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November 28, 2018

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MUMBAI 400 001

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 November 20, 2018

Please find enclosed a copy of the Transcript of earnings conference call with analysts/ institutional investors held on November 20, 2018 in respect of unaudited financial results for the second quarter and half year ended on September 30, 2018.

You are requested to take note of the same.

Thanking you,

Yours faithfully,

For GE T&D India Limited

Manoj Prasad Singh
Company Secretary



“GE T&D India Limited Q2 FY-19 Earnings
Conference Call”

November 20, 2018



**MANAGEMENT: MR. SUNIL WADHWA – MANAGING DIRECTOR, GE
T&D INDIA LIMITED
MR. GAURAV NEGI – WHOLE TIME DIRECTOR AND
CFO, GE T&D INDIA LIMITED
MR. MANOJ PRASAD SINGH – COMPANY SECRETARY,
GE T&D INDIA LIMITED
MR. SANDEEP ZANZARIA – COMMERCIAL LEADER, GE
T&D INDIA LIMITED
MR. MANIKKAPURATH SIVAPRASAD – OPERATIONS
LEADER, GE T&D INDIA LIMITED
MR. ANSHUL MADAAN – COMMUNICATIONS LEADER,
GE T&D INDIA LIMITED**



*GE T&D India Limited
November 20, 2018*

Moderator: Ladies and gentlemen, good day. And welcome to the GE T&D India Limited Q2 2019 Earnings Conference Call. As a remainder, 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Suneel Mishra – Head, Investor Relations, GE T&D India Limited. Thank you and over to you, Mr. Mishra.

Suneel Mishra: Thank you, Raymond. Ladies and gentlemen, good afternoon. Myself, Suneel Mishra, and I manage Investor Relations for the Company. Welcome to today's conference call with GE T&D Limited management team. We have organized this conference to present financial results for quarter ended 30th September 2018.

Let me first introduce our management available on this call. We have with us Mr. Sunil Wadhwa – Managing Director, GE T&D India Limited; Mr. Gaurav Negi – Whole Time Director and CFO. We have also sitting with us Mr. Sandeep Zanzaria – Commercial Leader, Mr. Manikapurath Sivaprasad – Operations Leader, Mr. Manoj Prasad Singh – Company Secretary, and Mr. Anshual Madaan – Communications Leader.

Please note that the conference call is scheduled up to 5 PM. I hope you would have received the Investor and Analyst Presentation and read the disclaimer on slide number two.

I would now request Mr. Sivaprasad to begin this conference, highlighting operations and execution achievements of the quarter. Thereafter, Mr. Wadhwa and Mr. Sandeep Zanzaria will give an update on the order and market, followed by Mr. Negi talking on financials. I now invite Mr. Manikapurath Sivaprasad to begin. Over to Sivaprasad.

M. Sivaprasad: Thanks, Sunil. Good afternoon, Ladies and Gentlemen.

I am happy to start this call with highlight of execution for Q2. In the infra space we find the project execution, ontime delivery and completion as a major challenge. And we are happy to say your company has a proven record of executing the project on time for the last so many years. So, in this quarter the highlight of the achievements which we have in terms of execution is that we added about 2.2 gigawatts capacity to the transmission system by commissioning transformers for Power Grid, CS PTCL and Surya Urja, as you can see in different fields under utility in solar space and in the state utilities. So, there is a capacity addition which has been done through our projects.

We have commissioned two AAS projects at 122 KV level and 22 KV level for BARC and then for CS PTCL. We have also added through our projects 500 MVAR reactive capacity to the existing Power Grid network, adding stability to the network. And this has been done by commissioning four reactors at four different locations, 125 MVAR each.



As a part of the effort to reach out the transmission capacity and enhance network, there has been multiple additions to the transmission system. And we are happy to say that the company has commissioned six additional Bays of 400 KV at different locations for Power Grid as well as Transco and then for Sterlite, thereby adding and enhancing the transmission capacity.

So, that is all on the highlight of the situation. Over to you, Sunil, for the rest of the call.

Sunil Wadhwa:

So, I would request Sandeep to take over.

Sandeep Zanzaria:

Hi, everybody. If you just compare the three months results for the order intake, then we are looking at about 2% growth from 2018 to 2017 in the Q2. And if you are looking at the orders of H1, so last year there were some exceptionally large orders in power generation and TBCB which is the tariff based competitive bidding space. This year the market is not present like the tariff based competitive bidding, now in this quarter (Q3 18-19) we see some activity picking up this whole year, otherwise there was no activity. We are not seeing any large power generation plants, coal fired plants by NTPC and all, so no additional activity coming on that side. So, if I just compare the order intake for the H1 from 2018 to 2017, we are looking at a 13.3% growth in the orders excluding PowerGen and TBCB. The market size what we have seen on the transmission is more or less stable, but the market has shifted more from Power Grid and TBCB and power generation to the State side. And also we are seeing some smaller opportunities now coming up for renewable connectivity to the grid, that is now there.

The company is very well positioned with an order backlog of Rs. 62 billion, this is close to about 1.5 years of revenue. And typically, our contracts or the projects are in the range of 18 to 24 months, with the exception of some larger orders like HVDC and all. I think we are very well positioned, as far as the outlook for next one to two years is concerned from the orders perspective.

And there were certain orders which we were expecting to materialize in Q2 18-19 quarter, but because of some procedural delays in the state side this has got shifted to Q3 18-19 quarter, and those orders have already come, for example Jharkhand World Bank Package which we have won, there are some three orders from Damodar Valley Corporation which we have won, some additional orders from Power Grid. So those all will be booked in this quarter. So we will keep on updating you through the various media channels on the successes of your company. And in addition, during the next call when we have at the end of next quarter then we will give you further updates on whatever successes we have had in this quarter.

Gaurav Negi:

We will shift to sales execution graph. Siva talked about the execution translating that into numbers, I think the revenue for the second quarter is up 14% with Rs. 993 crores versus Rs. 870 crores that we had in the last year.

In terms of the first half performance, overall, 1% better at Rs. 2,156 crores versus the same period last year. But if we were to exclude HVDC, the growth is overall 10% in the first half,



largely offsetting the scale down of the HVDC project, thus reflecting a good execution by the team on the remainder of the projects.

If you go to the next page, page #6, it is the summary on the profit after tax. The overall profit after tax is Rs. 51.5 crores, up 8% from the same period last year, which was Rs. 47.5 crores. On the first half basis we are up 22% at Rs. 133.5 crores versus Rs. 109 crores last year. And we continue to focus on the cost optimization, despite a difficult pricing environment, alongside pushing for project closures. And we were also held by a small degree of recovery that we managed to do on bad debt that we had provided in the past quarters.

Just summarizing on the last page, in terms of the summary, for the quarter revenue and EBITDA are up 14% versus last year. And profit after tax Rs. 51.5 crores versus Rs. 47.5 crores. On the first half basis also the revenue, though flat, but excluding HVDC was up 10% for us. and the overall EBITDA and PAT was growing more than 20%.

With that we will turn it over for questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Jonas Bhutta from PhillipCapital. Please go ahead.

Jonas Bhutta:

I had a couple of questions. Firstly, if you were to look back about four to five quarters, we have been consistently been in that Rs. 7 billion new order range. And even in the presentation you have mentioned that so far in the third quarter you already won another Rs. 7 billion. So, just wanted to know whether going forward in the fourth quarter or for the fiscal 2020 is there a visibility that this run-rate sort of can accelerate? And if yes, if you could highlight certain projects or schemes that would lead to that acceleration in ordering for you?

Sunil Wadhwa:

So, what we have mentioned as a footnote in our presentation is that we have L1 position, stroke orders already procured, upwards Rs. 700 crores already in the current quarter. And we are seeing some more positives in this quarter. So, I hope that this quarter is going to be better than the Q2, i.e. June to September. Overall, what I see is that there is now clarity coming in the composition of the market. While on one hand the market shift is there towards lower segment, lower voltage which is the states and DISCOMs, because of the Saubhagya scheme, where there is more of demand coming from the last mile, putting pressure on the existing not-so-strong grid, so there is more spend from the states. The PGCIL and TBCB market is bouncing back next year, we understand that there are many TBCB projects which have been lined up for next year and also which were lined up for the end of this year. In fact, as we talk there is a reverse auction happening between PGCIL, Adani and companies like these. And this was not there throughout the year so far. So we are looking at basically the comeback of TBCB partly also because of the solar projects, the way the solar projects are going to be commissioned. Despite all that we are talking about and looking at the uncertainty on solar, but the larger bigger picture remains the same. There is a discussion and its all being happening for bringing solar from Leh Ladakh to the hinterland, including transmission lines as a composite project. So, what we are seeing is



higher voltage levels also coming up with the solar projects sometimes as a composite project. Then also our company is not only looking at India, but we are looking at around India, specially Bangladesh, Sri Lanka, Nepal, Bhutan and surrounding areas and exports. So, there are projects coming up in neighboring countries which are majorly linked to export of power from India. So we see some traction there in the coming years as well.

Jonas Bhutta: So, should we model for a higher inflow for the next year, given that for all the reasons that you just mentioned?

Sunil Wadhwa: Look, what I am saying is that the market size is stable, it is very much in line with what the planning commission and CEA has projected, which I have been always saying is a bottoms-up plan, this comes from the planners in the states as well as the PGCIL. So, this market we are seeing is in line with that. There are some upside we are seeing as a result of the neighboring countries. Our company has been also looking at cost-outs, which is seeing some positive results in terms of our order intake.

Jonas Bhutta: Sir, my second question is on the balance sheet that we have declared, and there we see a sharp reduction in the cash balance, most of which has flown into the working capital, and particularly on the payable side and the current customer advances side which has sort of drained out cash. Can you just qualitatively give us an understanding of what has happened in the last six months that has led to such a decrease in cash balance? Over and above I also notice that you have paid off Rs. 75 crores of debt. But the reduction is far higher than that in the cash balance.

Gaurav Negi: So, if you see the balance sheet over a slightly longish period, I think you will observe that we have managed to bring down the overall working capital from a net borrowing position to a net cash position. In the last six months there have been some execution around certain projects, more from a timing standpoint. Some of the working capital has got stuck in the receivables, as we mentioned, as well as some inventory. So, we see this more as a timing thing. In the next couple of quarters we intend to bring this working capital back in line with steady state that we have achieved sometime in March. So that is what our endeavor is, it is what the timing that we see, we are not too overly concerned with this particular development.

Jonas Bhutta: Sir, one last question. Wanted to know if you have provided for a certain accelerated provision that out of conservatism that you typically do for the CK2 project, which upon commissioning of the project could be written back probably next year. Is that a possibility? And allied to that, in the current quarter have we seen any such provision write-backs generally or any FOREX related gains or losses, if you can highlight if there is one off sitting anywhere in the results?

Gaurav Negi: Again, we are not overly conservative when we analyze any project. I think we have to take proper diligence in terms of what provisions need to be made. Having said that, typically whenever large size projects do come to closure, or for that matter, even smaller ones, there is always an element of variation that comes in, because a lot of it is subject to discussions and a bit of negotiation around those projects. So, nothing out of the ordinary that I would say in terms



of provisions. But yes, there may be a slight variation that may crop up once we finally close some of these fixed projects.

Jonas Bhutta: Sir, but as it stands, the project, you do not see a negative flow from that? So, as in, you do not see those provisions actually getting exhausted?

Gaurav Negi: I do not foresee any further hit in terms of the P&L that we have on those projects.

Jonas Bhutta: And anything in the quarter, sir? Any one offs in the quarter in terms of FOREX gains or losses, or provision write-offs, write-backs?

Gaurav Negi: So, the only other income line that's where we did, like I mentioned we did have a scenario where we wrote-back provisions, meaning there were certain bad debts that we had provided. We finally were able to collect that cash from some of our customers. So that has been reflected in the other income line.

Jonas Bhutta: So, what would be that quantum?

Gaurav Negi: Roughly Rs. 18 crores is going to be the quantum of the one-off, the remainder is more likely to add income which is more a steady state.

Moderator: Thank you. We have the next question from the line of Koundinya N from JM Financials. Please go ahead.

Koundinya N: Sir, a couple of questions from my side. Firstly, just to understand, I think you mentioned that we are looking at a stable market size in terms of transmission, but it seems to have shifted more towards the SEB and renewables. So, if you could just throw some more light as to what is the size of this market that we are looking at on an annual basis? And because of shift towards SEB of DISCOM related ordering, do we see any impact either on working capital or on the margin profile?

Sunil Wadhwa: The market size is in the region of about \$3 billion, this has been over the last three years the same number. I am seeing some new market also next year, but it is too early to say right now because of the renewable push and the way integration will happen. It is too early to say, but there is going to be something new which has not been factored into the plan. And as I mentioned, this is in line with the plan which was made for the five-year plan, which was \$35 billion on the T&D spend. Half of which roughly was envisaged to be only on the lines, the balance half is \$17 billion which amounts to roughly \$3.2 billion per annum for the T&D. This is basically when we say T&D, but this excludes most of the distribution spend. This actually takes into account only 220 KV and above. So it excludes the 132 KV and below and on the distribution segment. So that is an excess of this. So, that is the market size. The shift has been over the last one year the PGCIL portion in this has been roughly little bit half of what it used



to be earlier, and the states have been very near 170% of what they were last year. Now when it comes to the margins and stuff like that, both ways it works.

In case of PGCIL, for example, we have reverse auction, but the competition is not that much compared to what we have in states. Advantage in states is that you have no reverse auction, except just one state which also not in all cases have reverse auction. So there is advantage there in terms of the price that you get. In terms of getting the money and the working capital, I do not see really any big difference between PGCIL and the electricity boards these days. Most of the projects that we select to bid are properly funded already in advance before we bid. And either they are multilateral funding or they are PSC or RSC funded projects, and very little I can see in projects which are coming from the ARR which is approved by the regulatory commissions. A large portion of these transmissions, the STU projects are funded by banks or multilateral agencies. So, only thing is that we are now repositioning ourselves into the lower voltage market compared to what we were earlier. We are seeing early gains, we have had good order from railways in the last quarter, not in this quarter in consideration but two quarters before that. And we are looking at railways as coming up with a big plan. So, that is one thing which I think is in addition to what 3 billion number that I indicated to you, which was not in the plan at the time when the plan was made.

Koundinya N:

Additionally, just to get a sense, since we are anyway seeing the market size to be more or less stagnating, and I think most of the HVDC orders would be nearing completion, so where do we see incremental growth, if at all, coming from...

Sunil Wadhwa:

The neighboring countries and the renewable side. See, there are two parts of it, one is the countries that I mentioned to you about, which are somewhere around 20 years behind us and they want to catch up very fast. So, case in hand is Bangladesh for example, I mean, their plans are to double their capacity and therefore also the network requirement in the next eight to nine years, and Sri Lanka and Nepal. Now, Nepal has been coming on to center, there are funding agencies from US which are funding several projects of Nepal, and we are well placed there. I mean, despite fierce competition we are very-very close to getting to getting a contract there. So, we are well placed in Nepal, we are well placed in Bangladesh and there are HVDC project s coming up in Bangladesh, and Bangladesh is also having lot of power going from India, so they will need to immediately ramp up their transmission requirements. And Bangladesh I think recognizes, unlike in India, the fact that private sector players can do much faster when it comes to the strengthening of the network is concerned. And so the fact that they are looking at more power from India is a very-very different scenario when they look at new plants coming up within Bangladesh where they have the lead time to set up transmission network. Now, in case where they have signed PPA with some company in India, there is hardly any time, because the companies in India would like to start supplying from tomorrow. And that is what is the market which is becoming attractive for us in those countries. And the best part, there are big players in these countries and competition is healthy, and you can give good value and get good value out of these projects.



Others is the renewables, because besides the evacuation from the renewable projects we have also entered the space of EPC for renewable business, both wind and solar. And there is a reasonable percentage that we are now adding to our portfolio of orders and turnover from such projects which are sub-transmission and EBO part of solar. This is replacing the power-gen market that we used to have, which is now getting replaced by solar. Past conversion rate, you get an order within eight to nine months, you are done with the project. And there we also are looking at gradually higher voltage evacuation, because of the new regulations which requires minimum certain size of project to get evacuation at certain voltage level. So, that is basically encouraging more and more of 440 KV evacuation for solar projects. And there are also solar parks being developed and there are 24 solar parks which have been approved by the Government of India. Approved in the sense that those parks can be utilized for inviting tenders for solar park based projects. These solar parks would need evacuation at 440 KV. And we are ones who did the first few projects, the famous ones being Bagla in Rajasthan. So, I think that is another market which is very much there.

Koundinya N: Understood. Just to follow-up on the same point, is it possible to throw some color as to what would be the size of export market or the renewable market? Or in other words, what kind of revenues we could target from either of these markets?

Sunil Wadhwa: Exports, it would be I think if you take exports it should be close to 10% annually. And exposure would be 45% as of today. So about 15% would probably be between solar and the export market.

Koundinya N: And where do you see this number say from one to two years?

Sunil Wadhwa: Good question. On the solar side I really do not know, because we will have to see how the market pans out in terms of the safeguard duties clarification, I mean, most of it has come and the caps which have been put. But I am quite hopeful that these are temporary issues that will get sorted out and they will be bankable PPAs which would give us projects. So, we are ramping up and I think the numbers should be higher than what they are today. I really cannot, frankly, it is not that I am not wanting to say, but I have a target in mind but that depends on the market really shaping up the way it has been. But they should be better than what they are today. We are only two years old in solar, and we have been recognized as players of some significance.

Koundinya N: My last question would be in terms of your indicative guidance on EBITDA margins. I believe you have been talking about range of about 8% to 9%, do you still maintain that kind of indication?

Gaurav Negi: Yes, we continue to maintain that.

Moderator: Thank you. We have the next question from the line of Renu Baid from IIFL. Please go ahead.



Renu Baid: A few questions. First, if you can just help us understand, in 2Q it seems that there has been some restatement of the prior period inflows, though the number is very small it optically now looks at marginal growth instead of declines. So, has there been certain orders which has been de-booked from the backlog and probably inflows were restated for September 2017 quarter?

Gaurav Negi: Honestly, I do not think so there has been any restatement. There could have been some cancellations, if you are trying to do a math based on flows and...

Renu Baid: So, last year announced orders was Rs. 7,300-odd crores, so that was anyway a small number to that extent. So, when we mention that overall pipeline last when we spoke pipeline or second half was fairly robust and we have shared a fairly good number of L1 positions also. But on the broad based do you think from an order inflow perspective we should be back to that Rs. 4,000 crores – Rs. 4,500 crores inflow run-rate which would be required for us to get back at least to sustain the current revenue trajectory that we are doing through? So we had spoken about the market competitive pressures and everything, but then do you think that run-rate is something which could come in?

Gaurav Negi: So, I think the order intake what we are looking into next quarter would be better in terms of whatever marginal growth we have had till now, we are looking at a better growth at least till the next quarter. And I can only say that the market realization which is there in terms of decision making has picked up in a much better sense in this quarter, which is now going on.

Renu Baid: So, from that perspective we did share that for the first half we had almost 10% growth in revenues, ex of HVDC. So, what would be the kind of share of HVDC revenues in the first half and what would be the pending proportion in the backlog? Because I guess, it would be broadly completed by March. So if you could share some details on the HVDC projects here?

Gaurav Negi: It has come to close to Rs. 280 crores left in the backlog to execute on the HVDC.

Renu Baid: And what was approximately executed during the first half of the year?

Gaurav Negi: This year would have been close to around Rs. 120 crores to Rs. 150 crores.

Renu Baid: And strategically we have spoken about now solar, EPC as well as exports as a market picking up, and you have shared that 15% is what is the current mix. But if one has to look from a four to five year perspective, do you think that the 10% kind of exports that we have in our mix can become 20% - 25% export, assuming the domestic market also gets back on the growth trajectory? As in, how should one look at that mix from a four to five-year perspective?

Gaurav Negi: So, again, most of our exports that we are targeting is also through our affiliates. So, Africa is one market that we are definitely looking at. We have kind of had a steady state 10% to 12% export out of our total revenue that we have kind of had in the past few years. So, as we see Africa growth, that is one area which is, again, we are part of the larger group, so we are aiming



for Africa's growth to be supportive of India through the manufacturing setup that we already have in India. That will in a way also enable our domestic market, to be honest, given the pressure that we have. So that is one part of the strategy that Mr. Wadhwa just mentioned about also. So, if we see pressure on the domestic side, we are trying to offset it through exports. And the percentage becomes kind of a difficult one to state because the mix may change between domestic and exports, so the percentage change is according to that. But the whole endeavor is to grow top-line and as part of that growth of top-line if it can be enabled through exports, that is what we would be focused on.

Renu Baid:

But on exports can one believe that that export portfolio can grow at 20%, 25% CAGR, given that there is significant amount of work to be done in the south, as in in the Indian sub-continent as far as in the African region? And if the offerings can be expanded beyond just product exports to projects assistance as well?

Sunil Wadhwa:

I mean, both are there. We are doing project assistance as also along with our own affiliates or regions in Africa, for example. So, one project where we will be doing both.

Renu Baid:

Right, because the point that I am trying to come to is, on a broad based if we see, at least for next two to three years, generation capacity addition is likely to slow, predominantly from thermal space. And hence the overall medium and high-voltage transmission capacity addition is also in the same trend. So, from that perspective, does one get to believe that from a sales or turnover side we have had HVDC this year also. So, probably there is Rs. 4,500 crores – Rs. 4,600 crores of turnover, could that be like a peak turnover from medium-term perspective that it would be difficult to grow beyond these levels for next two to three years, given the way the overall market in the transmission side has been? Or you think the initiatives that you are doing on the export of the renewable side will be more than able to offset this kind of domestic headwinds that we are seeing through?

Sunil Wadhwa:

There are a couple of factors. As I said, the market size is not shrinking overall, there is a shift within the market, the composition, and that is for India region. On top of that, we are looking at similar composition of market elsewhere for projects, including HVDC in Bangladesh, in Sri Lanka and Nepal and Bhutan. Now, that is one thing. Other thing is that even if you include that part, that brings a lot of offset to the price pressure that we may have in India, even though the market size is same, even though our market share remains the same, but there could be some price pressure. So that is going to be offset by hopefully by additional market which all the players in India, the major players are seeing in these countries. Lastly, because we are not just EPC player that is only go-to-market strategy, we have most of the products that we actually use in our projects are made in India, most about 90%. So, there is a exportability of that to these countries which are a part of the South Asia region as well as Africa, southeast Asian regions which we have seen happening now. Those are dollar terms, and have fairly better margins than what we get in India. So, I think, overall the whole idea is exactly what we are seeing, we should really be looking at offsets and hopefully get offsets more than what we have in terms of shortfall



in India. Within India assume that there is no shortfall offset coming from outside, the strategy within India is to aggressively look at cost outs so that our market share is not lost and we probably look at gaining the market share. So that strategy is also working so that we have intra-country offsets, not really offsets but intra-market recovery because of the cost outs that we are looking at. And we have been successful in getting the results from those in the recent months.

M. Sivaprasad:

Just one more thing, so when we are looking at renewable sector also, what is happening is that earlier the projects which were coming were of a smaller size, for example solar plant which are 50 megawatts or 100 megawatts, but now we are looking at a larger capacity of solar plants, like maybe 500 megawatts, or two 250 megawatts put together making it a 500 megawatts. So we are looking at transmission capacity, evacuation from them as well, which was earlier 130 to KV is now moving up to 245 KV and 400 KV. So, even with renewable addition also we are looking at an uptrend in the transmission side.

Renu Baid:

Sir, my follow-up and last question on this is, you did mention up the cost-out actions which you are planning to initiate or which are already underway. So if you can help us elaborate on what exactly are these actions and in which areas would they pertain to? And do we have any targets to cut that and improve margins by 100 to 200 basis points, etc, on those elements? So if you can just give more details on that?

Sunil Wadhwa:

These actually are across the board, it is not only on specific products. Because what initiatives we are taking, some of them will apply to all the product and all the processes. And the multiple objective of that, one being to be able to compete without eroding our margins and maintain or improve our market share. And when we do that what happens is that there are some projects which we already won, and if I am able to get a better price, better costing for the similar project when I am bidding, I am able to also apply that cost to my existing projects which are still under implementation. So, partly that will also benefit of being some advantage in our supplementation of previously won projects.

Renu Baid:

So, these are essentially usual cost optimization measures and no specific restructuring or cost reduction actions which we have seen in other GE entities in India and globally?

Gaurav Negi:

No, we are not talking about those ones that you are referring to. But it is across the board, like what Mr. Wadhwa said, it is around product cost-start, we are doing value engineering around our products, again, that is the element of optimization. Now, sourcing also plays a significant role because we do look at opportunity as a group also to get the best sourcing. We definitely have a very strong manufacturing process, we are trying to implement lean manufacturing, which again helps in larger cause of saving money. And then on the project execution side, administrative is one element that we try to optimize all the time, but again, we do understand there is a saturation to that also, we are conscious of that. But these are the elements of cost optimization that we typically refer to.



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

Abhishek Puri: We understand that the near-term has been quite depressed in T&D market, could you give us an overall sense as to how you think that over a two to three year or a four year perspective how the things will pick up? Are there any plans by the government, because the CEA report highlighted that next 10 years we do not need any new capacity addition in the power generation space? And when I am looking at the first seven months of data for the current year, it is minus 900 megawatts, which means that we have retired more than we have added capacities. So, are there any plans that have started by the government which gives us confidence that T&D sector will be back in India? Or is it largely export or solar lead market that we should be focusing on?

Sunil Wadhwa: Let me restate the question that you are asking so that I am clear on what I have to answer. You are saying that the CEA said that there is not going to be any capacity addition from thermal side, right?

Abhishek Puri: Right.

M. Sivaprasad: Correct, that is the statement you made. So, I agree with you, that is the position that we are seeing. There is going to be retirement of thermal assets, not because they are... So, as far as the retirements are concerned, they are also not because the assets are retired or over there also requirements of adding some SEBs and making it more environment friendly which may not make sense. But overall what we are seeing is the CEA plan did factor in 125 to 175 gigawatts of renewable. There were two scenarios they made, one was 125 gigawatts and one was 175 gigawatts, and this was 2017 to 2022 timeframe. And as you know, if 100 megawatts is retired it will need about 300 megawatts of renewable to replace that much of energy. Second point, the CEA plan did envisage about 6% to 8% increase in the energy consumption CAGR. So, when that happens it did not envisage at all any big redundancies in the network. In fact, there are shortages or deficiencies you may call, glaring deficiencies in some states if they have to supply all the power that they are buying. Or if they supply all the power that is demanded with the new connections which will be given by the SAUBHAYA scheme, which is going to be a reality. So, whichever way the transmission business is agnostic to the fuel source. So, the schemes which are actually going to be made are only waiting for whether they have to be aligned with the older ways of looking at solar renewable wherever there is capacity just put up a solar plant, or you plan the green corridors in accordance with, and then go with the solar bidding, which has to be linked to that. So, if you know, now most of the bids which are coming up for solar are inter-state connected bids. So you have to choose and you have to find out where the connectivity from the Power Grid or the TBCB players is going to be.

Sunil Wadhwa: So, I am seeing renewable as actually a positive factor for our traditional solar transmission business. And the shift between solar or other renewable is actually a positive factor for us.



Abhishek Puri: So, basically it should be, one should focus more on solar developments rather than on the thermal power generation developments?

Sunil Wadhwa: See, since you are on this subject, as we go beyond a point there is going to be also more thermal generation because it will have to be cost equation, unless you resolve not to have any more emissions from thermal. Because the integration of solar and wind, there are a lot of studies happening, can be done through making solar more flexible in terms of their generation ramping up and ramping down. So, if that is proved to be a good concept then I think the thermal generation will carry on in some proportion to the renewable as well. But if he finds the batteries are a better means to integrate solar than having a flexi generation from thermal, then it might not be so much on thermal. But as I said, from my business point of view, I am really not looking at which one is the better way of integrating the renewables. We are very clear, if there is more power requirement there is going to be more transmission. It only makes a little bit of the difference in the planning part as to where should the network be planned and what kind of network will be planned.

Abhishek Puri: So, are you seeing any projects in the renewable energy space? Because we are seeing that some of the renewable bids have slowed down for the lack of transmission, so are you seeing any new projects that have started or been approved by the expert committee that we can make a point that that would be an inflection point?

Sunil Wadhwa: Yes, there are projects in Gujarat which have been very fast tracked because of the lack of transmission facilities. In the area of Bhuj for example, there are multiple projects coming there and they are all dependent on the evacuation facilities to be created with the segments which have been given to them. So there is a big pressure on evacuation from the renewable side, not only the official projects, but also the contracts which have been awarded.

Moderator: Thank you. We have the next question from the line of Sanjay Doshi from Reliance Mutual Fund. Please go ahead.

Sanjay Doshi: A few questions. First, I believe you indicated in the call earlier that the execution timeline is around 18 to 24 months for our backlog on a normalized basis. Is that true even for taking into account the increased renewable?

Sunil Wadhwa: So, it is not like that that for the complete backlog it is like 18 to 24 months. What I meant was that, for example, for shorter product cycle, like we have certain backlog of product as well, so there the turnaround time might be three to six months as well, for example, a circuit breaker order or instrument transformer order or an automation order. But typically, large size projects, even for renewable, and when I say large size projects means something like in excess of about Rs. 100 crores. Even in the renewable sector also the time which is being given is about 15 months minimum is given, but typically for state sector and all it is 18 to 24 months.



- Sanjay Doshi:** So, for our current backlog we would be at the lower end of that time period, right? Will it be a fair assumption to make?
- Sunil Wadhwa:** So, I would say that certain projects which have just started or would be starting now, they would be at like 18 to 24 months. But certain products which are in advance stages would be now like three to six months would be the backlog. So it is a rolling backlog, we keep on adding the projects and then we keep on moving.
- Sanjay Doshi:** And just concluding out of the discussions which happened on the call, I understand that renewables and exports would be better in terms of profitability, is that a fair assumption or a fair conclusion?
- Gaurav Negi:** Exports, yes. But solar again is one of the competitive, it is more domestic, we have got more players. It is definitely an attractive market for everyone, shorter timeframe. But the pricing has is also evolving in that space.
- Sunil Wadhwa:** What happens in case of solar project, the timeline is short and therefore you are not really estimating cost which is to be incurred much later. So there is more certainty in terms of the cost to be incurred on a solar project. We generally do not take modules in to our scope and the land part. So what remains is really within our control. So, there the risk being much lower we are in a position to convert the whole project, I mean, the cash cycle is faster. So, it is attractive but not very high margins compared to many other segments of our business.
- Sanjay Doshi:** Sir, last one question on the power T&D core domestic business, orders that we are booking today, will it be better margins than that 8%, 9% that we have been guiding or it is somewhere in that range?
- Sunil Wadhwa:** It all depends on project to project.
- Sanjay Doshi:** I mean, whatever you are booking today in terms of orders that you have won in the first two quarters and the third quarter, the L1 or the wins, will that be still having that 8% to 9% kind of profitability or it is understandable?
- Gaurav Negi:** See, when we bid for a project we really look at contribution margins. Rest is the factor of what is the total volume for the year and how much have we been able to recover, we have certain fixed cost. So, when we make bids we are definitely much higher than these numbers on contribution margins.
- Sanjay Doshi:** Sir, I am just trying to understand, whatever backlog we have, maybe it is at the beginning of the year and whatever you are booking in this year, is it better than what you had in the past or is it at the same lines, at the contribution level if you want to highlight?



- Gaurav Negi:** It is going to be a little challenged, less than what. But again, the reason why we try to make it up is cost optimization like we talked about. We have 18 to 24 month to figure out how we improve that and bring it back to the levels that we have today. So this is like a cycle that keeps playing out every order that we take. We have 18 to 24 months when we pick it up, given the competitive space that we are in. It is slightly lower than what levels we actually then execute that. And then as we get the 18 to 24 months to execute, we try to then optimize that margins levels.
- Moderator:** Thank you. We have the next question from the line of Sabyasachi Mukherjee from India Nivesh. Please go ahead.
- Sabyasachi Mukherjee:** I have couple of questions. First one is, so on the raw material front how much is imported?
- Gaurav Negi:** Maybe 10% to 15% is going to be imported for us. But when you say imported, you mean imported for execution of the project or you are talking about manufacturing, what we manufacture?
- Sabyasachi Mukherjee:** No, I just wanted to understand the hit we had due to the unfavorable currency movement in the quarter and also in the first half? I just wanted to understand that.
- Gaurav Negi:** So, we kind of also are trying to have a natural hedge. Like I mentioned that we do export also, so it kind of helps and creates a natural hedge position for us. So, exposure in terms of foreign currency volumes, that is significant. And aside from that, we do have a policy of hedging all our positions, we do not carry any open positions when we execute any contracts above a certain threshold. So we were not significantly exposed to any FX movements.
- Sabyasachi Mukherjee:** And any specific reason for paying of the payables around Rs. 400 crores, if I see from the last number in March 2018?
- Gaurav Negi:** No, payable has not come down but because of the 606 implementation there has been some reclass that was carried out between, you will see that same thing in inventory and corresponding in the current liability. You will see a reduction of close to 350 crores was largely on account of the 606 reclass that was carried out. So it is a wash between the two line items.
- Sabyasachi Mukherjee:** And also one thing on the cash utilization front there were questions from my fellow colleagues, what part was that in the cash utilization thing? Where as it used?
- Gaurav Negi:** So, cash, currently if you will see, for us it is stuck in the inventories, more from a timing standpoint as well as in the accounts receivables. That is where our working capital is getting blocked, and this is something that we will be focused in the current quarter and the next quarter to convert receivables into cash again, which is something that we were successful in the prior quarters.



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November 20, 2018*

Sabyasachi Mukherjee: And in terms of cash generation, I believe H1 was not positive from cash flow from operations view?

Gaurav Negi: No, again, it will not be because that's why the AR balance is increasing, that is what is happening. So, it is a direct correlation to that. But on the standalone basis if you will see the profits that we made, again, the profit has come close to Rs. 150 crores in the first half. That just needs to get converted into cash, because it has got stuck in the working capital in the form of inventory.

Moderator: Thank you very much. Due to time constraints, we will take that as the last question. I would now like to hand the conference back to Mr. Suneel Mishra for closing comments.

Suneel Mishra: Thank you, Raymond. Thank you, everyone, for your participation. We conclude today's conference call. In case if you have any other question, then please feel free to contact me or our communications leader Mr. Anshul Madaan on the email ID given at our website. Thanks, again.

Moderator: Thank you very much. On behalf of GE T&D India limited, that concludes this conference. Thank you for joining us, ladies & gentlemen. You may now disconnect your lines.