



## GE Power India Limited

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18 August 2021

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

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

Symbol: **GEPIL**

Scrip Code: **532309**

**Sub.: Transcript of the Investors' call held on 12 August 2021**

Dear Sir/Madam,

Further to our letter dated 12 August 2021, please find enclosed a copy of the transcript of the Investors' call held on 12 August 2021.

**Thanking you,  
Yours truly,**

**For GE Power India Limited**

**Kamna Tiwari  
Company Secretary & Compliance Officer**



“GE Power India Limited  
Q1 FY2022 Earning Conference Call”

August 12, 2021



**SPEAKERS:** **MR. PRASHANT JAIN – MANAGING DIRECTOR - GE POWER INDIA LIMITED**  
**MR. VINIT PANT - CHIEF COMMERCIAL OFFICER - GE POWER INDIA LIMITED**  
**MR. YOGESH GUPTA – WHOLE-TIME DIRECTOR & CHIEF FINANCIAL OFFICER - GE POWER INDIA LIMITED**  
**MR. RAJ RAMAN - PROJECT EXECUTION CHIEF**  
**MR. KALPESH SHAH– FINANCE HEAD HYDRO**  
**MR. BRIAN SELBY - REGIONAL SALES EXECUTIVE**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Investors Call of GE Power India Limited. 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 '\*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prashant Jain – Managing Director – GE Power India Limited. Thank you and over to you, sir.

**Prashant Jain:** Hi thank you and very good afternoon to you all. A warm welcome to the earnings call of this quarter. I have my team with me on this call that is from Steam Power, I have Vinit Pant, my Chief Commercial Officer, Yogesh Gupta, my Chief Financial Officer, Raj Raman, who is executing the Project Portfolio, the Project Execution Chief and from Hydro, Kalpesh, the finance head and Brian Selby, our regional hydro head from Singapore.

So the team is here today to share what happened in the first quarter, the results, the business direction and then they will provide the opportunity for question and answer after the brief presentation.

The presentation is uploaded. On page #2 we have the agenda on what topics we would what cover for today given I will briefly cover the safety and business update followed by the quarter financial highlights and project execution update followed with question-and-answers.

Moving to page #3, I would like to spend a minute to speak about the first quarter which was very difficult for the country in India with the COVID wave 2. So here I would spend a minute to pray for the families of all on the call for those near and beloved ones who would have gone through directly or indirectly a difficult period in the first quarter.

So in this quarter we had a huge challenge with wave 2, as several employees were affected and we also did see fatalities in the quarter. At the same time we had also challenges in the site execution progress, so personally and professionally and in the family members we saw challenges in the quarter as the country saw in the wave 2.

What we did as a team to respond GE created a South Asia corpus to support the employees for the medical expenses beyond insurance because we found that the insurance was not adequate to support the employees. The second thing that we did was to say, hey, look we need to improve the vaccination drives that is the best way to mitigate the wave 3 if it comes and therefore, we have gone ahead and done vaccination drive for employees and family members and also cover the contractors at sites. We have been able to cover as on date about 97% of eligible employees with at least one vaccination. So that is what we have done with all employees to ensure that they are safe and we are able to mitigate the likely wave 3 and protect the employees and contractors to the extent possible.



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We have also supported COVID care facilities around the project sites and factories and for the current year we have improved the budget in the corporate social responsibility to ensure that should a wave 3 happen there is an adequate support and hospital infrastructure in the communities that we operate, and last, but not the least of course we did also create a network of doctors and oxygen concentrators well in place of about 34 within GEPIL to support utilize and last but not the least the work from has continued and we continue work from home for majority of the employees on non-site and non factory basis, where it is not mandatory so here we have divided the employees in three basis one is the work from home permanently, one who is work from home in hybrid mode will need to come to office once in a while and then a category of workers which is 100% working on site or project or in the office whose task cannot be work from home so these are the measures that we have taken to ensure that we have business continuity at the same time we ensure safety of the employees.

Moving onto page #4, now I would like to talk about the strategy direction that we had spoke about last year that we said we will move towards service organization as we see lesser new built, how we develop the service ratio, higher ratio of service orders. In this quarter we see the trend we had a larger share of service orders and on the other side we did not see any new equipment ordered in the first quarter. On the EPC line, EPC ratio we see that we had mentioned last year we will focus on good quality jobs will reduce the EPC exposure which is consuming the working capital of your company and that is where we have now started securing orders on the non-EPC segment where the exposure is limited to equipment supplies and site services and here we see the trend in this quarter particularly was on non-EPC jobs.

The third area where we said we will concentrate as a company on was the private sector, we have large exposure to the government contracts that puts us into delay sometimes at times on receiving of payments and there is attractive private sector as well and here we see in the quarter one which is supporting the business that we wanted to achieve and we have had some good successes and service in the private sector that we have announced also and Vinit will talk about them in the coming slide.

So all in all we see that the strategic direction that we have embarked on seems to be in the right direction. Moving onto page #5 quickly talk about the key highlights of the first quarter the orders we have announced in the press release on the execution side it gives confidence to us that we are able to execute OEM outages for especially the Chinese fleet that you see on the top on the bottom you see the experiences that we have commissioned on the automation & control and the hydro project in Babha so key highlights of the quarter one are displayed in the page #5.

So with this I would say that while we had a challenging first quarter where we have revenue shortfall due to COVID primarily plus impact on couple of large projects. Yogesh will take you through the financials here on. Starting with the order intake from Vinit and followed by Yogesh on financials. So over to you Vinit from page #7.



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**Vinit Pant:**

Thanks Prashant and good afternoon everyone. So I am going to take you through the order outlook for quarter one which is slide #7. So as you can see from the slide this quarter has not been very good for orders as compared to last year quarter one of last year. We have done around 238 Crores this year and the salient features is if you compare with quarter one of last year the FGD there were lot of FGD orders in fact around 7.6 gigawatt orders were finalized in quarter one of last year, but this year it is only 1.3 gigawatt so this has to some extent affected us, it is mainly because of COVID the ordering was delayed due to COVID and then there was some issues on the timelines, some ambiguity which has now subsequently been clarified plus there was some issues on import limitation. So overall FGD orders have not got finalized, but going forward I would say we see a healthy pipeline and situation is going to improve in the quarter two and quarter three onwards.

One more point is that we really the orders which were finalized was the orders which we were really not targeting they have some issues as Prashant mentioned in the earlier slide we are looking at EP jobs more with the private sector where we can get cash accretive deals so the orders which were no bid were not targeting.

Services of course there has been a big jump it is almost there is a growth of 147% compared to quarter one of last year and to some extent this is because as Prashant showed in the earlier slide we got couple of big orders from upgrades which has really helped us do well. But again this is in line with our strategy wherein we are going to be more and more active in the service sector as compared to new build, but overall I would say still we are looking at a healthy pipeline both for FGD and services going forward and we should do better.

Also I think one more last point hydro again we had a very big order in quarter one of last year almost 280 Crores so that was I would say more of a exceptional order so this is also one reason which has led to the less orders this year because we had a exceptional order of hydro last year quarter one.

So I think that is all from my side and now I will hand over to Yogesh if you can take us through the revenues slide #8.

**Yogesh Gupta:**

Thank you Vinit. Good afternoon ladies and gentlemen, I would take you through the first quarter financials of 2021, 2022 financial year.

Let me take you to slide #8, revenue for the first quarter of FY2021-22 is Rs.5.4 billion, 540 Crores as compared to the last year same quarter it was 4.32 billion, 432 Crores and there has been a increase/ growth of revenue of 25% if we compare with the same quarter of the last year.

There were execution challenges due to COVID wave 2, which impacted our factories, the factories of our vendors and also the availability of the workforce at site. We are working



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aggressively to ramp up the site operations to reduce the lead time impact on the project executions.

Significant contribution of the revenue came from the FGD portfolio almost about more than 60% came from FGD portfolio of the total revenue that we had and there was a significant reversal of 74 Crores, 740 million odd from the reestimation of the cost to complete the hydro Subansiri project. So these were the highlights of the revenue and I would like to add that we have a strong backlog of Rs.51.8 billion and as of June 2021.

Let us move to the next slide. On the profitability for the first quarter of the FY2021, 2022 the loss for this quarter stands at Rs.1.526 billion, 152 Crores the major reasons for this loss are attributable to the Subansiri cost update of 876 million and the further impact was on account of cost updates in various projects due to COVID execution challenges, commodity price increases, BoQ growth, details of which will be shared subsequently by my colleagues Kalpesh and Brian and Raj.

On the major customer BHEL we had some collection challenges primarily for the end customer TANGEDCO for which we had to create certain provision for bad and doubtful debt and we follow a policy in GE that we create provisions for outstanding which are greater than one year. With this once we collect this money this provisions will be released back. The borrowing increase in the current fiscal year from 3.12 billion, 312 Crores to 5.143 billion, 514 Crores resulting into a additional borrowing cost of 66 million for us and primarily these are the highlights of the revenue and the profitability for the first quarter 2021-22. I would hand over to my colleague Kalpesh Shah and Brian to take us through the details of the Subansiri project.

**Kalpesh Shah:**

Thank you Yogesh and good afternoon to everyone. I am on page #11 where I would take all of you through the project update on Subansiri project. So this Subansiri project is a 2000 megawatt hydro power project which is in the state of Arunachal Pradesh and this will be customer NHPC this project was awarded somewhere 17 years ago and since December 2011 the project site activity was not progressing later in December 2020 NHPC restarted the project and GEPIL on its part evaluated the project restart through contractual evaluation and then later we decided to restart the project work. Also, NHPC being an important player and customer for GEPIL. With the project restart we reestimated the cost to complete to further project and this has led to a P&L impact or P&L charge of Rs.876 million as Yogesh mentioned for the quarter ending June 2021, and we are actively working with NHPC customer to pursue the claims in order to mitigate the current margin impact on the quarter. Now I would request Raj to take up the next slide. Thank you very much.

**Raj Raman:**

Thanks Kalpesh. Good afternoon everyone. I will speak on the page #12 about the steam projects updates. So basically in quarter one of this year we saw the huge impact of COVID wave 2 which was unprecedented across our sites and as we saw across the nation it is also impacted all our sites and we have a exodus of work force which resulted in lot of activities getting suspended



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as well as delays which we are foreseeing. Aside of that there were critical supplies coming from western part of the country and the southern part of the country which if you would recollect saw initial impact and lot of our supplier base is around that part of the geography of the country and that also resulted in disruptions to the equipments getting at the site. At the same time we have seen that lot of our subcontractors have got impacted on the liquidity front across the board. Aside of that some of our projects which are pertaining to the old ESP loss making projects, we have seen significant commodity impact headwinds coming from huge inflation, which we have seen across the metals, aluminum and steel as well as you would all know this is something creating difficulty in terms of our profitability on these projects.

The FGD projects are pretty much Brownfield projects and when we are executing them as per the start of project we are seeing some challenges or opportunities which are creeping up which result in additional cost and these are some of the challenges which we have seen in this quarter we definitely are deploying multiple strategies to mitigate them one of the major ways by reducing our lead time we want to see that we bring back the schedules to the best possible level reduce the impact of the COVID delays this is something which we are doing through Kaizen approach across our project sites.

Aside of this we are also aggressively working towards optimization of the BOQs to ensure that we can create some opportunity from that front, at the same time we are pursuing aggressively with our customers as in the beginning was mentioned that we will continue to pursue on the claims towards the COVID related impact and cost which we have seen and this is something which we are going to continue to pursue with our customers at this point of the time.

So with that I will hand it back to Prashant.

**Prashant Jain:** Thank you team. So with that we would open the floor for question and answers. I will move it to the moderator to take any questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

**Renjith Sivaram:** Sir even if we take out the 87 Crores impact because of that Subansiri still I end up with an EBITDA loss of 45 Crores so what has led to this 45 Crores of EBITDA loss despite the Subansiri losses and how do you see this going forward if there was any provisioning if you can possibly quantify the amount of provisioning that we did which led to this loss it will be really helpful.

**Yogesh Gupta:** Yes thank you for the question, and you are right that out of the total loss that we have Rs. 87.6 Crore or Rs.88 Crore contributed to Subansiri and remaining from the 45 Crores is primarily on account of as I mentioned the bad and doubtful debt provision that we created. This provision is in the range of about Rs.26 Crores and this is as I mentioned for the project of TANGEDCO



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through the our customer BHEL and once like in this project there are some challenges with regard to there are two projects here whether they will be like continuing into what extent and as I mentioned as per the policy we have created the provision because these outstanding were greater than one year. So once we collect this money is almost about Rs.26 Crores will come back. The second component is on account of interest as I shared that our borrowing cost has increased and we had a borrowing cost of close to almost about Rs.7 Crores that we had for the borrowing that we had to take because of the terms that we have of payment with our customer which are like loaded towards retention. Third aspect is as mentioned by Raj and like that there were some challenges on the commodity price increases that we came across plus the challenges we face because of COVID to ramp up our site resources etc. So we are contemplating that there will be some higher cost to complete the project and there will be some delays also that are attributable to COVID which will be increasing our cost. So remaining cost is on account of that we have updated in our cost to complete of the project.

**Renjith Sivaram:** Sir in that if I get your data right 25 Crores is the bad debt provision so even if you take that 25 Crores still I have another 20 Crores in EBTIDA and EBITDA does not include interest so there is another 20 Crores loss even if I adjust for your additional 25 Crores of bad and doubtful debt. So what accounts for that is there anything out there which we have.

**Yogesh Gupta:** It is basically updation of our cost to complete of the several projects that we have and as was mentioned, the cost updates that we have done for the cost that we will be incurring or completing these projects, we follow the POC concept of cost and accordingly whatever cost we are seeing that will come to us in the future, we update in our planned cost and that have a impact on our profitability because the revenue is proportionate. So that is how this remaining portion of 20 Crores is coming in.

**Renjith Sivaram:** And when I see your raw material cost to sale it is at 92% so what has led to that higher raw material cost to sale so these provision...

**Prashant Jain:** Primarily the number which you are saying is the cost increase in a material for ESP projects Yogesh what is the ratio for the ESP FGD projects where there is this cost increase of raw material that amount maybe is what is there.

**Yogesh Gupta:** See the whatever impact we are talking about Prashant the 876 million of Subansiri and the project cost updates they both come in the cost of material, accordingly you will see there is a increase of about almost about 22% and if we take this value of 876 Crores plus that almost about say another 20 Crores for the other projects this is like leading us to the impact of almost 22% in the increase in material cost. Plus the second part of the increase in material cost is our proportion of FGD orders is going up and boilers is going down so because of this product mix there is a impact on our profitability as well.





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**Prashant Jain:** And the revenue write-back of Rs.700 million on account of that in ratio Ranjith would see that. Any next question Ranjith or we move to the next speaker.

**Renjith Sivaram:** You move to the next speaker I will join the queue. Thank you.

**Moderator:** Thank you. The next question is from the line of Vipin Jindal from ICRA Limited. Please go ahead.

**Vipin Jindal:** So my question is partly answered I wanted to know about the breakup of the loss of BHEL and other thing is like couple of questions so how is the liquidity position of the company and what kind of elongation in the working capital cycle has GE Power seen and second like you mentioned that there has been some cost which we have incurred because of the high metal prices what kind of impact can we expect going forward as well because metals are all time high and we do not foresee any kind of a softening of prices so any like your order book what kind of impact it can have going forward as well.

**Prashant Jain:** I think the material price first and then we will move on to Yogesh for the working capital. So on the material cost I would say this was an exceptional quarter there are two things happening one we have covered more than 60% of the backlog of the FGD projects and we are towards end of supplies with a very small end of supplies left and we are moving towards erection and primary services at site and there is a price variation clause applicable and since the timing of the price variation towards the project those calculations led us to the provision and the material cost therefore that I would say assuming because this was related to the supplies in which we are done in a period and the cost to complete. So we are ahead in the execution cycle primarily what we have left with is small portion of cost to complete mostly site services and then reclaiming of retention payments that leads to the working capital question. The working capital is primarily stuck with the payment terms the way it is structured primarily with the contracts that we have with the FGD where the retention amount is payable upon the completion of the erection milestones once we have supplied. So the consumption of the working capital has been largely driven by the FGD project execution. We expect to become cash positive by next year this is what we have said also in the last couple of calls, that we expect that we will be positive once we start recovering these retention payments after the erection milestones. So that is the reason for working capital consumption in terms of liquidity I would hand over to Yogesh to comment.

**Yogesh Gupta:** Basically the major portion of the question is already answered we are borrowing money because we have payment terms which are heavily retention oriented and we have to complete the milestones and that is when the retention payments are due to us, with the established PSCs of the country like NTPC and BHEL and in view of this higher retention we have to have the borrowings of Rs.514 Crores and the cash flow has been negative to the extent of Rs.2.4 billion and our trade receivables have increased by Rs. 1.5 billion and the payables we ensure that we make timely payments to our vendors and they have been decreased in the trade payables to the extent of about Rs.1.7 billion. So actually I would say the liquidity position is a bit stretched



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because of these reasons and we have enough borrowing limits still available. We are contemplating that the borrowing will peak by December and then they would start easing out when the milestones get completed and we start getting the retention payments and as mentioned by Prashant, we are looking forward to the borrowing to be behind us. We were contemplating that by March 31, 2022 but in view of the COVID and the likely delays in completing our milestones we are contemplating by the Q1, Q2 of the next fiscal we will be reaching our comfortable level. We do not give futuristic statement but this is what is our indication from our side.

**Vipin Jindal:** Thanks a lot Yogesh. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Sanjay Doshi from Nippon India Mutual Fund. Please go ahead.

**Sanjay Doshi:** Good afternoon team. Thanks for your initial comments and trying to explain a bit on the little bit of a challenging quarter sir I will keep my question with respected to two as of now. One is on the order backlog that we have of Rs.5180 Crores if you can give some breakup about this order backlog with respect to FGDs services as well as hydro and what is the share of Subansiri project here and what would be the execution timeline of that project and what is the backlog there particularly for that project and second would be just on the order inflow part while we have explained that the quarter was challenging in terms of the projects that we want to target were not finalized but if you can give some comments in terms of overall opportunity and how should one look at it from an annual perspective should we be closer to what number we are targeting in terms of the pipeline for our order inflows. Thank you.

**Prashant Jain:** I will take the second question first on the opportunities in FGD. Approximately the ordering is lot larger in the market but GEPIL targeting roughly about Rs.25000 to Rs.28000 Crores worth of opportunities in the next three years. The market share that currently we hold is 15% plus and this particular share we will target to maintain, so roughly the opportunity. Vinit may be you want to add in terms of gigawatt and the opportunity on the FGD. So that we will cover first.

**Vinit Pant :** Yes, so Prashant we still expect about 20 to 25 gigawatt will get ordered going forward in the coming quarters. So yes there has been a delay in ordering in quarter one but as I mentioned things are picking up as Prashant mentioned also that we are not targeting all the orders, we are looking at cash accretive deals, but we have a healthy pipeline going forward for FGD and we have been in discussion with these customers for quite some time now and we expect many of the deals to close in the coming quarters. This is for the FGD. Similarly for services as I mentioned we have done well in quarter one and we have this big upgrade orders but as I mentioned we have a pipeline and we think we are going to sustain our position and improve I would say in the coming quarters for services also. So things are going to look up in coming quarters.



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**Yogesh Gupta:**

Sanjay coming to the order backlog this we have shared last time also and we have the similar percentages of our backlog and about 45% is coming from FGDs and in the range of 12% to 14% is coming from boilers and as explained last time 10% to 12% is services and our hydro backlog is about 25% to 30% so similar percentages we continue with the backlog of Rs. 51.086 billion. Coming to specifics of Subansiri normally we do not give specifics, Subansiri is almost about 2.1 billion and there are eight units in this. I would address this to Brian. Maybe Brian you would want to comment on Subansiri.

**Brian Selby:**

Sure the backlog for Subansiri is roughly about Rs.2 billion and the target complete of the entire project is in the second half of 2024.

**Sanjay Doshi:**

Thank you very much sir quite detailed. Just one last follow up on this order inflow opportunity sir I appreciate your views on FGDs and how you want to be selective versus taking on large EPC projects there but overall also for a company as a whole if you can give some direction about how do you see the market opportunity for services in terms of what we are able to do in improving our product offerings and solutions offerings in the market and our working with the private clients possibly if you can give some color there so now run rate there has to grow quite meaningfully for us to be able to have some kind of a growth in the coming years.

**Prashant Jain:**

So the strategy is currently in the same direction, we want to focus on positive cash, positive margin deals and in FGD the reason for being selective is that the NTPC lots are concluded, the rest of the lots are with the state customers and private IPPs and since how the FGDs will be financed in that we are being selective to ensure that we deal with selected opportunities that we are able to work with the customers therefore being selective and that opportunity is good for the next three years in the range of roughly 25000 Crores of opportunity in the market which we are targeting so that is one leg. The second area that we still see opportunities emerging is in the areas is the SCRs and the NOX we still see opportunity there in service the core services and the upgrades which is the service market of steam power we are continuing to see positive growth, the customers are continuing to order despite the first quarter been challenging we have been able to maintain the momentum in the core of course we did land a few upgrade orders from the industrial segment and that is an area that we will continue to focus. So that is on steam new build and services and Brian and Kalpesh are pursuing the similar strategy on hydro selectively looking at opportunities and focusing on services upgrades on OEM that is the stable flat business now these are the current opportunities what we have. We are additionally looking at the market opportunities in the industrial segment those are early and I do not see them materializing so to say in the order book in the current financial year, but there are certain pilot test opportunities we are testing out in the market in the private sector in the industrial segment for example alumina etc. so there are certain opportunities that we are pursuing to expand the portfolios of offerings in the industrial segment. Here we might see in them some movement and we will report out as we progress.



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- Vinit Pant:** Thank you sir and also to add flexibility is also going to coming up as you mentioned it is not maybe in the immediate it has not help us in this year but going forward we are also looking at flexibility it is market has even pickup and also we are also trying to increase our market share as you rightly said as we are trying to move towards services so we also have taken an initiative to increase our market share specially for other OEMs this is something which will bring us more orders and improve our position going forward.
- Prashant Jain:** So these are market opportunities that we are pursuing and our estimates and assumptions are that this strategy is in the right direction we see the market opportunities shaping in a way that we have anticipated and we will report it out as it progresses.
- Sanjay Doshi:** Thank you sir.
- Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.
- Renu Baid:** Sir my first question would be to understand given that we have Subansiri now back in the book and executable over the next three and a half four years and relatively headwinds in FGD as well. So how should we look at the gross margins behaving in the next two years specifically as FGD nears completion including the ESP projects. So can we expect some improvement in gross margins or ex of provisions that we saw in this quarter 24%, 25% margins are what you are expecting around.
- Prashant Jain:** Sorry what is the last point Renu I missed that.
- Renu Baid:** I am saying for the current quarter if we knockoff the cost to completion for Subansiri that we have provided for 87 Crores and 20 Crores of incremental CTC provision then effectively the gross margins to that extent relatively still are soft. So are we expecting any improvement on that side or it still looks challenging.
- Prashant Jain:** Yes, so I will address this first Kalpesh you want to clarify on what you have presented on the way forward on Subansiri.
- Renu Baid:** All these provisions we see gross margins of almost 28% for the quarter so how should we look in terms of the gross margins coming in from these FGD projects inclusive with the mix of services and the entire portfolio.
- Prashant Jain:** So maybe a quick comment Kalpesh on Subansiri and then we move to Yogesh for GEPIL
- Kalpesh Shah:** On Subansiri piece currently we have this done this first complete revision and then we have taken this impact and this project has, it has been on hold for more than 10 years so we are still working with the customers and lot of site activities and our material assessment and all those things are in progress so at this stage we do not see any major impact but this is something we



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will still work and as we progress we will know more on this, but we are confident that we should be maintaining what we are currently holding on this project.

**Yogesh Gupta:**

Renu coming to your question on like futuristic see normally we do not give futuristic numbers and the analysis that you have done is broadly on the right track that our PAT is at -28% for them and when we look together at these items the special items that we have they like Subansiri number is in public domain and we have shared that plus some indications on the borrowing or the cost or our basic elements of cost increase is that we have so these are like your interpretation is pretty fair, but I would not like to give you any futuristic down the line two years number indications, this is not the company policy, but I can simply make a statement that the profitability what we look at presently seems to be on the same track for the future as well.

**Prashant Jain:**

To clarify on the backlog margin but is it reflective of the first quarter the answer is probably no, the first quarter was an exception because of one off and it is not the trend that we would say is the trend it was a one off in the first quarter due to this exceptional items the gross margin on the backlog is still intact and Yogesh maybe you want to comment on that.

**Renu Baid:**

Sir broadly margins that we saw in FY2023 COVID 2019, 2020 can we expect those kind of I think our R&D sales coming back to 70% levels based on the current backlog do you think that itself looks a bit of stress in terms of the current cost headwinds.

**Yogesh Gupta:**

See if you look at service business the margins the indications we have given they are definitely better than the indications on our FGD business and as mentioned by Prashant that Subansiri is one off cost that we have so the other things seem to be on track and the indications or the calculations that you have done I would like to say that they are more or less on similar lines barring some unforeseen circumstances like COVID 3 coming in or the commodity cycle getting further exhaust, otherwise clearly like we are looking at similar range of profitability that we have had in the past.

**Renu Baid:**

Sir my second question is to understand a bit more on the export opportunity while in the last I would say 18 months we have been aggressively eyeing services side are we seeing some hopes of growth revival back on the export side given that global economies and demand is started to look up and especially in developed countries also we are seeing the pending of infrastructure picking up so any hopes of pickup on the export side of the pie or that would not come through.

**Prashant Jain:**

So Renu for exports the market for GEPIL is GE the customer is GE and we work with GE for exports both in hydro in gas the trend continues where there is a COE for exports similarly in steam from Durgapur we do supply and support certain projects outside India and that trend we see. , So we are currently reviewing what opportunities exist and how will they shapeup in the future that I do not see any change on the hydro and the gas on the steam side there is a view that on the services I do not see a big trend change for the current year in the export opportunities. For



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future for sure we are reviewing additional mandates but at this point in time there is nothing new to add here. So the COE part of exports continues here.

**Renu Baid:** And can there be some scope for GEPIL to actually also explore exports of products for emission compliance in the developed market this would be on the portfolio and would we be competitive or there are other regional entities already servicing on those markets with the same offering.

**Prashant Jain:** Yes, so on the export Renu the opportunity for NGSL to do O&M outside India that is company where GEPL has acquired stake from GE which is currently taken a couple of quarters in India and the first preference or the first in order is already NGSL which will establish O&M first in India and then we will go abroad and together with that we are evaluating what additional opportunities can be taken outside India but as I said those markets also like GE and we serve GE as a single customer and we are working with them to see how this opportunities will shape up for GEPL in future. At this point in time I do not have further update I will come back to you on this in the coming months.

**Renu Baid:** And just lastly if I can ask slightly a longer-term question in next two, two and a half years as bulk of the FGD EPC projects taper off in backlog and we come back to the base business and incremental orders are more on the equipment side in FGD which will be smaller in terms of the rupee value of the project so two years down the line or three years down the line what is your view in terms of how could be the shape and size of the portfolio of the company and aligned with that what are we doing to keep the cost under control.

**Prashant Jain:** So yes that is a good question I will address the cost first so this year is the year of transformation we still have a backlog of BHEL on the supplies of boiler equipment that continues towards mid of next year so that is something that we have still to execute. FGDs we will execute over the next four to five years the order intake would continue in our estimate for three years at this point in time as the market opportunities exist as per the current program by the government so that is what GEPIL will pursue to address in the near future so those are the opportunities available. Flexibility is the new market which we are now seeing with renewal integration may present additional opportunity so if I have to say beyond three years how do we see the third area that we are looking at which are presented in our page #4 is to look at industrial opportunities and here we are evaluating industrial opportunities, one opportunity is the alumina solutions for alumina that we are pursuing and so we will continue to pursue opportunities on the industrial segment towards emissions, towards efficiency upgrades and services. We see a good potential, we have reassessed in market in light of the renewable acceleration and we believe a strong potentials on the services side over the next ten years as per the estimates for the next ten years for the existing coal based plants for services and the additional energy transition service assets by our renewable integration flexibilization and the operations and maintenance via NGSL we see that would be a



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larger area apart from that the industrial segment opportunity that we are pursuing we will update as and when we progress this area.

**Yogesh Gupta:**

And Prashant just to add we will also be looking at NOX emission SCR I think is going to pickup going forward so to some extent SCR will take care and for the industry the captive power plants will continue to come and we are going as Prashant said industry is our target area so we will also target FGD for industrial captive power plants going forward.

**Moderator:**

Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Prashant Jain for closing comments.

**Prashant Jain:**

Thank you all for joining the call today. I hope we have been able to address your questions this was an exceptional quarter and therefore we had a larger team today to address your questions. I hope we have been able to clarify your questions and we are looking forward to seeing you in the next quarter. Thank you all for your support and patience and wish you a good week ahead.

**Moderator:**

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