



GE T&D India Limited

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August 16, 2017

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The Manager
Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, Bandra Kurla
Complex, Bandra (East)
MUMBAI 400 051

The Secretary
The Calcutta Stock
Exchange Limited
7, Lyons Range
KOLKATA 700 001

Code No. 522275

Symbol: GET&D

Code No. 17035

Dear Sir,

Sub: Transcript - GE T&D India Limited Earnings Call for Investors held on July 31, 2017

Please find enclosed a copy of the Transcript of earnings conference call with analysts/ institutional investors held on July 31, 2017 in respect of unaudited financial results for the first quarter ended on June 30, 2017.

You are requested to take note of the same.

Thanking you,

Yours faithfully,

for GE T&D India Limited

Manoj Prasad Singh
Company Secretary

Encl: As above



“GE T&D India Limited Q1 FY18 Earnings Conference
Call”

July 31, 2017



**MANAGEMENT: MR. SUNIL WADHWA – MANAGING DIRECTOR, GE
T&D INDIA LIMITED
MR. GAURAV NEGI – WHOLE-TIME DIRECTOR &
CFO, GE T&D INDIA LIMITED
MR. MANOJ PRASAD SINGH – COMPANY SECRETARY,
GE T&D INDIA LIMITED
MR. SUJOY RAY – COMMERCIAL LEADER, GE T&D
INDIA LIMITED
MR. SUNEEL MISHRA – HEAD INVESTOR RELATIONS,
GE T&D INDIA LIMITED**



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July 31, 2017*

Moderator:

Ladies and gentlemen, good day and welcome to GE T&D India Limited, formerly Alstom T&D India Limited Q1 FY18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Suneel Mishra, Head of Investor Relations, GE T&D India Limited. Thank you, and over to you, Mr. Mishra.

Suneel Mishra:

Thank you, Janice. Ladies and gentlemen, good afternoon. Myself Suneel Mishra and I am looking after Investor Relations for the company. Welcome to today's conference call with GE T&D India Limited management team. We have organized this conference call to present financial results for the first quarter of FY2018 ended 30th June 2017.

Here, I would like to note a change in our website address, which is now www.ge.com/in/ge-td-india-limited. So it is an important change to note. At this side, we have Mr. Sunil Wadhwa - Managing Director, GE T&D India Ltd; Mr. Gaurav Negi - Whole Time Director and CFO; Mr. Manoj Prasad Singh - Company Secretary; Mr. Sujoy Ray - Commercial Leader; and Mr. Anshul Madaan, in absentia, is our Communications Leader. Please note that this conference call is scheduled up to 5 PM and by now, you would have received the Investor/Analyst Presentation. I hope all of you have read the disclaimer on slide number two. So we will now begin with Mr. Wadhwa presenting the key highlight followed by Mr. Gaurav Negi.

I now invite and request Mr. Wadhwa to begin. Over to Mr. Wadhwa.

Sunil Wadhwa:

Good afternoon, everybody. I will first cover the Indian market, Indian economy and then the specifics about the power and the T&D market. I think all of you know that ADB has retained its earlier growth forecast for India at 7.4% for the current financial year and slightly higher at 7.6% for the next year, and we see whatever is going on actually sort of validating this forecast and we will come to the fallout of this in terms of T&D in the subsequent section.

The other thing which is happening is the Reserve Bank of India post the Banking Regulation Ordinance. It is now actually seem to be pushing for resolution of bad loans by March 2019; however, date will be validated or not, but the process has started. And in many ways, this process will lead to good results, whether the revival of the projects or they getting into better hands in terms of new parent, new acquirers, so I think we will see lot of traction, these projects taking place and activity is flowing from there.

Coming to the power and the T&D market, I'm not going in the same sequence that has been given in the presentation, but the most important one is in the end. I have gone through National Electricity Plan which has many sections one for generation, one for transmission. The transmission sector part of the NEP is again projecting expenditure of about Rs. 2.6 lakhs crore



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during the 13th plan with the expected capacity addition of 292 GVA of substation capacity. Now, if you recall the National Electricity Plan or the last 5-year plan was almost around the same as the actuals. So I would give full credits to the basis on which the projections are made by the CEA with these electricity plans. Now, look at the capacity addition being targeted in terms of substation capacity. There are also numbers about lines and which are not very relevant for us, so they will stick might with this substation capacity.

12th Plan also was Rs. 2.3 lakh crores. Plan is still more or less same as I just mentioned and I think 287 GVA. And so it's one factor, which has to be taken into account in looking at the overall market size. And also the Plan, clarifies beyond doubt that this is not really dependent on the new generation capacity. This is based on the requirement of the transmission system being strengthened for the existing capacities, which are already being installed in terms of the generation.

A new thing, which also has come up recently, which is actually a new announcement, but requirement was always there is the Saubhagya Scheme, where the government has estimated an expenditure of Rs. 17,000 crores for the last mile connectivity, where basically the fact, which has been recognized is that the rural electrification, the yardstick of 10% before declaring areas electrified has no meaning until and unless, all the houses in that area are made fully available through new connections. So what I foresee is that as and when the last mile connectivity is given to all the households, the pressure on the network, the state network or the central network will get really optimized and the real suppressed demand is going to come up. So it will not only use up these available surplus power, which is there in the system and the assets, which are stranded or underutilized, but also it will put some pressure on the existing network whether it's central or the state level. So all-in-all, I see the intent of the Government of India of power to all by 2022 getting really on the ground in terms of action. So this will not only give, as I said opportunities in the distribution sector, but also throw out more challenges in the transmission sectors for further strengthening of the network.

We also hear that Power Grid, who is one of our major customers will also diversifying into new areas like the international markets or within India railway electrification, energy storage, electric vehicles; and also they are looking at forming JVs with states to develop the state transmission infrastructures. So this is going to give us some more market base with the same customer.

There is also a recent announcement, which might actually have I would say, material significance for us is the DIPP, Purchase Preference Policy, which is favoring "make in India" products i.e. basically procurement less than Rs. 5 million to be done only from local suppliers and for procurement in excess of Rs. 5 million, if L1 is not a local supplier then only 50% of quantity shall be awarded to the foreign L1 and for the balance 50% a chance will be given to the local supplier to match the L1 price. So this is not going to impact the procurer because the



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price will still remain at L1, but give a chance to the local suppliers also to match a low price if quoted by foreign suppliers. And the definition of local has still to be really defined, it could actually depend on projects, but we stand quite protected because in our case, almost 95% of our deployment is local. So we have to see how this policy pans out and how it actually applies in the case of reverse auction also. We have some idea about how it will apply, but let us see, how it actually pans out in the first tender period, this policy is made applicable. On the generation side also, we learn that NTPC has got some approvals internal to invest \$10 billion in new coal fired plants and is awaiting government approval. So that might also open up some more business for the company. So this in all is really the operating environment and the recent some of the events, which have taken place, which may be relevant for us going forward.

Some of the key events, which did happen in the last quarter for the T&D, were the successful commissioning of the 400kV AIS substation for Jindal Steel Works at Bellary. Another has been successful commissioning of the 220kV substation for Tamil Nadu Transmission Company. And the same quarter, we also commissioned the 400kV, 315 MVA transformer for Power Grid Corporation of India in Agra. And now I am asking my colleague, Sujoy, if he wants to add anything and also take us through the main orders that we have secured in the last quarter.

Sujoy Ray:

Yes. The key events as Sunil said is that JSW Bellary was a big contract for us, which was awarded two years back. So we have successfully commissioned it absolutely on time. 220kV AIS substitution of TANTRANSCO has also been done. Similarly, for Power Grid, we did quite a few jobs. One of them, we of course, did a 315 MVA transformer for Agra. We also got awarded for 400kV substation capability by Power Grid in the last unit.

For the main orders, Doosan, we got for Doosan Energy, they are doing two power projects for UP, UP Rajya Vidyut Utpadan Nigam both of them 2 x 660 megawatts super-critical projects. They're doing with a complete EPC. So we bought 765kV GIS substation for Jawaharpur. This is one of the projects. We also got 765kV AIS and 400kV GIS substation for Obra that's the other project. And with this 765kV GIS, we have now got two out of three 765kV GIS projects that have been decided in this calendar year. The first one we got from BGR Energy that is from North Chennai and this is the second one. Mumbai WTR is the SPV for Essel Infra. They're doing the TBCB job for Warangal, that's the largest TBCB contract that they are executing. We are supplying the substation as well as the power transformers for that project.

Solar projects, we got from PAN India Infra, that's again sister concern of Essel Infra. We have done total 300 megawatt contracts, we have got from Essel Infra Group for UP, Karnataka and Maharashtra projects. We are also in the process of discussing with SoftBank and other large solar players like Solairedirect and Solar Energy as well and hopeful of securing more contracts from this space.



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ABFPL is Alstom Bharat Forge Ghatampur Project, electrical balance of plant, we could conclude last quarter. Already 765kV 80 MVAR Reactors for Jharsuguda that also secured last quarter. Power Grid Transformers 765kV/400/33kV auto-transformers, 500 MVA that we got for Aligarh. West Bengal State Electricity Transmission Company, we got 132kV GIS turnkey package for Salt lake stadium. This will be used for the under '17 world cup that is being slated for that in Calcutta.

This quarter, we had incidentally the best quarter among the last 14 quarters since January 2014, as far as order intake is concerned. Yes.

Now, I pass it on to Gaurav Negi on the backlog.

Gaurav Manohar Negi:

Good afternoon. So I'll just take you through quickly the financial highlights. So page six, if you will see the order intake, I think Sujoy mentioned the list of significant orders, but for the quarter, this was one of the strongest quarters that we had. We did close to Rs. 1,580 crores of order intake versus close to Rs. 800 crores order last year, which was a 99% growth year-over-year. In terms of the order backlog given the performance over the last one year I would say, we significantly added to our order backlog, which has grown by 7% year-over-year and now stands close to Rs. 8,400 crores.

If you go to the next page in terms of the sales execution, again a good story. I think the execution has been equally strong, where we are showing a growth of 40%. So the total sales for the quarter was Rs. 1,263 crores, growth of 40% year-over-year for the same quarter, which was Rs. 905 crores last year. Now, the growth has largely been on account of strong execution in terms of conversion of the backlog as well as commissioning of the projects.

Next page, which is page eight, which is the profit after tax. We recorded a profit of close to Rs. 62 crores as against a loss, which we had recorded last year, which was largely on account of one-time provisions. But excluding the one-time provisions, we have significantly improved our profitability year-over-year in this quarter driven largely by the increase in volumes, strong execution as well as focus on cost management.

If you go to the last page, which is the final summary. Overall, total sales at Rs. 1,263 crores, growth of 40%. The operating profit, which is EBIT was at Rs. 125 crores; profit after tax of Rs. 62 crores. And overall, our working capital days has also improved by 39 days from 104, which was in the quarter last year, down to 65 days, which has also improved our overall cash position. So with that, we will turn it over for questions, please.

Moderator:

Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. We take the first question from the line of Renu Baid from IIFL Wealth. Please go ahead.



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Renu Baid:

I have three questions. First, if we see in terms of order flows at the end of FY17, we did mention that the inflow outlook or the market outlook looks weak and we expect 5% decline in the market and we started off on a very strong inflow for the quarter. So are we seeing any significant change in the end market outlook? Or you think probably it would be more of an abrasion, the kind of inflow growth that we've seen? That's the first question. Second question, if you look on the cost side, staff expenses, there has been a sharp reduction Y-o-Y, even in the Annual Report, there is a 12.7% reduction in the employee base. So since there has been no significant restructuring undertaken the way other GE entities have done in India, can you explain the rationale for this reduction? And third question is, for the strong execution that we see, are there any one-off elements in your or you're seeing on a broad-based customer clearance is improving, which is supporting growth? Thank you, sir.

Sunil Wadhwa:

As I said on the transmission side, I am basing my projections on the well thought out plan document which is in the National Electricity Plan. Now, we are seeing about \$40 billion of investment in the next five years. in the previous five years. Now, how it will actually, what is the trajectory of whether it will be all equated every year or it will be linked to some project is yet to be really seen as per detail, but we see a flat market. I mean, obviously, what we said last time and what we're seeing today, there will be some evolution of assessment and thoughts also, but I see a flat sort of a market going forward. And therefore, how it will get positioned for us will depend on our market share of a flat market.

Sujoy Ray:

May I add. What we said before is also that power grid demand, it will be less this year 2017, which is getting reflected in the number of enquiries and the RFQs that's coming out of power grid, which is turning out to be right. But at the same time, we are getting certain opportunities particularly from the states, where because of the great strengthening transmission and sub-transmission level, we are getting opportunities, which we are trying to secure as much as we could. We had good opportunities on the generation side, generation related side like Doosan Energy and BGR Energy, which we could secure. So we had a good quarter, last one, as well as the previous one also, we had good quarter. The previous year per se in the calendar year, we had a very good growth as such compared to 2015. We had about 36% growth in respect of the calendar year. This year again, we are showing good growth over the previous calendar year as well. But at the same time, we see there is a decline of active requirements and enquiries at this point of time. So we feel that it will be a stable market as far as 2017 as a whole is concerned. We don't see a very strong growth per se. Your question regarding, whether it was an aberration in last quarter? It was a very good quarter for us; and as I said before that this was amongst the highest ever quarter, if we consider conventional business excluding HVDC. So it's not really an aberration per se, but at the same time, we may not have equal kind of.

Sunil Wadhwa:

I mean, the only thing there's a positive pressure on all of us to maintain the tempo. So it's very difficult to project what the numbers will be. We have a pipeline, which we are working seriously on. But Renu, let me tell you, the question I'm getting is that many factors, one political factors



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or the reality in the sector that you have so much of power available, there are these new assets, there are the old stressed assets and stressed companies, which might come online whatever form it takes, new owners or some restructuring happening, there also be assets, which are under deployed in terms of PLF, and then you have also more renewable coming in. So there is an urgent need for the government to look at options to create more demand for power. And my own experience tells me that when there is demand for power, but it is suppressed because of the network or the connections not being made available, the moment we do that and I mentioned that in my first opening session also, when you make the connections available and the last mile connectivity assured for all the customers, there is going to be a huge demand on upgradation of network to feed to the last mile. Now, whether it will come from state or whether it'll come from the central utilities, I mean, it's a matter of calculations as to where there are needs. And the other thing, which we are looking at also is newer markets. We are seriously looking at Bangladesh, Nepal and Sri Lanka and also Bhutan. Recently we made some bids in Nepal, Sri Lanka and Bangladesh. So these three regions hopefully, we might see some beginning.

Renu Baid: Sure. On the staff expenses on the execution side sir?

Gaurav Manohar Negi: So Ms. Baid on the other two questions that you have so one is around the one-offs, we don't have any one-offs that are of any significance this quarter, barring one, which is actually in the employee category and that relates to some releases or provisions because given the performance that we had the last year, the payouts were not to the extent to which we had accrued for. So as a result, there was a release that happened in the employee benefits category. So we got some upsides over there, which is of a non-recurring nature. I'll give you a range also, it's going to be the tune of 5 crores to 6 crores, so we would have been in line with what we ended the March quarter with as far as the employee benefits are concerned.

Renu Baid: Right. But on the number of employees, if you see in the Annual Report, there's an approximately 13% decline?

Gaurav Manohar Negi: So I'll come to that also. So couple of things are happening. We have not gone in for significant kind of restructuring, but what we have encouraged over the last one year has been that if there is any attrition that is happening, we are trying not to backfill those attritions so that we are able to bring down the headcount. The second element that is also happening is that since we are part of a larger family of GE, we do have shared services also. So we are having resources moving into those shared services setup. So as a result, the headcount will come down, but the cost will then shift from the employee category towards let's say, on other expenses. So that kind of a balancing will continue to happen. And the third point, I just wanted to make, this year the salary increases are shifted from April to July for us. So what you are seeing at this period is a reduced employee benefit. This will again climb back when we go into the July to September quarter because that is when the increases will kick in too.



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- Sunil Wadhwa:** But this is not retrospective.
- Gaurav Manohar Negi:** No, this is not retrospective.
- Sunil Wadhwa:** It is going to effect from July only.
- Gaurav Manohar Negi:** That's right.
- Renu Baid:** Sure. And sir, if you can just help me, what is the value of HVDC order both CK1 and CK2 in the current backlog, at the end of June?
- Gaurav Manohar Negi:** So it'll be close to Rs. 900 crores, roughly around that range I would say, as a backlog.
- Renu Baid:** A combine of both 1 and 2?
- Gaurav Manohar Negi:** Yes.
- Moderator:** Thank you. We take the next question from the line of Subhadip Mitra from JM Financial. Please go ahead.
- Subhadip Mitra:** So going by the same line of conversation that we were having, I think even if I look at the revenue numbers for the current quarter, we have seen a strong set of numbers, what you mentioned is, this is driven by execution as well as commissioning of projects. So what I wanted to understand here is the traction in terms of execution, how are we seeing that going ahead? Are we looking at a similar kind of strength and execution continuing or could there have been some lumpiness in this particular quarter because of commissioning of certain projects?
- Gaurav Manohar Negi:** So there is nothing lumpy, but if you see the trending actually, so Mr. Mitra because since I would say the December ended quarter, we had a strong execution in the December quarter that we ended, then the last quarter of March ended also was in the same range and now we have had the third quarter in a row, where the executions are in the ballpark of what we delivered. So no lumpiness per se, but we've seen good execution as well as, we had mentioned initially, we were facing some challenges last year, where we needed the support of our customers also to start closing out some of the projects. So things are moving in the positive direction as things stands today, but no lumpiness. The trend has been to the tune that we have delivered this quarter.
- Subhadip Mitra:** Understood. Secondly, I believe in terms of the margins, you had talked about a guidance of somewhere between, I believe 7% to 8% at EBITDA levels, do you maintain the same guidance?
- Gaurav Manohar Negi:** Yes, we maintain the same guidance for the time being because that's what we are seeing. And again, so one of the things that I did notice because I think the way we communicate because there has been a new change in the disclosure requirements, sometimes when you measure your



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margins, whether you measure it on a net revenue basis or a gross revenue basis, whether you consider other incomes or you don't consider other incomes, the ratios continue to change. So we'll try to continue to give you more inputs in terms of especially the presentations that we have shared with you. But what I have seen when communicating with yourself and your colleagues there the margin levels keeps changing depending on the denominator you are choosing.

Subhadip Mitra: So lastly I think we also had some order inflows in the Solar segment I think in this particular quarter. So just wanted to understand what is the market size and our offerings and whatever target market share that we might be looking at on that segment?

Sujoy Ray: This is Sujoy Ray. From grid solution perspective, we have been into this market, I would say pretty late later than some of the major players. Last one year, I would say we are active. We believe that we have the turnkey capability to secure something like 20% market share over a period of next two years. Currently I would say, we are doing in a limited way and we have executed two jobs quite on time. This will be one of the third bigger jobs with Pan India Infra, which is part of Essel Infra Group. 300 megawatt corresponding to that the ACBOS and DC, we have thought, we have taken the order. We are also pursuing, as I said before three or four major projects for which inverters will be manufactured in India. We have localized the inverters now; it will be manufactured in Chennai. So we are getting into the market in a much bigger way, I would say. 2018 could be the year one it could be able to hit substantial market share, as I said before.

Subhadip Mitra: So if I am to understand correctly, the primary offerings in this segment would be on the inverter side?

Sujoy Ray: Inverter is a power conversion side. Here what we are discussing is the grid solutions part of it. So we are giving the balance of plant. We are giving the complete AC balance of systems including DC, except for the module, the rest will be covered by us including inverters.

Subhadip Mitra: And the inverters are part of GE T&D's portfolio, would that be coming in from the parent or other group companies?

Sunil Wadhwa: We will buy from them.

Gaurav Manohar Negi: So inverter is a part of a Group company setup. So this is an integrated approach to go to market. So we will be sourcing that through our affiliates from the GE Group. But the point that Sujoy was making our offering is going to be largely ACBOS, as part of the GE T&D setup and we will wrap it up along with DC and inverters from our affiliates, both internal and external.

Sunil Wadhwa: The registered company in GE, which produces inverters might also like to take the modules in their scope in which case, the GE offering becomes a complete turnkey for our customers.



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Subhadip Mitra: That's very helpful. Just one last point here. What would be the total market size that you would be looking at in this segment for the offerings that you have?

Sunil Wadhwa: See market size as we say, we believe that we have the capability to get to a 20% of the market share. So really it depends on an average, we might be seeing something like 10 gigawatts per annum overall market. So we do have the capability to go as far as the 20% market share of that.

Moderator: Thank you. We take the next question from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: Congratulations for an all-round improvement. Just wanted to understand how is the competition in the new orders that you have won or in the market in general. And secondly, if you can give us the proportion of projects that are there for new capacity versus the grid strengthening? Thank you.

Sujoy Ray: We will not have the information for the second question that you asked, sorry. In terms of competition, so the second part of your question, we may not be having the exact details of that. At this point of time that new capacity versus grid strengthening part of it, so we can...

Sunil Wadhwa: Any ballpark number you have in mind of the generation business will be new, right?

Sujoy Ray: At this point of time, I will tend to say that about 50% to 60% will be probably new and 40% to 50% will be grid strengthening part of it.

Abhishek Puri: So we have the 12th five-year plan data, I think it suggest 40% is the grid strengthening and 60% is the new capacity. So just wanted to understand how the mix is changing in the 13th plan expenditure? And how confident are you that the overall CAPEX will be met because this time around a larger share has to be done by states versus say Power Grid, which was the case in the previous times, in the 12th five-year plan?

Sunil Wadhwa: See, we are looking at the 175 gigawatt being supported by the green corridors and also within the state STU network. So that will be by and large new network. And so though, in terms of units, which are produced, the 175 gigawatt will not be in the same ratio as of conventional plants, conventional plants give 85% factor and here we are talking an average of 25% if you take solar and wind. So the capacity requirement for transmission lines and the system is two and half to three times for the same million units that are generated using base load conventional plants versus from the solar or wind that is one thing. Second on the funding side, I had mentioned to you that some of the STUs which are basically the state-owned transition utilities are also looking at tying up with Power Grid in terms of JVs to strengthen their state networks. So that is one approach, which it might help the states to pick up new projects. And the PPP model is anyway being applied across, whether it is for the CTU or for the STUs.



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Abhishek Puri:

Right. And in terms of competition, sir?

Sujoy Ray:

Yes. First part of the question, we had very stiff competition on all the projects specifically as you know, total in the T&D space or space that which we are operating, we have got 45 to 50 competitors per say in turnkey projects, plus products all put together. So it's always difficult. And in case of the major orders that we see, we had competition from manufacturers as well as manufacturers, plus EPC contractors together, plus EPC contractors and then OEMs together. So we had our set of tough calls. But good thing is that because of the good relation also, we have with the private sector particularly, I would say to a large extent relationship also worked and our past performance also worked. So we got our chances, first chance for reduce the loss.

Sunil Wadhwa:

I refer to the numbers, which are reported in the newspaper. There were about 10 state discoms, which were compared vis-à-vis last year and average of that was showing some 25% improvement in the financial position in terms of losses; and there was an outlier in the form of Punjab. So if you remove the Punjab numbers, I think the overall improvement only could be in excess of 30%-40%. So I think UDAY scheme has brought financially some improvement in the numbers and that might also had to be the question that you raised, how will the STUs and when there is a more purchasing power available with the states, coupled with the PPP model and the JV with the Power Grid are going to make a big difference. And you know let's see, I mean, last five-year plan also, we did see Rs. 2.3 crores of investments coming in, which included states.

Abhishek Puri:

So are you actually seeing more activity by the states on ground because as per as the official data is concerned for the 12th five-year plan states only could manage 75% of their CAPEX, targeted CAPEX, so?

Sunil Wadhwa:

Which is quite high in Indian context. But yes, I see the pressure on them getting more because the state STUs and Discoms are owned by the same entities, which is the state government. And when there is a surplus power, the power surplus has to be backed down. There is a financial liability on the Discoms to pay the fixed charges. And there is also, as you said political will or compulsion to meet up the target of power to all by an ex-date, but there are different dates for different parameters, but I see a lot of seriousness coming in the states on the distribution sectors and what is in their purview is the STU. Well I can name states, all of them are going full hog in terms of distribution reforms, which includes, as I just mentioned last mile connectivity and the back end connectivity in terms of the state transmission network.

Moderator:

Thank you. We take the next question from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani:

Sir my question is we were surprised by the execution you did. When we look at the revenues front, the first quarter revenues are actually higher than the fourth quarter revenues and this is



actually the first time that we are seeing first quarter being higher than the fourth quarter. So if you could dwell a bit more, what actually has led to this significant improvement in the execution. And how do we see the trajectory going ahead because in few quarters ago, you said that there is some change in the accounting policy, which has been brought whereby you will see the quarterly volatility being evened out and a more detail on the execution will be helpful?

Sunil Wadhwa:

There is no cyclic or seasonal effect of quarter four or versus quarter one. This is a trend that we are seeing based on the orders under execution and based on the backlog we have. The equalization factor, which you are talking about will kick in next financial year, which is a new accounting standard. And but that also, we have not really worked out what will be the impact. But to answer your question, there is nothing that worked as a pressure in Q4 of last financial year, which shouldn't have worked here. It's a pressure that we have, a very positive pressure throughout the organization to execute on time. And there is internal emphasis on speedy execution, which brings down our cost, which also reduces the exposure to LDs. And from a customer perspective, it is a win-win situation for all of us. So I would say it's a reflection of the internal review mechanisms we have and the sort of granular reviews happening at each project level and on the site. So I would say therefore it's a reflection of what the company is doing in terms of improvement.

Bhavin Vithlani:

Sir, could we expect a similar level of execution through the year whereby, I mean, we now see that okay year as a whole also we will see similar level of growth going forward?

Gaurav Manohar Negi:

Yes. We should be able to because if you'll see the last three quarters, the level of revenue has been steady state. The only caveat GST is kind of throwing us off also as work with our customer bases. So the revenue might be a little lumpy in Q3. When I say lumpy, it might go down because we are seeing some elements of slowdown because of people transitioning into GST.

Sunil Wadhwa:

Probably a transition effect.

Gaurav Manohar Negi:

It's just going to be timing if at all. So we are keeping a close watch. We are trying to just manage that situation and it's not only applicable to us, I'm sure, it will be applicable to other companies too, but that is just purely timing.

Sunil Wadhwa:

Basically a few weeks, which have been sort of spent on sorting out some issues and all that. So we will have to catch up by the end of this quarter, but surely by the end of year that we will catch up definitely.

Bhavin Vithlani:

Okay. And sir, what's a bit surprising is that we still be not been able to go in double-digit margins. So are there any underlying provisions that have been there, which is keeping the margins going back to double-digits. And can we see quarter going forward that we'll see because the operating leverage has not consequently resulted in the margins going up to double-digits here. Could we now see that?



Sunil Wadhwa: See, we are conscious of the overall margin level that we have; and obviously there is need to continuously look at how to improve and there is the whole lot of products and the services that we provide have a very wide range of margin. So we are consciously looking at how to increase our sale with a better mix. So the team will be working on that. The other thing that we are constantly doing is to be very focused on our costs that not only will improve our margins, but also improve our order intake in this competitive scenario that we are in. So but for the projects that we have in the pipeline, if they were to be completed without any improvements, then we should see this kind of margins, but all that I'm talking about are futuristic in terms of the reward and the efforts that we are making on improving our costs, including for our existing projects or for the remaining part of the projects or for new orders.

Bhavin Vithlani: Sir my last question is, in earlier conference calls it was discussed that GE has a portfolio in the distribution side of the switchgear, power and this is the portfolio that this company had before it, this neither was demerged or carved out of it. Any probability of those portfolio being offered from this platform? And if at all when do we see that?

Sunil Wadhwa: You're talking of low voltage, medium voltage switchgear?

Bhavin Vithlani: Yes, sir.

Sujoy Ray: At this point of time, probably the market is also, I would say, pretty tough market, medium voltage and low voltage. So at this point of time, we are not really looking at very actively addressing that portfolio per se.

Sunil Wadhwa: But on the distribution side, we are looking at other things.

Bhavin Vithlani: Okay. Sir if you could expand on that, would be grateful?

Sujoy Ray: No, we are looking at software, we are looking at automation, we are looking at substation automation and distribution part, we are trying to expand. But medium voltage, low voltage switchgear what we thought of in the past, currently, we are not really exploring very aggressively at this point of time.

Moderator: Thank you. Next question is from the line of Fatema Pacha from ICICI Prudential. Please go ahead.

Fatema Pacha: Sir just following up with what Bhavin just asked you, sir, if we generally look at the seasonality that most EPC companies have, so 4Q generally tends to be very strong. So if I had to just outline your FY18 and with the backlog that you have, I just wanted to know that are you seeing that your backlog is now more like a 14-15-month old execution and a lot of the projects are in that high pace of execution that maybe 80% of your backlog will get converted to revenue in FY18 itself?



- Sunil Wadhwa:** I think it's maybe about two years evenly, little less than two years, so not the numbers that you have mentioned might be about 55%; 55%, 45% so that's the kind of pace.
- Fatema Pacha:** Of course sir, there is only 55%, then when we enter 3Q, 4Q, we will not see the seasonality that we always see you know, we always see 3Q, 4Q be materially higher than 1Q, 2Q generally, we see that across EPC companies and because we follow financial year, as a country, most executions are bunched up in the 4Q. So we generally see 4Q revenues being higher by at least Rs. 200 crores, Rs. 300 crores from 1Q for purchase or.
- Sunil Wadhwa:** See, for each project, there is a COD target and a date for that and it is linked to some other project. So I don't really see that kind of a phenomenon happening in our company. We have also not just EPC, but all the majority of the products that go into our EPC projects are made by us.
- Sujoy Ray:** There will be another issue. Basically, the proportion of utility jobs, this year will be little less as compared to previous year. So when it is private sector, it will not really, the push to get into March invoicing that kind of a situation is relatively less as compared to utilities, servant utilities. Also, some of the projects that we have the schedules are scattered spread over a period of say two years. So it will go according to the schedules that is already set out.
- Fatema Pacha:** So we stick to the 55% of backlog for now?
- Sujoy Ray:** Yes.
- Fatema Pacha:** Fair enough. And sir, second question on the HVDC is that we have been executing. Sir, our assumptions are that in CK1, maybe it was the first orders, so margins could have been lower, but in CK2, generally, the expectation was, it will be high double-digit and I am sure you're in the mix of executing the second one. So what is it that not allowing those margins to come through. Is it some other orders or what is it?
- Gaurav Manohar Negi:** No, the margins are coming through. So when you say the margin, if you compare. You'll see a steady increase in the margin side also barring the one-offs that has happened between comparison that I have showed in the presentation excluding the one-offs.
- Fatema Pacha:** Yes. I think last year, you're right. But I'm saying like traditionally we thought you would be reaching around 10%-11% margin this year, then you will be in the CK2 execution?
- Gaurav Manohar Negi:** No, but if you'll see the overall increase in the revenue, the proportion of CK1, CK2 that we keep talking about becomes relatively lesser because had it been the same revenue level that we had last year, so we've got a 40% increase that has happened in revenue, it's not largely from CK2 only, it's from other projects also. We have talked about reverse auctioning putting a lot of



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pressure. We started talking about it last year. So when that starts kicking in, some of these accretive margins that we had is getting little diluted because of these projects also.

Sunil Wadhwa: And our focus is really on cost .

Gaurav Manohar Negi: Exactly. So the mention was and we did talk about it in the prior calls also, increased volume, watch the mix, look at cost optimization both for the product side as well as on the execution side. So that's what we are driving and that's the basis of I think the performance that has happened as well as some of the indications that we've given the way the margins will pan out.

Moderator: Next question is from the line of Rahul Gajare from Antique Stock Broking. Please go ahead.

Rahul Gajare: Now, most of my questions are answered. Just a couple of things. Now, you did indicate that the competitive intensity is fairly high given the fact that T&D is where there are a lot of CAPEX is happening. Now with that, are you selective in terms of particular states that you all are working with?

Sujoy Ray: Yes. This is Sujoy Ray. Yes, we are.

Rahul Gajare: So could you tell us which are the states that you are selective with. And what is the margin profile between state orders and private orders now?

Gaurav Manohar Negi: We'll not be able to share that with you, please. It's something that we hold closely.

Sunil Wadhwa: We review that quarterly.

Rahul Gajare: Sure. Sir, but which are the states you are focusing on right now?

Sunil Wadhwa: It was outside the list of green states, now they've entered the green state, the dark green.

Rahul Gajare: So barring Punjab, the other states that which are following well in terms of UDAY scheme those are the states you would be focusing?

Sunil Wadhwa: Many factors. Yes. Many factors, the political system, the UDAY scheme and, there are some projects which are let's say funded by the World Bank or ADB we will go for any state. So it's an evolving thing. It changes every quarter or even faster depends on the project, but Yes, we are being selective. There are projects we did not bid. We are trying to find solutions. There will be some contractual term we don't like, look at the history of that situation having happened with other customers of that states, so it keeps getting reviewed.

Moderator: Thank you. Next question is from the line of Nitin Arora from Aviva Life Insurance. Please go ahead.



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Nitin Arora: Just one bookkeeping question. If you can provide the order backlog breakup in terms of Power Grid states and private?

Gaurav Manohar Negi: Power Grid will be close to between 35% to 40%. Then private will be another 40%, and the remainder is going to be state utilities.

Nitin Arora: Okay. I'm sorry, I'm just pressing on this question on margins. Now, given that when we were looking your order intake over the last three, four quarters is largely run by the private guys, where we are going and bidding and winning the orders, I presume it to be largely the negotiated ones. Just wanted to get a sense between the margins you talked about in the previous conference calls about the pressure on margins because of the reverse auctioning by Power Grid. Is the margin profile, the similar for Power Grid and private and state as of now and that's what curtailing us to go to a double-digit, but just need a little bit thought process over here?

Sunil Wadhwa: Frankly, there is no set trend that we see. It all depends on project-to-project even with the same customer, the scope of work. How fast we think we can do it, if we have some projects in that region it makes more sense for us to do another project in the same area. I mean we have so far let's say in the past done projects in the same area; and we got more orders in the same area. We took it at a very reasonable price for the customer and no one else could have done it that way. So of course, in Power Grid, there is a reverse auction in states, more states it is still not there.

Sujoy Ray: Overall in states and private, margin is better than Power Grid even today.

Sunil Wadhwa: So private and states do have a better margin that way.

Nitin Arora: The three sections, state would be in the double-digit size as of now when you go ahead and win the project? Can we concluded it?

Sujoy Ray: Within states there is a whole range, within the Power Grid, there is a whole range. So it also depends on how strategy could one project be for us. And power should loading in the factory, whether a particular slot is not there, slot is second, if there is under recovery in a particular factory, so we need to load the factory. We are fully localized, so we have all the factories to balance out the loading as well.

Nitin Arora: And just last question on the solar part, given that you talked about the 20% market share, I think you talked about including the inverters part, which will be provided by the GE Group. Is that correct, right? Not in the BOPs, what we are currently doing it?

Sujoy Ray: It will be both.

Sunil Wadhwa: When we say 20% its of the projects cost.



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- Nitin Arora:** So how should we conclude it given the short cycle nature of these contracts. Let's say that in the current order backlog, it wouldn't be a big contributor today. What sort of contribution you look at it over the next one, two years in your order backlog that will be helpful, and last question from my side? Thank you.
- Sujoy Ray:** Solar, we expect it to contribute something like not more than 15% as such of the total order book.
- Sujoy Ray:** Not more than 15%.
- Moderator:** Thank you. Well, that was the last question. I now hand the floor over to Mr. Suneel Mishra for his closing comments. Over to you, sir.
- Suneel Mishra:** Thanks, Janice. Thank you everyone. With this, we conclude today's conference call of GE T&D India Limited. In case, you have any other questions, then please feel free to contact me or Mr. Anshul Madaan, our Communication Leader on the email ID given at our website. Thanks again.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of GE T&D India Limited, formerly Alstom T&D India Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.