"GE T&D India Limited

Q1 FY '25 Earnings Conference Call"

July 31, 2024

MANAGEMENT: **MR. SANDEEP ZANZARIA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – GE T&D INDIA LIMITED**
MR. SUSHIL KUMAR – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – GE T&D INDIA LIMITED
MR. ABHISHEK SRIVASTAVA – HEAD, BUSINESS OPERATIONS – GE T&D INDIA LIMITED
MS. KANIKA ARORA – COMMUNICATIONS LEADER – GE T&D INDIA LIMITED
MR. NIMAI VERMA – COMPANY SECRETARY – GE T&D INDIA LIMITED
MS. MEGHA GUPTA – FINANCE AND INVESTOR RELATIONS – GE T&D INDIA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to GE T&D India Limited 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Megha Gupta from GE T&D India Limited. Thank you, and over to you, ma'am.

Megha Gupta: Good evening, everyone.

A very warm welcome to the GE T&D India Limited Earnings Call for First Quarter of Financial Year '24, '25.

I'm Megha Gupta from GE T&D India Finance and Investor Relationship team.

We are delighted to have you all here on the call today.

We have with us Mr. Sandeep Zanzaria, CEO and MD of the company; Mr. Sushil Kumar, Whole-Time Director and CFO of the company; Mr. Abhishek Srivastava, Head, Business Operations; Ms. Kanika Arora, Communications Leader; Mr. Nimai Verma, Company Secretary of the Company.

During the call, we will discuss company's financial performance, including operational highlights and we'll share key updates. Towards the end of the presentation, we will have a dedicated question-and-answer session.

The presentation we are going to discuss today and financial results for the quarter are already available on our company's website.

Before moving forward, I would like to highlight that today's discussion may contain few forward-looking statements, which are subject to risk and uncertainties. These statements are based on our current expectations, and actual results may differ materially from those expressed or implied. We encourage you to refer to our public filings and disclosures for comprehensive understanding of the factors that could impact our future performance.

With this, now I'll hand over to Mr. Sandeep Zanzaria to open up the discussion. Thank you.

Sandeep Zanzaria: Thank you, Megha, and good evening, everybody.

Appreciate your taking the time to join us today and for your continued interest in GE T&D India.

India's power transmission system is emerging as one of the largest unified electricity grids in the world with the inter-regional capability of transferring 118 GW on one frequency, according to the latest Economic Survey 2023-24.

As India continues to take bold strides towards its goal of becoming a Viksit Bharat by 2047, the demand for reliable and efficient electricity supply is expected to surge. This necessitates the domestic power sector supporting this ambitious growth plan over the next 23 years to make it happen.

Our involvement in key projects for commissioning of grid solutions for renewable energy integration and offering T&D solutions for large-scale data centres reiterates our commitment to support India's energy transition. Additionally, our innovative offerings in digital solutions for grid automation and asset performance management have sharpened our technological edge and market competitiveness.

Building on our strong momentum, we are excited to report another quarter of robust order growth. Our order book in Q1 saw bookings of INR 10.3 billion, up by 2% YoY, compared to INR 10.1 billion in quarter ended June' 23. A highlight of the quarter was the order we received from PGCIL to build for establishment of State Load Dispatch Center (SLDC) and Renewable Energy Management Center (REMC) in Union Territory of Ladakh. Our order backlog stood at 62.8 BINR as of June 24 vs 39.4 BINR as at June 23, up by 59% YoY.

Our Q1 revenues stood at 9.6 billion INR vs 7.2 billion INR in Q1 FY 23-24, up by 34% YOY with a notable increase in our profits. Our Profit Before Tax for Q1 FY24-25 was at 1.8 BINR compared to around 386 million INR in the corresponding quarter of the previous financial year. Cash and Cash Equivalent balance improved and stood at 4.4 BINR as on 30th June 2024 vs 2.8 BINR as on 31st March 2024 and net debt of 1.1 BINR as on 30th June 2023. The improvement in balance sheet paved the way for the company to generate cash of 1.6 BINR during Q1 FY 24-25.

Operational efficiency has been a cornerstone of our strategy. We have made significant strides to improve on-time delivery, optimise cost structures and facilitate lean operational processes. Our focus on selective market participation has further enabled us to engage with clients offering favourable payment terms and higher margins, thereby reducing exposure to high-risk markets. We will continue our way forward with laser sharp focus on efficiency.

We could not be more excited about the path ahead, and we thank you for your continued support.

I now invite Abhishek to provide further insights on the execution.

Abhishek Srivastava: Thank you, Sandeep. So we, as GE T&D remain committed in terms of adding capacity to the transmission network of India. So in this pursuit in the last quarter, we added 400 kV UPPTCL at Sahupuri transmission line, which was commissioned and that helps us serve the area of Varanasi and adjoining areas.

In addition to that, we also commissioned one critical substation for TPDDL in Delhi. In continuation of our pursuit for adding critical elements to the transmission network and for stabilization of Indian transmission network, 500 MVA ICT was added for Power Grid at Rampur and 23 bays of 220 kV added at multiple substations.

Also, we have been picking up some critical extension jobs for our customers with whom we have long-term relationships like IFFCO at Paradeep similarly for WBSETCL at Durgapur and RLUL at Kharagpur. So our pursuit is to keep on augmenting and strengthening the network for transmission in India. So these are some of the critical additions that we could successfully commission in the last quarter, and our journey continues.

So I will invite Sushil to take us forward.

Sushil Kumar: Thanks, Abhishek. Good evening, ladies and gentlemen. This was a very strong quarter in terms of financial performance for us. Talking about orders on Page #5 of the presentation. We booked orders of INR10.3 billion in this quarter compared to approximately INR10 billion in the same quarter last year. This represents a 2% increase versus the last year. However, in addition, in the month of July, which is for the current ongoing quarter, Q2 of this financial year, we have already booked orders worth INR13 billion, and these were significant orders, and we have made appropriate disclosure to the stock exchange. Out of this INR13 billion, approximately INR8 billion was related to the orders that we booked from our group companies for export and about INR5 billion order was from Power Grid for SCADA remote dispatch centre business.

Out of the INR10.3 billion order that we booked in this quarter, the major orders were

- Supply of 765 kV shunt reactors for reactive power compensation from Power Grid.
- we secured an order from Adani Energy Solutions of 765 kV, 400 kV GIS Bay Extension at Khavda.
- We have secured an order from Damodar Valley Corporation for renovation and modernization of work of 4 substation in the state of West Bengal.We also secured orders from Power Grid for establishment for State Load Dispatch Center and Renewable Energy Management Center in the Union territory of Ladakh in Northern region of India.
- And we have secured orders from Renew Power for 400 kV extension under RTM mode at Koppal and Gadag site.
- There are other orders from major EPC players of 400 kV and 200 kV GIS extension at Amargarh and one large order large for customer in Nepal for 245 kV GIS from an EPC player.

So these were the significant orders that we booked during the quarter. Similarly, we had a very robust financial performance in the profit and loss account.

During the quarter, we had a revenue of INR9.5 billion, 34% higher than what we achieved in the same quarter in the last financial year. However, a very significant improvement happened in terms of EBITDA level. We achieved an EBITDA of INR1.9 billion. And this represents an EBITDA of 20.2% as a percentage of revenue. This is a very strong improvement of 11.5 points versus what we achieved in the same quarter in the last year, where our EBTIDA was only 8.7% of revenue.

Similarly, our financial performance on profit before tax also improved significantly. We achieved a profit before tax of INR1.8 billion compared to only INR386 million in the last financial year, first quarter.

And, Sandeep also mentioned at the beginning of the call that we had achieved INR1.6 billion of cash generation during the quarter. And cumulatively now, we have a very strong balance sheet position with approximately INR4.4 billion of cash and cash equivalents as bank balance or as an investment.

Moving to the next page in terms of split of order and revenue. Out of INR10.3 billion of orders, approximately 80% orders worth INR8.4 billion were from domestic market and approximately INR1.9 billion orders representing 20% of the overall order mix were from the export markets.

In terms of revenue split between export and domestic market, approximately 70% of the revenue or INR6.6 billion revenue was from domestic market and 30% of revenue, approximately INR2.9 billion was from the export market. End of June, we have a strong order in hand position of INR63 billion. Of this, 60% is from the private customers, approximately 9% from state utilities and 31% from the central utilities.

With this, we can now open up for the questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: Congratulations on a very, very good quarter. My first question is on the gross margin. The gross margin improvement has been very, very sharp in the last Q-o-Q or if you look at Y-o-Y, I think is the -- it was 40% this quarter compared to last year same quarter, 32%. How much of this is sustainable? And do you think some moderation in the margins as you go forward? That's the first question.

Sushil Kumar: Thanks, Mohit. So in our business, because we are a long-cycle business, and the gross margin also depends on a combination of various factors, including the mix of revenue between projects and products and export and domestic. So generally, we kind of evaluate the gross margin performance more on a yearly basis. And if we compare our financial performance, the last financial year, we had achieved a gross margin number 34.4%. This year, the first quarter is a very good start, wherein, we have achieved 40.3% of gross margin.

And this performance gives us better confidence that our endeavour, which is always to take the margin to a higher level is working in the right direction, and we should be able to achieve a better margin compared to last year. And in terms of the guidance, as is practice, we don't give any guidance. But yes, as a management team, we always work to improve the gross margin or the overall profitability.

Mohit Kumar: Understood**,** My question is on the order inflow. Order inflow for the quarter was slightly on the lower side, given the fact that we have seen that last year, a number of projects were bid out.

And so my question is are you seeing a larger inquiry and do you think that this passes into higher order inflow as you go forward?

Sandeep Zanzaria: So Mohit, Sandeep here. So yes, I think there was some impact of decision-making because of elections as well. But I think if you will see that we maintain the order inflow number of INR10.3 billion, which was like a 2% growth. But also, if you see that in July, we have already declared an order to the stock market of about INR13 billion. And if you also look at our order backlog, so we have a very impressive growth in the order backlog of 59% we are presently at about INR63 billion as compared to, it was INR39 billion in the last year, the same quarter. So it's an impressive, I think, growth there. And yes, definitely, we are looking at the pipeline and just the renewal of the TBCB pipeline, we look at it as a more sustainable and a growth pipeline.

Mohit Kumar: My last question, sir. How do you -- are you participating in the upcoming HVDC tender for Bhadla-Fatehpur and the STATCOMs?

Sandeep Zanzaria: So Mohit, I think not the right forum to discuss that where which bid we are participating on that, but I can tell you that, yes, globally, we are one of the top 3 players of HVDC and also for STATCOM. So yes, it will be our endeavour to take some market on HVDC and STATCOM both.

Moderator: Next question is from the line of Umesh Raut from Nomura India.

Umesh Raut: Congratulations for the excellent set of numbers. My first question is again on the gross margin. So if I look at your trend on the gross margin or your commentary since last few quarters, sometime back you were saying that about 30% to 35% is kind of more of a sustainable gross margin that one can look at. But now we have already touched closer to 40%. So how much of this gross margin expansion you can attribute to, say, healthy pricing power to say, internal efficiency where you have localized incremental product offering from domestic market. And thirdly, on the account of, say, even the product mix, especially from export execution and domestic execution pointers. So if you can highlight certain things on gross margin side in a more of granular way.

Sushil Kumar: Yes. Thanks, Umesh. So as I mentioned that, yes, we did well in terms of gross margin in the quarter 1. And this gives us the confidence that we should be doing better versus the last financial year, which was 34%. The direction of 30%,-32% that you are talking was about a couple of years ago. And at the same time, we continue to also highlight that as management, our endeavour is to work towards a higher side or improving that margin further.

And you rightly mentioned few factors which are leading to the gross margin improvement are, the mix of the project, contribution of higher export sales, improvement in pricing. Plus also, in the last 2 to 3 years, we have highlighted multiple things about our internal improvement actions, especially the lean and the productivity, which has led to the gross margin improvement.

And we also talked about selectivity of the projects, which are not only profitable in terms of the reported margin but also leading to the cash generation or cash collection for the company.

So as you see the gross margin were also getting converted into the higher profit before tax and also the cash performance where we have made -- this quarter was 7th consecutive quarter of positive cash generation for us, and we have now accumulated INR4.4 billion of cash surplus. So yes, the 3-4 factors that you mentioned, a couple of further factors that I highlighted, and there are many more actions that we are taking to make sure that we improve margin versus the margin that we anticipate at the order booking stage.

Umesh Raut: Got it, sir. Sir, my second question is on the export ordering, especially from group entities. So I think if I look at last 12 months, those have been really fabulous for us in terms of getting larger and sizable contracts from group entities. If you can throw some highlight on, say, next 12 months in terms of outlook from incremental ordering from group entities and also beyond group entities in terms of export ordering?

Sandeep Zanzaria: **Hi Umesh…**So for example, even the outside entities, they take the support of Indian manufacturing and then they bid to the end customer. So as of today, it is difficult to predict that what kind of orders they would be winning and what kind of orders will be coming.

But yes, definitely, the Indian manufacturing setup is a very strong support in many geographies to go and win the orders, not only from group entities, but also GE T&D is also directly bidding and taking export orders as well.

So it's very difficult to give a number today that this is what we are going to achieve in the next 3 quarters or 4 quarters in terms of export. But definitely, as Sushil said that, yes, the endeavour would be that to grow on export orders because we have a slightly better margin as compared to the domestic ones.

Umesh Raut: Got it, sir. Sir, my last question is pertaining to capacity utilization. And if I look at current trends in the industry, I think there is really a good visibility of sustaining this demand for maybe multiple years, especially from domestic as well as export markets.

So just wanted to know what are your plans in terms of capacity expansion? And what is exactly current utilization rate as well for especially major products like, say, transformer and on the HVDC side as well, STATCOM and other things?

Sandeep Zanzaria: So Umesh, here, I think we have answered this question in the past as well. So capacity utilization also depends upon multiple factors that what kind of ratings we have got in combination for the orders and in transformers and reactors and a lot of factors which are there.

I would say that, okay, whenever we are seeing that there are any bottleneck in terms of taking orders for capacity utilization, of course, we try to identify the bottlenecks in the whole process. And then we are trying to see that removing this bottleneck how can the capacity be increased.

And for many of the products, yes, I would say that we are having a much better capacity utilization today, especially when I look at transformers and a few other products. But in other products, we need to catch up in terms capability utilization as well.

Umesh Raut: Okay. Sir, is it fair to assume that at a big capacity utilization, we can touch closer to about, say, INR60 billion in terms of turnover?

Sandeep Zanzaria: So that would be kind of a forward-looking statement, and we would refrain from...

Sushil Kumar: See, I think, Umesh, as an analyst, you can see the historical trend of how our backlog has got converted into revenue, and you can extrapolate the numbers at your own. And the revenue in the future here is a factor of multiple things, which is not just a backlog, but what we can achieve in the future, including HVDC and STATCOM that we just talked about because that can give a boost to the revenue depending on if you win those contracts on a timely basis. But I'd request you to take the past trend to extrapolate.

Moderator: Next question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: Congratulations on a great quarter, fantastic numbers. Always keep asking you when will you reach the INR1,000 crores quarterly tender, I think you're almost at that stage and with the great margins. So my first question is on -- you said that now in July, you've announced INR800 crores of orders from group companies. So if I remember correctly, last year, you had taken RPT approvals to the extent of INR3,000 crores of limits. So do you think that this year we'll be able to fill that? Is there any pending backlog from the last year, which would get finalized over and above this INR8 billion. So how do we see this number of INR3,000 crores in this year?

Sushil Kumar: So Parikshit, I think the numbers that you're referring to are quite different than what we have requested to the shareholders for approval. If I recollect well, we took an approval of about INR1,000 crores for orders from one of the group companies. I think it was UK Grid Solutions for transformer business. And that order was already booked in the last financial year. I think it was booked in the month of December 2023. Subsequently, in the month of February, we have taken another related party approval for, I think again about INR1,000 crores value for another group entity for the product -- other product business. And that order was booked in the month of Julyfor about INR800 crores. So INR800 crores in December and INR800 crores roughly in July this year w.r.t related party orders.

I think beyond that, whatever RPT approval we had sought, they were more related to the cash pool arrangement. They are more for the banking and the financial fund management rather than the order booking. And now we have an upcoming AGM, , whatever anticipated orders for financial year '24, '25 that we foresee will be included int the notice to the shareholders for the upcoming AGM.

Parikshit Kandpal: But as a trend, do you think what you did last year? I mean, similar kind of trends could be maintained from group entities.

Sushil Kumar: See, last year, in terms of export order booking, we did approximately -- let me get the value. We did about 30%-32% of orders were from the export side? And this time, if you see, we have already done INR800 crores of order in the month of July. This would represent almost, if I'm not mistaken, maybe 15% of last year order bookings.

So yes, we have got a significant export order in this year as well. As Sandeep explained, export orders, we always refer to sales export order because they are slightly better margin than the domestic margin. But there is no trend as such, meaning we cannot say that, yes, whatever orders we are getting will continue to get because it depends on a lot of factors. It depends on whether the group companies are winning the orders, whether we have the technical capabilities, and we are factoring a qualified exposure. So our endeavour is always there. The trend as far as is better, we continue to work in this area.

Sandeep Zanzaria: So Parikshit, just one thing here. So every quarter, we have kind of a regular flow of orders of, like, for example, automation and High Voltage products. And when there is a one-off, which comes like, for example, last year, it was transformer grid solution. Here this time, it is like one-off, which has come from the product, INR800 crores what we have reported. So I think the sustainability of the export order quarter-on-quarter, we don't see a challenge. One-off, for example, we have got this INR800 crores. We will continue to work during the year for more such opportunities.

Parikshit Kandpal: Okay. Got it. Clear. That explains. Sir, second question is on HVDC side. So I mean the -- so the Power Grid keeps talking about 2 technologies, LCC and VSC. So do you have presence? I mean can you do both these technologies in India and given some of these projects may get designed on these 2 technologies. So for you, are you pressing in both these technologies? And will you bid for this HVDC joint venture with your parent company?

Sandeep Zanzaria: So Parikshit, I'll just answer this that yes, definitely because Champa-Kurukshetra, we have already done on LCC technologies. And if you look at our global reference, for example, today in Germany, U.K., multiple places, GE has taken orders of VSC projects of evacuation of offshore wind and things like that. So we have the technology both for LCC and for VSC. Bidding for a specific project or not, that's a bidding strategy what decision we take. But yes, we have the capacity and capability both to deliver LCC and VSC.

Parikshit Kandpal: Okay. And just the last question is around the product side. So do you see -- given the demand in the market, do you think that we will slowly start vacating the lower end of the product for the transformers and prioritize or premiumize our portfolio more towards better margin VIGS kind of product. So what's your thought process there on the factory line side?

Sandeep Zanzaria: So I think Sushil, during his initial remarks, has well said, that we are very much focused on selectivity as well. We would like to operate in domains where we are really doing a value-add for the customer as well as we are doing a value-add to the shareholders as well in terms of earning margins. We take a call based on that. But there were -- for example, at the lower end, the market is totally cluttered and there are multiple players. And maybe we might decide not to operate in that segment as well.

Parikshit Kandpal: But your production lines are flexible. I mean you can allocate it to more premium end products, and you can reroute it.

Sandeep Zanzaria: It also depends upon which factories we are talking about.

Moderator: Next question is from the line of Subhadip Mitra from Nuvama.

Subhadip Mitra: Congratulations for an excellent set of results. My first question is, if you look at your current order book and typically, I understand that gross margins would be a function of the pricing that you have bid for the tenders, which would already be there in your order book as well as lean raw material sourcing, etcetera, which we've already highlighted. So at least based on the pricing that's already there booked in the order book, could you give us a range of what the current order book looks like in terms of margins?

Sushil Kumar: So we don't typically share that kind of data. But as I mentioned in my initial response to the earlier questions, last financial year, we did 34.4% of gross margin. And as a management, our endeavour is to improve it further. We have done that in quarter 1, and we hope that we can continue this journey and make an improvement on the gross margin on an overall financial year basis versus the last financial year.

Subhadip Mitra: Okay. Secondly, in terms of the size of the market available out there, right? So it's split between, let's say, large HVDC orders in India, and exports and then followed by the non-HVDC piece, which is also large. And I think thirdly, the renewable related, let's say, non-ISPS related order inflow that's coming. So would it be possible for you to paint us a picture in terms of what kind of TAM you're looking at across these three or four different buckets?

Sandeep Zanzaria : So, Subhadip, I think the focus is, of course, TBCB as well as I&I, data centers, so these are the markets that we are including the digitization, load dispatch centers. I think these are the markets that we are targeting.

And of course, it is difficult to put a TAM to that because in some parts, we are participating, in some parts directly and in other parts with some developers, we are not there. But I would say that our focus strongly remains into these domains only like the export, the TBCB market, the industry market, the data center market. So these are the major segments and of course, what I said with load dispatch centers and all.

And of course, when we look at our product ordering, definitely, it doesn't matter to us whether it is a state utility or wherever the product is required and if the orders are coming through EPC customers, then the end client, it doesn't matter too much to us.

I think this is what we are targeting and definitely selectivity is playing an important role because we are not running after anything and everything. That is what we have made very clear and we want to continue this journey.

Moderator: Next question is from the line of Mahesh Bendre from LIC Mutual Fund.

Mahesh Bendre: Sir, this quarter, I mean, you answered this question many time, but still this quarterly -- this operating performance has been quite strong. So we have reported around 19% EBITDA margin.

Just wondering, is there any one-off in this in terms of any foreign exchange gain or I mean anything that is not regularly raised from the -- in the business?

Sushil Kumar: Thanks for the question. There is nothing significant to be highlighted and it's a very operational regular profit that we are seeing in this quarter. I would like to highlight one more thing because earlier questions are more on the gross margin side. I think one important thing here to be highlighted because your question is more related to EBITDA, is our expenses other than the gross margin, meaning the employee benefit expenses and other expenses; if you look at the trend, they have not increased significantly because we have been able to make a very tight control over those expenses.

So there is some increase in expenses related to the revenues but not as significant. As a result, while the gross margin improvement is 5 to 6 points, but the EBITDA improvement because of the operating leverage impact has gone up by 10 percentage points. And that is also one area where we want to continue to focus as a management to make sure that whatever improvements we make in the gross margin directly flow to the profit before and profit after tax.

Mahesh Bendre: Sir, capital expenditure planned for next 2 years?

Sushil Kumar: So we have -- we don't typically share this in the investor call because whenever there will be a large capital expenditure plan, we'll be making disclosure to all the shareholders through the stock exchange. At the same time, our regular replenishment expenditure in the range of, say, INR40 crores to INR50 crores, which is equal to depreciation. And in addition, there will be some capex, which Sandeep highlighted in terms of the debottleneck of capacity, which will rightly help us to make sure that we are able to produce more from the existing plants.

Mahesh Bendre: Sure. And sir, last question from my end. I mean it is expected over the next 5 to 6 years, around INR3 lakh crores will be spent on transmission in India. So given the renewables, number of renewables and number of generation capacity that is coming up, do you think this number looks very low in terms of capex on transmission side?

Sandeep Zanzaria: I think we have to also understand that INR3 lakh crores includes the transmission lines and everything included in that, including the HVDCs. But this is also dependent upon what is the speed of generation coming in, the capacity is getting added and all those factors as well.

So I think the number looks to be reasonable because there are other forms of generation also which the government will be pushing in terms of offshore wind and other forms as well. I think this looks to be the minimum number, which is there, but yes, definitely, there can be an improvement for that as well.

Moderator: Next question is from the line of Rahul Modi from Nippon India Asset Management.

Rahul Modi: Congratulations. Really appreciated to see...

Moderator: Sir, the line got disconnected. Meanwhile, we'll move to the next question from the line of Amit Anwani from PL Capital.

Amit Anwani: Congratulations for the good set of numbers. First question, I would like to understand the breakup of product versus projects this quarter and the base quarter? And any sort of -- you did highlight a couple of things in terms of focus on operational efficiency and cost control. Wanted to understand any internal targets because of this savings, which can add to EBITDA margin?

Sushil Kumar: So I think the answer to your first question is roughly 20% to 25% of the revenue comes from the project business and rest from the product business. I'm sorry, I missed your second question. I request you repeat that again, please.

Amit Anwani: Yes. So second thing, sir, you did highlighted that there's a lot of focus on operational efficiency within the firm and there's focus also on the tighter cost control. Just wanted to understand, any target because of the operational efficiency, which we are aiming, which can add a percentage to EBITDA only because of efficiencies.

Sushil Kumar: Yes. So maybe just to reword what I said earlier, where I said we are maintaining control over costs. It didn't mean that we are targeting to reduce the cost. That means that even despite the revenue increase (the significant revenue increase of 34% that we have seen in the quarter), and we hope that our revenues will grow, we would like to execute the revenue with the existing structure.

So that means, let's say, if our revenue is growing by 34% and the other expense and employee benefit is not growing to the extent of revenue, we will see a direct benefit or improvement in the profit before tax.

Amit Anwani: Sure. Secondly, sir, on the order prospects. So I recollect a few months back we did highlighted some INR25,000 crores prospect. So just wanted to understand, very recently, PGCIL also announced a higher capex and capitalization for FY '25, '26 and the longer-term plan. Does that any ways improve our prospect? And if you could throw some line -- light on the order prospects, again, if possible.

Sandeep Zanzaria: Amit, yes, Power Grid is one of the largest transmission utility in the country and any increase in the capex by Power Grid is a direct reflection of the strength of the market and also because it's one of the largest customer for us as well.

I think any increase in the capex that Power Grid has announced, is going to directly benefit us in terms of order intake, definitely. But we have to also see that-as I said that the amount of generation, which is going to come in and the new projects of TBCB which are coming in. The impact of that in terms of today, declaring that this is going to the value of orders which we are going to get is difficult for the year because we have just completed the first quarter. But I think we remain optimistic about the year in terms of order intake much stronger.

Amit Anwani: Sure. Lastly, sir, again, on the product versus project, you highlighted 75-25. Can we assume that this will be the trend for the next 3 quarters also?

Sushil Kumar: As I said before we don't give forward-looking guidance and it depends on the execution time line of the project, which can be very different quarter-to-quarter. But generally, yes, this has been the mix of order booking and if the new order booking remains in the same ratio, then this trend on revenue will remain same.

Moderator: Next question is from the line of Amit Mahawar from UBS.

Amit Mahawar: Sandeep, I just want to understand, if you look at last 15-20 years of transmission equipment market, we had a peak of roughly around INR25,000 crores, INR28,000 crores back like 12 years ago. And GE T&D had a peak margin, which is actually what we reported just now, range. The market has very much changed, right, since then. So do you think take a 3-year, 4-year view, our scale will be very different in 4 years' time? Or you think -- because the market might be INR30,000 crores, INR40,000 crores per annum best case next year.

So how do you see next 3 years for GE T&D capacity framework? Because most players are very, very judicious in expanding capacity. And this is considering your own mix is 1/3 skewed towards exports, which is ever growing demand from a parent company. So next 3 years, how should we think about GE in terms of capacity to manufacture and scale up and commensurate to that, how is the India opportunity looking like to you?

Sandeep Zanzaria: Thanks, Amit, and I think you are right. For the next 3, 4 years as far as my thinking is, that looking into the potential of renewable and not only renewable, but I think the thermal capacity expansion which is coming.

I think there is going to be a sustained demand in terms of Conventional Transmission and with HVDCs coming in and also the interconnection between the various countries, which has been talked about. I think there is going to be a sustained demand, at least the next 3-4 years in the country. No doubt on that.

And because of the energy transition story, we have grown globally, whether you look at Europe, whether you look at Australia, whether you look at the U.S., I think the export requirements will keep on cropping up of large projects as well, say, whether it is going to be one opportunity, two opportunity within a year. But my feeling is that, yes, definitely, it's going to be there. And the utilization, as I said, in my prior answer as well. Everything is like we are not there in this asset utilization benchmark.–We have for a few prospects, we have some spare capacities also available with us. And I think these things are going to help us in the further growth which we are looking for that as well.

Amit Mahawar: Fair. And second quick question is for GE even during the old times, the business mix has been skewed towards private, right, always. Even today, you have more than 60% of business or orders are from private sector. How should we look at this, say, 3, 4 years on the line? Because -- do you think this will change? And the reason I'm asking this is also because different businesses have different profitability metrics. And so you think from a 3-year view, your mix will shift?

Sandeep Zanzaria: One thing is very clear that as a strategy, we are not so much inclined to go on the state side. For example, when it's customers like Power Grid, NTPC is definitely a GO, because the way the contracting is done there and the execution is done is more or less matching the pace of the private players as well.

If I look at next 2 to 3 years, definitely, we are going to be more driven by private, but for example, a large project which is coming from state can also change the numbers in terms of the dynamics. But looking into our conventional portfolio yes, private will play a more important role than state.

Amit Mahawar: Sure. Sir, I'm taking liberty to ask a last quick question. Any specific maybe additional powers or flexibility you get from parent company to decide your growth in India for the domestic market, export market? Anything that you want to cover.

Sandeep Zanzaria: No, we are fine~~.~~ With the set of results, I think the combination of between the parent and the subsidiary or our own Indian management, is very well demonstrated in our results.

Moderator: Next question is from the line of Rahul Modi from Nippon India Asset Management.

Rahul Modi: Sorry, I got dropped out due to some technical issue. So I just have 2 quick questions. Most of that -- most of the questions have been answered. One is if you could just make us understand a little better because globally, the market is also expanding in a very fast pace. We've seen demand growing significantly.

So when you are doing your -- making your strategy, how do you -- what is the thought internally between exports and group companies and Indian markets, that is one.

And secondly, in terms of -- obviously, you mentioned about margins being better there. So in terms of -- again, any thoughts on how the parent and the local entity is working in terms of the Indian entity being a supplier to the global entities. To what extent are we on a priority list versus the other entities globally?

Sandeep Zanzaria: Thanks, Rahul. And I think one thing I want to make very clear that, we are a very important part of our global strategy as well.

Our acceptability, for example, in many of the geographies also depend upon the customer acceptability as well. In the next geography if we want to supply, but the customer wants to buy from a nearby factory and things like that, maybe it is not possible. But in view of Energy Transition demand today~~,~~ when I look at the whole world, we are supplying consistently to, Southeast Asia, Australia, South Asia, Africa, Latin America, and we have also started supplying in parts of Europe as well.

I think when I look at the whole world, I think there are many geographies which we are covering from our Indian factories and this is slowly, slowly depending upon the need of the business there and the customer acceptability is also going up in terms of Indian factory.

Second thing, when we look at -our strategy, your first question was that how do we balance between the India and our export strategy. For a few things, support, for example, the HVDC transformer support, which is there. But normally, our focus for transformer business is more in terms of domestic business.

For project business, it is more in terms of the domestic support for the Indian customers. And when I say domestic, it also means apart from India and including Nepal, Bhutan, Bangladesh, the neighbouring countries as well as Sri Lanka because that we consider as part of our region as well.

But when we look at our automation, when we look at our AIS product and GIS product, where our capacity utilization is also not like the high end. So there, we are comfortably able to support and where the turnaround time is also much faster. So there, we are able to support the export, and not only in terms of supporting group entities, but also taking direct orders from the end customers as well. It could be utilities based out of Australia or Latin America or Africa or also supporting the EPC customers built out of India who are operating in Africa or other geographies as well.

We take a conscious call of supporting the Indian networks as well and also balancing between the export and the domestic strategy. I hope my answer made sense to you, Rahul.

Rahul Modi: Yes. This was very helpful. And just last question from my side. Again, I'm not getting into the numbers. But directionally, over the next 2 years, do you see that because of a large opportunity, both in India and globally, do you think that there will be a need for a major capex and just not debottlenecking, if at all? Maybe a little thought, but no number just asking from a directional point of view as your sense on this?

Sandeep Zanzaria: Rahul as and when it will be required, we will be taking that call.

Moderator: Next question is from the line of Mayank Chaturvedi from HSBC Mutual Fund.

Mayank Chaturvedi: Taking tips from your comments in the last question. I just wanted a clarification on the export order inflow or order book. Can you give us a split between the third-party orders book and the group entity orders that you booked from the book entity? And within that, do you say that third-party order subject relatively better margin grows for you, given that it won't be restricted by transfer pricing mechanisms?

Sandeep Zanzaria: No, no. Mayank, your voice was not very clear, but whatever I could understand. One thing is what we said that the export margins are slightly better than the domestic one. But in the export, we have not differentiated in terms of margin, whether it comes from group entities or it comes from third party. If that answers your question.

Mayank Chaturvedi: All right. And any indicator mix there, how much would be the third-party orders and how much is group entities, just ballpark number there, in your order and flow mix?

Sushil Kumar: No, we typically do not share that kind of split.

Mayank Chaturvedi: All right, sir, no issues. And just one other thing, just taking context on Power Grid's commentary that came in this week that they are going for bulk procurement in advance for the next 18, 20 months. So would you say that they have already booked their requirements with you for the next 18-20 months and that it has already flown into your order inflows?

Sandeep Zanzaria: I think that would be more for Power Grid to answer that whether whatever procurement they have done, is it for their next 18-24 months requirement or they are still to do it. But whatever requirements were coming, we are regularly participating and whatever we are winning, we are declaring to the market.

Moderator: Next question is from the line of Prathmesh Salunkhe from PL Capital.

Prathmesh Salunkhe: Congratulations on a really good quarter. So I just wanted to understand some bit more color, some a bit more details about your automation business, like what are the growth prospects? Is it -- where is it exactly going? And what could be the contribution of this business to the overall revenue or margins? Is it a high-margin business? Is it a low-margin business? Any color would be appreciated, yes.

Sandeep Zanzaria: Thanks, Prathmesh. One of the things which I can say is that when the overall market is growing, obviously, the automation business is an integral part of every substation. So everywhere where the demand is growing, the automation demand is also growing.

And looking into, for example, I'm not sure whether you know but the regional load dispatch data centers have come up for an upgrade. And that's what we have declared that the first the northern region upgrade order, it has been booked in July for close to about INR5 billion. We'll not be able to comment on the individual business strategy and margins. But definitely, automation business remains our key focus and is an integral part of our growth strategy as well.

Prathmesh Salunkhe: Okay. Okay. That was very helpful. Another thing, sir, coming to STATCOM, I think in last quarter, we did have some commentary that about 15 to 20 STATCOMs are available in the next 2 to 3 years, each costing about INR3 billion. So is that still the case? Or are there any incremental order fee, not order, incremental opportunity in the markets we are seeing apart from the 15 to 20 range?

Sandeep Zanzaria: No, as of today, that remains our assessment of the market.

Prathmesh Salunkhe: And are we actively participating in the 15 to 20?

Sandeep Zanzaria: That will also depend upon our timelines and other factors as well. But yes, we would like to win at least a few of them.

Moderator: Next question is from the line of Jonas Bhutta from Birla Mutual Fund.

Jonas Bhutta: Congratulations Sandeep and team on a phenomenal result. I'm just trying to sort of further dig deeper on the gross margin bit. It's been asked multiple times, but I'll just have another go at it.

So if I derive any comfort -- on the gross margin, it's largely driven by the sales mix. And if I see we've had export sort of accounting more or less for the same quantum of sales as it did around the same time last year, and in fact slightly lower on a sequential basis. Is it fair to say then the entire gross margin expansion has largely come from a better pricing environment in the domestic side of the business?

Sushil Kumar: Multiple factors. We do not attribute to only to one factor. The gross margin is a result of better pricing in the last -- better priced orders that we booked in the last few quarters, that's for sure one of the reasons.

Beyond that, mix is a very important factor. When we talk about mix, it's not just the mix between product business and the project business, but also within that business, which particular products, so for example, product business, which products we are selling more. Within the project business, which kind of projects we are executing? Are they better than the previous projects that we're executing in the past and the challenge in terms of profitability or challenge in terms of execution time?

And beyond that, one of the thing that I always highlighted in the last couple of years that whenever we book an order at a particular margin, our endeavour is to improve the profitability through the execution improvement. Those execution improvements are more in terms of sourcing savings, in terms of mitigation of risk, as well as in terms of better improvement in the productivity at our factories and locations. So multiple reasons. And fortunately, all of the reasons are working in the right direction. And our endeavour is to work -- continue to work in this direction.

Jonas Bhutta: Understood. And from a product mix, if at all, I can ask, is the level of demand-supply mismatch that we see in transformers, also in AIS and GIS. So if -- so other way put, is this quarter sales mix reflective of a greater transformer sales versus a switchgear sales?

Sandeep Zanzaria: I think it will be very difficult, I think, Jonas, to comment on that part. But yes, definitely, the transformer volume we can say are going up. Then we are looking at a 34% growth in the revenue mix, your transformers have also contributed to that.

Jonas Bhutta: Understood. And my last question was on the status of the HVDC projects. So other than the Fatehpur-Bhadla that we are aware of that was underway bidding, etcetera, could you give us an update on where are we in Khavda-Nagpur and Khavda-Olepad? Do you think that these are prospects that can be awarded by the end of financial year? Or these are prospects for FY '26?

Sandeep Zanzaria: No, I think at least Khavda-Nagpur definitely we expect getting it awarded this year itself. Khavda-South Olepad can be a possibility for next year.

Moderator: Next question is from the line of Indrajit Chakravarty from Scrip Trading Corporation.

Indrajit Chakravarty: Now I have some 3 small questions. First is that in the budget, setting up of small modular nuclear reactors were spoken about. Can I know if the company has an opportunity evolving there at? Second question is this INR6,200 crores order backlog which you have, what is the time line for execution of this order? And third question is, are we having any evolving opportunities in the setting up of these data centers, which has been spoken about?

Sandeep Zanzaria: One, is that our company is basically concentrating or basically designed to address the opportunities of transmission segment. We are not there into the SMR, which is the Small Modular Reactor on the nuclear side. But if, for example, SMR projects do come and there is an evacuation Substation associated with that, then we will have a play. But nothing on the SMR technology. Yes, GE T&D has no role to play directly. That is the first thing.

Second thing in data centers, yes, again, today, data centers have a much higher power demand requirement. Like, for example, it could be a 300-megawatt, 500-megawatt. And the power, which is required for these data centers, yes definitely it is going to be at 220 kV. But as the data center sizes because of AI and ML are growing, eventually, if it comes at 400 kV and all, so yes, definitely, we have a play in data centers as well.

So last year, there were multiple orders. And this quarter, also, we have taken orders for products which are going into data centers.-Some of them are very short cycle. For example, we look at automation or we look at AIS product, just normally from order to delivery kind of the time line, which is like about 6 to 12 months.

But when we look at the project or transformers timeline, then they are much higher. And also when we look at export larger projects, they can be more than that as well. So typically, when we look at the INR6,200 crores, I think this should be good enough, we should be in a position a little bit in 2 to 3 years, something like that, with the execution time line for these backlogs.

Moderator: Next question is from the line of Jainam from Saltoro Investment.

Jainam: Congratulations on a great set of numbers and all your efforts have paid off in terms of product mix and gross margins as we've talked about. What I want to understand is when things are going great, are there any particular risks that you are looking at and trying to manage that is probably in the top of your mind. So that would be my question number one.

And my question number two is, is there any upper cap that you're looking at in terms of exports that beyond this number we don't wish to go given the fact that people want to maintain relationships in the domestic market and cater to?

Sushil Kumar: Thanks, Jainam. Your first question, which is regarding risk. So obviously, in every business, there are risk and as a part of our objective of the GE T&D leadership team, we continue to manage or mitigate the risk for the business. So nothing specific I'll highlight that I think a lot of the euphoria or the expectation around the power sector is about the energy transition. And this is, again, dependent upon government policy. Government policy could be on how we deal or implement the projects internally, how the funding of those projects are done and also the cross-border relationships. So those are the factors which are general market-related risk, not specific to our company, which can impact both ways. I mean, this can impact negatively as well as positively the future order booking for the company.

And regarding your question about I think the capping, there is no capping that we have in mind. And I think while there is a lot of discussion about export to domestic, see our management, as Sandeep mentioned, our focus is very clear, whichever order gives us a better margin and a better cash conversion cycle, gives a better value-add for our customer and for our shareholders to go for that order. And at present, we are looking for small capex in terms of capacity expansion. As Sandeep mentioned, if the time comes that we need to know, we'll think about that at the future stage and make due disclosure to the stock exchanges.

Moderator: It seems that we have dropped the connection from Mr. Jainam. That was the last question for today. I'd now like to hand the conference over to Ms. Megha Gupta for the closing comments.

Megha Gupta: Thank you all for joining us today. I hope the insights provided by our speakers who have been informative and valuable to you. We value the trust and support of our investors, analysts and ensure to remain committed to maintaining transparent communications and fostering strong relationships.

If you have any further questions or require additional information, please do not hesitate to reach out to me or our communications leader. Thank you.

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