



**“GE T&D India Limited (formerly ALSTOM T&D
India Limited) Earnings Conference Call”**

November 15, 2016



**MANAGEMENT: MR. RATHIN BASU – MANAGING DIRECTOR
MR. GAURAV NEGI – WHOLE TIME DIRECTOR & CFO
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GE T&D India Ltd
November 15, 2016

Moderator:

Ladies and Gentlemen. Good Day and Welcome to the GE T&D India Limited, formerly, Alstom T&D India Limited, 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Suneel Mishra. Thank you and over to you, Ms. Mishra.

Suneel Mishra:

Thank you, Inba. Ladies and Gentlemen, a very good afternoon. Myself, Suneel Mishra and I am looking after Investor Relations for the Company. Hope all of you had great Diwali. Welcome to today's Conference Call with the GE T&D India Limited's Management Team here. We have organized this conference call for September Quarter Financial Results.

At this side we have Mr. Rathin Basu – Managing Director, GE T&D India Limited, Mr. Gaurav Negi – Whole Time Director and CFO, Mr. Vijay Kumar Krishnamurthy – Finance Controller and Mr. Manoj Prasad Singh – Company Secretary.

Please note that the conference call is scheduled up to 5 PM. And by now you would have received the Investor / Analyst Presentation. I hope all of you must read the disclaimer on Slide #2.

We will now begin with Mr. Basu highlighting the key highlights, followed by Mr. Gaurav Negi. I now invite and request Mr. Basu to begin. Over to you, sir.

Rathin Basu:

Thank you, Suneel. Good afternoon, Ladies and Gentlemen.

I will take you to Slide #4, titled "Indian Economy and T&D Market." On the Indian economy what we have noticed in the last few months that the banks are still struggling with non-performing assets which apparently doubled as per the latest revelation by RBI, and it got doubled in the last one year. On the positive side, the new RBI Governor, Mr. Urjit Patel came up with a press release and a statement that RBI would be more creative and pragmatic in the credit policy so that the economy does not face any credit crunch, which is indeed a very good sign. And we believe if this is well executed it will help particularly the private sector to come out of this stressful financial situation that they are in. And as a result of that we do not see much of investments from that segment of the market. At the same time, we do see significant increase in number of stalled projects as per, again, recent government statistics. There is another positive find which is that we do see good progress on the GST. The discussion between the center and the states, I hope this gets concluded soon.

On the Power and T&D Market, basically the situation remains more or less the same as we talked before. We still do not see a very positive investment climate, mainly due to financial stress that the IPPs and the private industry face today. The solar market is gaining momentum, we see more and more solar projects which create some opportunities. On the power grid and the





state electricity, the situation is more or less the same, that is to say that they today are the main drivers for the investment in the T&D space.

Slide #5, here I just give you the headlines on the financial performance and the key events of your Company. The quarter was good, we had good level of orders, Rs. 12.5 billion to be precise which was significantly more than the corresponding quarter last year. At the same time, because of this good level of orders, our order backlog is at a healthy level of Rs. 82.6 billion. On sales we had more or less the same level of sales compared to what we had at the corresponding quarter last year, to be absolutely into the number accurate, it was a bit low, 4% lower than the quarter in the last year. On profits, the operating profit for the quarter is Rs. 554 million compared to Rs. 678 million that we had in the quarter last year. And PAT for the quarter was Rs. 205 million compared to Rs. 361 million for the same quarter last year.

Key events, I will say that once again we have been pioneers of many first in the country, in terms of manufacturing, localizing once again for the 765 kV gas insulated switchgear, we created it and dedicated manufacturing line over the last one year and we flagged off the first product for a customer in Chili, for an utility in Chili and that was a 765 kV GIs Breaker. So that is again a good sign and helps us to position as the most complete and most local company in the country among all the technology players. Just as summary, the Company has so far installed the highest number of gas insulated bays in the country, again to be precise, 755 GIS bays installed in the country.

On the operational front, we have commissioned several important and prestigious projects, mostly with Power Grid for the substation at Padghe and Bhiwani and also a GIS project at Chhattisgarh. And for the last quarter, once again we maintained the leadership in the T&D domain over last eight, nine years.

If we move to Page #6, here we have a list of the main orders in the quarter. The largest one comes from Sterlite and this was a TBCB project for them and we had a good level of discussions with them, we helped them to produce the bids, so as a result we could close the deal at Rs. 380 crores. And then with Power Grid we have several orders, the list is there, I am not going to read all the list. But a good level of orders coming from Power Grid, both for products such as transformers, reactors, as well as turnkey packages such as substations. And what we can say on this page is that most of the orders that we discussed in the past as well come from the utility space, which also is the reflection of the current market situation.

At page seven we have a graphical representation of the order so basically, I read the numbers before. The quarter ended good and we are happy to have that though the market is indeed tough.

And on Slide #8, we will have the level of backlog which has gone up by 5% points. It is more due to more increase in order intake and then execution in terms of sales. So once again, this is a level of order which is more than two years of activity which is good for the Company and gives us a time to wait for the market to turn for a better.





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I will now hand over to Gaurav Negi, our CFO, who will take you through the rest of the slides. Over to you, Gaurav.

Gaurav Negi:

Thank you, Mr. Rathin. Good afternoon to all. If you can go to page nine, that is Income from Operations and Sales. Overall for this quarter we did Rs. 878 crores versus Rs. 917 crores in the same period last year. The team is focused on the execution and commissioning of the projects, but due to phasing out of some of the projects, our overall sales was down by 4%.

If you go to page 10, that is profit after taxes. Again, for the quarter we did Rs. 20.5 crores versus Rs. 36 crores at the same period last year. A point to note was that last year we had some one-offs on account of write back of certain provisions which is not repeating itself this year. And the impact of the lower sales has resulted in a PAT of Rs. 20.5 crores.

If we go to the final slide that we have which is the summary for the quarter, our overall revenues as were shared, Rs. 878 crores, down 4%. Operating profit at Rs. 55 crores at 6.3% of sales and profit after tax at Rs. 20.5 crores, which is 2.3% of sales, down 1.6 points, largely on account of lower sales and some one-offs that we had in the same period last year.

I will open it up now for questions.

Moderator:

Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Renu Baid of IIFL. Please go ahead.

Renu Baid:

Sir, firstly wanted to understand that this year at least first half has been pretty bumpy with respect to execution as you mentioned, with respect to timelines of projects. But given that the backlog is reasonably strong, do you perceive any headwinds in the second half which can potentially impact or slowdown the execution which is expected. So any headwinds you think or probably we should be on track for double-digit sales growth this year?

Rathin Basu:

Well, except for the current cash crises that we have in India, I do not know the future, if there are any surprises on the way, please take it in a lighter note. I would say, as we see today there is no known blocking point which should stop our execution speed, but you never know, unknowns can always happen. So that is what I can say.

Renu Baid:

And the HVDC commissioning timelines I asked, schedule for this quarter as well as next quarter.

Rathin Basu:

Yes, so we have with Power Grid our latest understanding for different milestones of commissioning, so we have implemented Power Grid for that, correct.

Renu Baid:

Sir second question is, if you see overall, I understand last year second quarter we had a write back which would have deflated the other expenses. But overall IQ as well as second quarter, if one removes all the one-offs, the existing year we have seen an average increase in the cost





structure, our overall other expenses significantly increasing to approximately Rs. 160-odd crores. So are there any elements which have now been added to the cost structure after the completion of GE acquisition or what are the elements, why have we seen a structural increase in the cost structure, at least 20% to 30% increase there?

Gaurav Negi: Well, apart from the one-off that we have taken in the first quarter which we shared in the last investor call, there has not been an increase that we have seen, at least on the expense side. So year-over-year if you can adjust for the one-offs, we should be at par in terms of the total expenses that we had last year and this year.

Renu Baid: No, because in the first quarter if we adjust the one-off then probably your expenses were looking something closer to Rs. 160 crores to Rs. 170 crores. And the other expense have been similar in the second quarter at Rs. 160 crores level. So was just trying to understand that typically ATDs or GET&D's other expenses were relatively benign, so is it because of mix certain orders that we have had which has impacted or should it be safe to presume that this should be the average cost structure going ahead?

Gaurav Negi: Yes, this would be the average. Because like you said, if you adjust for the one-offs, last quarter it was Rs. 160 crores, this quarter is also Rs. 160 crores, last year was exceptional because of the write-backs that we talked about. So Rs. 160 crores is going to be the average.

Renu Baid: And there has been no changes with respect to royalty payments or the other trademark fees, shared services which would be paid to the parent under any agreement. So all those things remain status quo?

Gaurav Negi: That is right, no change.

Renu Baid: And sir my third and last question to Mr. Basu, sir you have mentioned the current market environment remains tough. We have seen good flows of orders in this quarter. But what is the outlook on margins, have these orders have come in at a slightly lower margins or how is the outlook that we should be back to double-digit margins, second half or next year, how is the overall market environment and for GET&D? Thank you sir, that is all from my side.

Rathin Basu: Well, so the overall market situation is tough, though we had a very good level of orders that you have rightfully noted. So on the margin I would say that we have 1% point lower margin compared to last year for the same volume. So which is not a big deal because the volume is much bigger, so therefore we believe it will help us recover this margin through better operational efficiency and better usage of our assets, including resources.

Renu Baid: Sir just to clarify, this 1% point mentioning on the numbers which have been already released or on the new orders of the backlog?

Rathin Basu: No, it is margin on the new orders, so it will be seen later on when these orders get executed.





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- Moderator:** Thank you. Our next question is from the line of Nirav Vasa of B&K Securities. Please go ahead.
- Nirav Vasa:** My first question pertains to the Champa - Kurukshetra Phase-I which is under execution. Can you share the timelines by which the charging for this project is expected to be done by PGCIL?
- Rathin Basu:** So we expect the charging to happen before the fiscal year.
- Nirav Vasa:** In this fiscal year?
- Rathin Basu:** Yes., 2016 - 2017.
- Nirav Vasa:** Sir second question is related to the second phase of Champa - Kurukshetra project, any timelines by which the tendering activity and everything for which it is expected to start?
- Rathin Basu:** Sorry. can you repeat the question? You are talking about Champa - Kurukshetra Phase-II?
- Nirav Vasa:** Yes.
- Rathin Basu:** What is the question?
- Nirav Vasa:** Any timelines by which the order is expected to be finalized?
- Rathin Basu:** No, we had this order in year 2014, so we are already executing this order.
- Nirav Vasa:** Phase-II?
- Rathin Basu:** Yes.
- Nirav Vasa:** And sir in the order backlog, what percentage of order backlog would be from PGCIL? And specifically, which component of order would have any kind of impact of reverse auction?
- Rathin Basu:** Well, I do not have exactly the percentage in my head, but approximately as I have answered before in this forum, the level of order from Power Grid is around 35%, it could be plus/minus 5%. So that is the order of magnitude kind of number. On the reverse auction, as you know that it is a new phenomena and usually we lose more reverse auction orders than what we win, so therefore percentage would not be a big number.
- Moderator:** Thank you. Our next question is from the line of Subhadip Mitra of JM Financials. Please go ahead.
- Subhadip Mitra:** Sir, my question pertains to the fact that, while we have observed a difficult market as you have been explaining and probably phasing out of projects and probably delays in execution of certain projects. Some of the EPC players in the same industry are reporting probably better execution mainly in the SEB related projects. So just wanted to get an understanding that is there normally





a lead lag that tends to happen probably between the EPC players execution and what we do in terms of the equipment supply, or is there a disconnect?

Rathin Basu:

No, we believe that our execution skills are, professionally speaking, of good level because over several decades and particularly in the last 10 years we have delivered I would say prestigious talked-off references in the country for the grade at every level. So I do not think we have any issue with execution per say on the skill-set of the people or the technology. The issue comes in the process of handling customers and being an MNC, and particularly coming from a very strongly branded company, we have our processes which are much stricter. I would say, than probably some of our contracting companies who probably have much more flexibility. So we have our own process and discipline and we have to execute the project in that kind of environment. So that makes it a bit more difficult for us. But we do not compromise, that is the message.

Subhadip Mitra:

So, just to carry on that same question that in general if we see that projects are probably getting executed at the SEB level of otherwise, over a period of time we should start seeing that flow through in terms of higher execution for ourselves also, there may be some lead lag, am I right in understanding that?

Rathin Basu:

Well, maybe a bit more precise answer to that, if there is a project with Power Grid and if there is a project with SEB, I mean of course all SEBs are not in the same class. I would say in general the Power Grid project would follow a defined timeline which is not the case with SEB oriented projects. And therefore sometimes for us it becomes very difficult to predict at this level of uncertainty. That is one. The other thing is, always SEBs have a particular process of running projects and it takes always a much longer time to get an approval or authorization for payment or validation of a defined document. So these are practical difficulties that we have to live with and that is why you might see the difference.

Subhadip Mitra:

Sir lastly, we have seen an increase in terms of the interest cost over the last two quarters, so do we see the working capital pressures or the overall debt burden reducing as we enter the end of the year, probably with better execution coming on?

Rathin Basu:

No, that is why probably you have noticed that my first pitch in this Presentation was the level bank NPAs, and I am sure you know that very, very well. So today we have a huge cash crises in the market, particularly with our customers and mostly so with our private customers and many of the Discoms. So we are working in that environment and therefore even if we do a project, commission a project and the power flow happens through our substation, sometimes we see a delay of more than one year of recovering the money from our customers who are actually using our assets 100%. So this is the phenomena which is unfortunate, but this is the result of severe cash crunch at the national level. And that is why we as a company we are really positively looking at the new RBI Governor's announcement which he did in the early part of October that RBI and Finance Ministry are aware of this situation and therefore they are going to look at the stressed assets and the NPAs, particularly in the private sector with a helping hand so that the





banks help such customers to come out of the problem. So till that happens I do not think it will help our cash situation well. And that is why we do have increase in our borrowings precisely. I am sorry for a long answer to your short question, but this is the reality. And you have noticed me harping this point probably for the last 16 quarters.

Moderator: Thank you. Our next question is from the line of Harish Bihani of Kotak Securities. Please go ahead.

Harish Bihani: My question in on the previous year numbers. when we reconcile the IGAAP numbers to the IndAS numbers, there is a slight effect of measuring revenue / financial instruments at fair value. If you can explain this a little better?

Gaurav Negi: So the effect is on account of IndAS where we have to discount all our retentions as well as the financial instrument that we carry. So this is on account of that discounting that we carry.

Harish Bihani: Sir, if you can just elaborate a little more on this? And what is the recurring impact that we would have?

Gaurav Negi: See, referring to the point number two that was there in the disclosure. if you can go there, you will see that the effect of the measuring financial instruments. we have got Rs. 13 crores of impact that we are showing for September 2015 for the quarter ended, and the six months is Rs. 26 crores. So that is on account of the discounting that we are carrying out under the new ECL approach that we have adopted, both for receivables as well as for the retention.

Harish Bihani: So this is maybe ECL part which is for the receivables is what...

Gaurav Negi: Correct.

Harish Bihani: Is there is a recurring number that you would like to share for the full year?

Gaurav Negi: See, the way it works is...

Harish Bihani: I understand that obviously there will be a provisioning and there will be a write-back, but last year based on what we have right now, what would have been the impact? Is there a number that we have readily available?

Gaurav Negi: Number as of future you are saying or annual?

Harish Bihani: No as at financial year 2016 end.

Gaurav Negi: The impact is on account of, again I will consolidate the whole thing. For the entire period it is going to be closer to a Rs. 41 crores. So the Rs. 26 crores that you see for the six months, and again it is a calculation which will keep moving, so it is going to be closer to Rs. 41 crores is our estimate.





Harish Bihani:

Second question. Mr. Basu, over the last couple of years we have been the pioneers in terms of indigenizing a lot of technology in India. If you can just help us recall what are the technologies that we have brought ahead of the market at this point in time? And looking into the future, what are the technology that we may bring to the market ahead of what competition is doing, if you can share a bit of that. Also with GE coming in, is there any support that GE would be providing to GE T&D India in terms of getting newer projects, specially say for example solar inverters, or is there a time frame wherein if you do not want to share specific names of specific products then maybe a five product or a 10 product from a GE stable which will come into GE T&D India?

Rathin Basu:

Well, over the last decade you might have seen us bringing the 765 kV AIS suite of products. So this happens when we did frequent sites, building three world-class factories. So that helped us to localize all the AIS range of projects, the Air insulated range of products right up to 765 kV, be it transformers, circuit breaker, instrument transformer and the client. Then we grossed during the same period, 2007 and 2009, the gas insulated switchgear up to 400 kV. Why up to 400 kV? Because at that time the market was not sure that 765 kV GIS would be required. And then after that somewhere around 2013 after we won the project of Champa Phase-I we expanded the HVDC range. So we expanded our Baroda transformer factory to do the HVDC transformer locally. And in our Chennai factory we also created the facility for localization of the valves. So these are all done and that helped us to win Champa Phase-II project. And then last year we expanded our GIS factory at Chennai to create a new bay for 765 kV GIS manufacturing, because now the country is going for 765 kV GIS manufacturing. And once again we are there and not only that we are there but we are again the first one to do so. So as we stand today, we have everything that the grid needs to support locally, to be manufactured locally. And we are also encouraged by the fact that Central Electricity Authority and Ministry of Power issued a guideline some six months ago that for the domestic funded project one should have a factory in the country to be in line with the Make in India policy. So we fully value that and we believe that is the right level of respect for the MNCs who have invested hugely in this country.

Now going forward, I would say once we see the level of STATCOM or VACs, voltage source converter technology market share into India, the scale is always important. We could think of that but we will do that only when we are sure that the market will be long-term. We have the technology to get into India is not difficult because we are already doing most of it otherwise anyway.

Now coming back to your question on the solar side, yes after GE's acquisition of Alstom, naturally there is a bi-directional flow of technology and we in India could be benefitted with that and we are certainly looking at solar and other associated markets. And that includes potential localization as required by the market. So we will share our story as we go forward, because anyway we always keep you updated every quarter. So once we have new stories we will be very happy to share our success in this time.

Harish Bihani:

Quickly Mr. Negi, what was the ECL impact for the first half financial year 2017?





Gaurav Negi: First half financial year 2017 was close to Rs. 10 crores.

Moderator: Thank you. Our next question is from the line of Bhavin Vithlani of Axis Capital. Please go ahead.

Bhavin Vithlani: My question is first on the numbers, we have seen a 5% drop in revenues but about a 30% increase in other expenses. If you could highlight which line item of the other expenses have seen a sharp jump? And are these more sustainable or some of them are just one-off trends?

Gaurav Negi: So like I mentioned in the earlier question, these are just one-off's that we had last year. So there was a write back of certain provision, that is why you see a spike that is happening in the other expenses category which is the 30% that you are calling out. But other than that, it is more or less in line with what we had for last year and this year in terms of expenses.

Bhavin Vithlani: Because we have been seeing a 15% odd revenue as other expense and in this quarter we have seen a sharp jump of 19%. So that is why my question was in-line with that. Second thing is, if you could highlight, we have seen, I mean if I am comparing September's balance sheet versus the current September, we have seen almost a 50% jump in the inventory year-over-year while we are seeing some drop in the debtors. If you could highlight the jump in the inventory and does this imply a significant jump in the execution going forward?

Gaurav Negi: The inventory buildup is largely for certain projects that we are executing right now, like the Champa that we talked about. So in preparation for that that is where you will see the increase in inventory. Largely on account of bought out items also that we have. So that is driving the inventory buildup.

Rathin Basu: I would like to add to what Gaurav just said, as you know the Champa is a very large scale project and is also a longer in terms of timeline, typically double of a traditional AIS substation project. So therefore while it gives when you win a project a much bigger down payment and so on, but at the same time when you execute you have to also plough back a larger share of your money to execute the project. So we are in that kind of phase, so it will continue for some time for sure but then it will come out when we commission the projects poll by poll, and that will help us to turn this inventory in to regular sales and back to cash. So it is a phenomena which will go through more than two, three quarters.

Bhavin Vithlani: And my last question is, in my prior calls you did speak about in distribution related switchgears coming back which is like we had post pre-2012 in the Areva T&D days, so is the portfolio almost on a similar lines or do we need to get some work on the portfolio before you bring them up to speed. Some color on that would be very helpful.

Rathin Basu: Well, that was more of a heads up that I gave to you, so we are in execution mode of that. And we will share more stories in the coming quarters as we progress.





- Bhavin Vithlani:** But on the portfolio part, like back in 2012 days. is the line of portfolio more or less similar or it is not completely the same portfolio and we are comparing apples and oranges?
- Rathin Basu:** Well, it may not be in the same legal entity in a way, but since your company is more of a turnkey, so it might have the benefit of it, because it could be the face to the market. So that way this company may have the benefit of growth, but not necessarily manufacturing every piece in this legal entity. That is the difference, yes. I mean, we will make the disclosure at the right time, but it is more of a heads up for you.
- Moderator:** Thank you. Our next question is from the line of Kirthi Jain of Sundaram Mutual Fund. Please go ahead.
- Madan:** Sir Madan here from Sundaram. Sir, my question again, sorry to go back to the other expense, there is a Rs. 40 crores increase in the expenditure on a year-on-year basis and you are saying current quarter number does not have any one-off. So this is like a 19% as a percentage of sales, so if you can tell us like what actually contributed to this increase, is it across all the expenditure that we are seeing this kind of an increase because that takes away almost 200 basis points of your margin on a year-on-year basis.
- Gaurav Negi:** Yes, Mr. Madan, the point I am making is, if you look at the numbers we have other expenses at Rs. 160 crores. What you will see for last year 2015 is close to a Rs. 123 crores. The point that I am making is, in the Rs. 123 crores there was a good guy that came last year which was to that range that you are talking about. As a result, 2015 needs to be adjusted to make it an apples-to-apples comparison.
- Madan:** I agree, September 2015 might have that impact. But generally your other expenditure as a percentage of sales used to be 15% to 14% on a full year basis. Now are we likely to go back to such numbers in full year point of view?
- Gaurav Negi:** So the expenses for quarter that I am expecting right now is going to be closer to the Rs. 160 crores that is there in the current quarter, there is going to be a plus/minus Rs. 5 crores to Rs. 10 crores that we foresee because of certain movements that continue to happen. But within the Rs. 150 crores to Rs. 160 crores is what I am expecting every quarter other expenses to be. And when you are trying to do it as a percentage of sales, like I said, the sales was muted, compared to last year same period. As a result, your percentage will also spike up as a percentage of sales for that expense.
- Madan:** Second, you mentioned about the solar opportunity. You would have made some assessment of what is the total opportunity say for a 100 megawatt sort of a solar power plant coming up. What would be addressable opportunity for GET&D as an the listed entity and as well as on an overall basis GE as a group in India?





Rathin Basu:

So, first of all the solar market, the one that we address are mostly around the solar parks. Solar parks are the projects which are basically driven by NTPC SECI and these projects usually come with preapproved PPAs, land and all that, so more or less I would say reliable in terms of timelines and guarantee for future. So, in this kind of solar parks many things happen, so first you see the national grid at the central level having a large substations, so that is our traditional play and we do that. Second is that, in the solar park, around the solar park, typically the concerned state does a JV with SECI and they develop their basic infrastructure for the solar park itself. So we again have a play at that level as a T&D company. The third play is having the center play, having the state play, the solar farms, the ones that you said 100 megawatt, 200 megawatt, usually it is multiplier of 50 megawatt. They say that GE is already there and therefore we get a strategic advantage that why not go with GE because they are already there on the site. So that helps us to get a bigger share of the pool and also helps us to occupy the market and our expenses as well. And then in addition, as I answered to another question a little while ago, in the GE store we have from other GE businesses other products such as inverters, smaller transformers and low voltage and medium voltage equipments. So those come handy for a bigger GE share. It may not be from the T&D India listed company but overall it helps the GE group, so that is the play.

Madan:

And last question, CK, the Champa - Kurukshetra Phase-II, now what is the COD target date sir?

Rathin Basu:

So, the Champa Phase-II has two poles, pole 3, pole 4, so we expect pole 3 to be in 2017 and pole 4 in 2018.

Madan:

Is there a push, I think we were supposed to finish this project by 2017, if I am right?

Rathin Basu:

Yes, you are right. But if you also recall in the past in such quarterly concalls, we shared with you the delays in getting the land and the beginning of the project which was significant number of months and so on, which actually delayed the project right in the beginning itself. So you are right that it is delayed, but there are several factors for this delay.

Moderator:

Thank you. Our next question is from the line of Nitin Arora of Aviva Life Insurance. Please go ahead.

Nitin Arora:

My question is related to your 765 kV GIS, where we stand in terms of qualification to the Power Grid at this point?

Rathin Basu:

So, again in the beginning I clarified through a question that Central Electricity Authority and Ministry of Power have come out with a directive about six months ago that for all domestic funded projects the manufacturing has to be done in the country. So that is one. So Power Grid has taken note of that, but they have not come out with a revised QR I believe it is work-in-progress. So once that happens it should be okay for us to supply from our factory.





- Nitin Arora:** And sir in the 765 kV GIS what would be our utilization level, I mean it will be something for outside India and any sort of utilization level if you can share for that factory?
- Rathin Basu:** Well, at GE we have built this factory not only to serve the domestic market but also the export market.
- Nitin Arora:** My question is related to one of your statements in the conference call, the margins on the newer orders, largely 1% lower than what we have garnered let's say in the previous years. Is it largely because of the lower prices because of the reverse e-auctions or is there any other aspect to it, let's say for a mix change in this quarter we have seen a TBCB order on a large size versus a Power Grid order. So just need a clarity on that?
- Rathin Basu:** So first my statement has to be understood that 1% fall is on a basket, the basket of the quarter that applies to the entire Rs. 12.5 billion of orders. So that is the first one. And the second comment is, yes you are right that it is primarily due to the reverse auction impact, though we have been largely a loser in the reverse auction process because we stop beyond a certain level. But this 1% fall is primarily attributable to the reverse auction process.
- Nitin Arora:** And my last question to you is that, what is your outlook on the static compensators between the first phase almost going through, what is your expectation that when the second phase can start clicking and we can see some orders from there?
- Rathin Basu:** So first I will answer in two parts. First, as a technology, as a need for the grid, India has hugely under invested in the static compensation in the national grid. We made a beginning in the country through power grid over the last two years, but it is not enough for a 305 gigawatt grid. So that is the first point. The second is, we are also injecting a huge amount of renewable to the grid and if you see the national target we should be adding something like 150 to 160 gigawatt of renewable power by the year 2022, which is six years from today. So that would completely disturb the grid technically because that is a huge percentage of renewable power. It is not important that you run the renewable only for a part of the day, but it creates a disturbance when it injects the renewable power to the grid. And today we as a country, and particularly in the states, we have not planned suitable level of compensation. Why you say this? Is that the renewable are getting connected at the first level to the state grids, and then only it goes to national grid. So therefore, my second comment is that the stakes are also not understanding the importance of the STATCOM or the static compensation that the grid needs. So till this awareness comes naturally you will not see the market, so that is why in the last one year we have not seen much tenders. But we believe that this is a hot topic and it would get addressed sooner than later. So we are ready for it, but today we do not see the state market, we have only seen the Power Grid market. So hope it comes back sooner.
- Nitin Arora:** I will just press one more question, you explained it in the previous question being asked on the additional portfolio by GE, especially in the solar part. But what we come to know and we see in the market the inverters are already being supplied by GE in these solar parks, if you can broad





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range tell us a number. let's say for Rs. 100 solar project where Alstom T&D comes into play in terms of value wise? Because inverters are any which ways given by GE itself.

Rathin Basu: Well, they sell the inverters but we sell a larger play, so we do the AC balance of systems and inverter comes as an add-on to it. And tomorrow we could have a much bigger share, provided our software capabilities which is known as Predix comes into play. But then the market is not yet mature enough so therefore we have to wait for some more time before we see that happening.

Moderator: Thank you. Our next question is from the line of Nirav Vasa of B&K Securitas. Please go ahead.

Nirav Vasa: Sir, I just wanted to ask one specific question. Has there been any cost overruns that we have booked across Champa - Kurukshetra projects, both Phase-I and Phase-II?

Rathin Basu: Yes, we have cost over runs, yes.

Nirav Vasa: Can you specify the quantum of the same?

Rathin Basu: No, I do not have the numbers, but yes we had cost over runs. But also at the same time we have also put our claim on Power Grid because we had delays in the project right from the beginning. So we have both, we have claims, a part of claims as agreed. But the books are not closed as yet for both Champa I and Champa 2.

Moderator: Thank you. Our next question is from the line of Bhavin Vithlani of Axis Capital. Please go ahead.

Bhavin Vithlani: My question is, when we look at the portfolio you talk about Satcom, when do we expect these to begin and how large opportunity it could be for GE T&D?

Rathin Basu: Again, as I tried to explain in detail, unless you know the renewable states, particularly in the renewable state plan of upgrading their T&D infrastructure you will never be able to size up the market. So at the moment they do not have enough money as we all know, UDAY scheme is on the rollout mode but that is more used as reducing the working capital, not so much for future CAPEX. So till the Discoms and the SEBs go into the investment mode, you will not be able to see that. And the other issue in the state that you do not have really a strong technical people who can plan a state level network. So therefore the dependency is always national utility such as Power Grid and sometimes CEA. So that is also the second factor. So we hope this issues both on the CAPEX side and second on the technology think tank at the state level would get addressed sooner, either by the domestic expertise or by hired expertise from external consultant for example.

Bhavin Vithlani: So we need a shock like 2012 for people to...?





- Rathin Basu:** I never wanted to say that in such a forum, that is your comment and not my comment. But you have a point, that is what I can say.
- Bhavin Vithlani:** My second question is, you spoke about QR change for 765 kV GIS which CEA talked about. So in line with this two questions, like the change in the QR when do we see this in tender, how long does it take for mandatory domestic sourcing to bring in?
- Rathin Basu:** I think you have to address this question to Power Grid.
- Bhavin Vithlani:** Sir the new tenders do not have the updated QR, would that be correct?
- Rathin Basu:** Well, I have not read myself that is why I would not answer that. But I know that it is a work-in-progress.
- Bhavin Vithlani:** Second is the same QR that we spoke about, does this apply to TBCB projects as well?
- Rathin Basu:** Technically yes because it is a domestic funded project, so our guideline should include TBCB as well. The only exclusion should be ADB or World Bank type of project.
- Bhavin Vithlani:** And sir my last question is, four, five years ago we saw Power Grid taking out CBs from the substation and then we saw influx of EPC contractors coming and spoiling the substation market. We hear about Power Grid moving back to the good old times, if you could throw more light on this would be grateful.
- Rathin Basu:** I am not aware of it so I will not be able to comment on it.
- Bhavin Vithlani:** But any talks that of moving back to a composite substation vis-à-vis...
- Rathin Basu:** First candid answer that we have not been consulted, so we do not know. But overall I would say if you look around the globe you either operate in two modes, you either buy every product lose and then you as an utility do everything, design, engineering, installation commissioning, then you do the EPC job yourself. So that is one model of utility. There are some utilities who do that. The other model is that you buy turnkey, and when you buy turnkey then you put all products in that turnkey box, you do not selectively exclude breakers or transformer to do so. So India that way was clearly it was in the middle path, I mean India not exactly, but more Power Grid I would say. So this was an intermediate path which allowed the EPCs to come in but the result that we saw in the last five, six years was not so good, because there have been so many EPC contractors who failed to deliver to Power Grid and they got burnt, they got bankrupt and eventually we as GE T&D we had to literally help Power Grid to commission those projects and get paid directly from Power Grid. And there are more than 10 examples for us to list.
- Bhavin Vithlani:** So, there could be a possibility because of the experiences Power Grid had in the past?





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- Rathin Basu:** Again it is a Power Grid domain. I do not want to answer on their behalf. And as I said, we are not consulted so I do not know. So it will be wiser for you to address this towards Power Grid.
- Bhavin Vithlani:** If you could highlight what would be the claims where arbitration has gone in favor of GE T&D but the cash is yet to be received? This is with respect to the directive government highlighted that payout of 75% were in the arbitration.
- Rathin Basu:** We do not have big numbers at that level or at that stage. no. Because to be eligible to get the 75% we have to go to a certain level, we are not yet there. So therefore we will not be able to share any number at this point of time.
- Moderator:** Thank you. We will take the last question from the line of Salil Desai of Premji Invest. Please go ahead.
- Salil Desai:** Sir, follow-up from an earlier question on the cost overrun in CK2. I am assuming the provisions for the cost over runs have already been made fully, or are there any cost to completion which is still remaining to be accounted for?
- Rathin Basu:** Well, in any project business you always have your cost, keep a buffer for a potential risk. So if you exceed your basic cost then you get it from this specific box and then you try to see if you can have a claim settlement with your customer. So then that case it is a plus and minus. So we are in this kind of stage today, we have plusses, we have minuses and also we have our provision. But then since the project is ongoing and in a given quarter we cannot close the box and say the project is closed, usually you will have a much better filling once the project is completed, commissioned. So then you know that 97% of the project is done and then you have a much better appreciation of what is plus, what is minus and how much of the risk box that you really get from it.
- Salil Desai:** My question was more from an accounting point of view. Any over run that you know as of today that has been already provided for, that is the clarification I was looking for.
- Gaurav Negi:** Accounting wise, yes you are right. Whatever is known to us is provided for, but the point Mr. Basu was making, when the project comes to a closure you sit down and then go through a detailed reconciliation along with the customer also. Because there are certain positions that you carry, there might be inputs on the other side. So that exercise itself will also generate some kind of new information.
- Rathin Basu:** And plusses and minus. For example, the price variation claim, you do not settle today for example, so it is a ongoing process, it takes its own time.
- Salil Desai:** So this you would see happening only in 2018 when you complete the project or you are nearly completing?





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- Rathin Basu:** No, there are always intermediate milestone, so a project is always around major milestones. So after you have achieved a milestone you can sit down and try to look at the project to close that particular box as much as possible.
- Moderator:** Thank you. Ladies and Gentlemen, I now hand the floor back to Mr. Suneel Mishra for closing comments. Over to you, sir.
- Suneel Mishra:** Thanks, Inba. Thank you, everyone, for your participation and raising quality questions. We conclude today's conference call of GE T&D India Limited. In case you have any other questions, please feel free to contact me on the mail id given on our website. Thanks once again.
- Moderator:** Thank you, Members of the Management. Ladies and Gentlemen, on behalf of GE T&D India Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.

