus, we expect that we will not be deviating much from the targets that we have set for the financial year on the continuing operations side. I'm only talking here on the continuing operations.

Smit Shah: Okay. Understood. And this 9%, 10% operating margins that we used to do previously, can we -- like can we do those margins by FY '26? Is it possible?

Aashish Ghai: Sorry, can you repeat what percent operating margins you said?

Smit Shah: So, I was asking that this 9%, 10% operating margin that we have done in some of the prior years, can we get to those margins, say, by FY '26? Is it possible?

Aashish Ghai: I mean this is directly a futuristic statement, which we would completely avoid making. However, this is a turnaround journey, Mr. Shah. I appreciate. This is not a quarterly performance or a quarterly thing. It's a turnaround journey which your company has embarked upon. And we are on track to what we said we will do. But of course, for the -- in terms of guidance for the next year, we would restrain asking or telling, giving any comment on that. I hope you appreciate that.

Moderator: Our next question is from the line of Premal Shah, who is an Investor. Please go ahead.

Premal Shah: I think on 1st of October, we had received an order some Nepal-based company had given a INR240 crore order related to some hydro business, which in the notice, you had mentioned that this will be considered against the demerger of the hydro business. So, what kind of consideration would this be? And by when would this happen?

Aashish Ghai: So yes, you are right. We have, and this pertains to the discontinued operation of hydro business. And, as per the agreement, all the risk and rewards, with effect from 1st April 2024 lies with the buyer entity. And I would also tell you at the same time that when the purchase consideration or the valuation which was conducted as on 31st March 2024 for the financials of Hydro, basis which the consideration and the transaction was completed, it contained this order and the cash flow projections from this order was a part of those valuations. So in the valuation, , the Super Trishuli project, which you are referring to, is already considered in those valuations and the purchase consideration was arrived at. Just to remind all of us, where the valuation was negative INR100 crores, and we got a premium of INR100 crores, as the consideration was fixed at INR1.

Premal Shah: Okay. All right. Fine. So that means it's already been accounted for kind of preempted unaccounted?

Aashish Ghai: Yes. We -- I mean, there were three projects that there is upon which we considered in that valuation and one of which is now received and signed and booked.

Premal Shah: Okay. All right. And then have you all put up the presentation. Usually, you'll every quarter put up a presentation before the con call. So, I have not gone through that. So, I'm not aware that if you'll have put up a presentation.

Aashish Ghai: Yes, we have. Yes, we have. It's there on the website and stock exchanges...

Premal Shah: So, the orders received in this quarter, have you all given the breakup in which areas, what kind of orders have we got like, for example, in upgrades or in services or in FGDs and all that?

Aashish Ghai: Absolutely. You would see a breakup in that, which -- where you can see out of INR446 crores, how much of FGD is there, how much of core and upgrade gets all there. Just for your benefit, I can very quickly tell you that INR314 crores is upgrades, INR112 crores is core and then INR10 crores is from the FGD side of the house. Durgapur is at INR10 crores.

Premal Shah: And how -- what is the Durgapur factory clocking now? How many man hours is it going on to? Because last con call, I remember you, corrected, we are going at around 200,000 man hours or something like that, right?

Aashish Ghai: Yes. We expect that we would close the year at around 165,000 to 170,000 hours. This quarter, we clocked around 40,000 hours.

Premal Shah: Yes. Because last con call, I remember you had mentioned that the target was 200,000. And the breakeven is somewhere about 300,000, right?

Aashish Ghai: The breakeven is around 265,000. Yes. The target was close to 190,000, 200,000, which we are now expecting that around 165,000 to 170,000 is what we would clock by the end of the year.

Premal Shah: Okay. All right. Fine. Again, it's a forward-looking question, but then do you think you'll be able to achieve the target of breakeven by next year?

Aashish Ghai: Maybe I would tell you if I could.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Puneet Bhatla for closing comments.

Puneet Bhatla: Thank you, everyone. Thanks for joining this call. I would like to summarize by saying that this year has started with a lot of more clarity on our future of the business supported by introduction of our new strategy to stakeholders as well as our promoters, GE Vernova announcing their support to the outline strategy, which well positions GEPIL and we are seeing those first steps into this. Your company is well positioned to execute on the outlined strategy, and the team is equipped to serve the best to our customers and to our shareholders to create value for all of us and the society.

Thanks. Thanks all. Good evening.

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