



# GE Power India Limited

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10 November 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 Earnings Conference Call held on 03 November 2021**

Dear Sir/Madam,

Further to our letter dated 03 November 2021, please find enclosed a copy of the transcript of the Earnings Conference Call for the second quarter of FY 2021-22 held on 03 November 2021.

**Thanking you,  
Yours truly,**

**For GE Power India Limited**

**Kamna Tiwari  
Company Secretary & Compliance Officer**



“GE Power India Limited  
Q2 FY2021-2022 Earning Conference Call”

November 03, 2021



**MANAGEMENT: MR. PRASHANT JAIN – MANAGING DIRECTOR - GE POWER INDIA LIMITED**  
**MR. YOGESH GUPTA - WHOLE-TIME DIRECTOR & CHIEF FINANCIAL OFFICER - GE POWER INDIA LIMITED**  
**MR. VINIT PANT – CHIEF COMMERCIAL OFFICER, GE POWER INDIA LIMITED**  
**MR. RAJ RAMAN – HEAD OF PROJECT MANAGEMENT, GE POWER INDIA LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to GE Power India Limited Earnings conference call for Q2 of FY2021-2022. 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:** Thank you and very good afternoon everyone. Welcome to the investors call. Very pleased to have you all here. I am going to start with wishing you all a very happy festive season, Happy Diwali, Happy Dhanteras and Happy festive season ahead with many more festivals to come.

We have shared the copy of the presentation. I am joined by my team here on the call, CFO, Yogesh, and the other team on operations, commercial, for the further questions and answers.

We will move in the sequence of the presentation to page number 3 where we talk about the update on the quarter in terms of safety which continues to be our priority. In the order of importance, GE Power continues to be a safety, quality, delivery and cost which we extremely see as an important parameters and the culture of continues to improvement which is Kaizen.

So, we start with safety in every other meeting, but first topic I wanted to share with you is on the vaccination drive, the percentage vaccination now for all office permanent eligible employees is 100%. So, all our employees eligible permanent staff is now fully vaccinated in the office. The contract workforce on site we are close to about 90% in terms of vaccination, but there is still hesitancy in some of the workers and we are working with them to get them vaccinated over the weeks and months as we speak.

From that point of view, we are taking initiatives to make sure that employees remain safe to contribute to the production going forward. On safety another good news to share, if you see on the right, are certain awards that the team has secured. Safety is important for ensuring safety to employees that means that no employee should be put in harms rate while coming to work and should be able to go back to their families safely after work. Also, it is important for productivity and for ergonomics at work place, and therefore we put a very high emphasis on safety and the awards that we have received, one of them the most important award in the left bottom is the “CII National Safety Competition Award” won by GE Power India Limited. So, GE Power in this category has won the gold award on the national level on safety. So GEPIL has been recognized as having a very high standards on providing a safe working place for its employees. That is a good news I wanted to share.

Among the other awards that we have received from the customers from FICCI, for a project in Telangana for another CII Award for Project Sipat and the award that you see on the right is an



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award that we have received for FGD project on the site. So, we have certain achievements in Safety.

Moving to page #4, I want to briefly update this strategic directions that we had earmarked for the company to improve the profit and margin, in the mid-to-long-term. To start focusing in the order profile, derisk the profile we had recognized the trend of new build moving towards services, rapid transformation to its service and the majority of the order booking today we feel has been consistently coming from services. We have also started focusing on non-EPC projects more than EPC to derisk the portfolio. We will continue to participate in selective EPC projects. We are making bids, but we are going to be selective in the profile to ensure the key deals which are accretive to your company and that trend is on track.

The third are we chose to earmark upon to move towards more private customers, industrial customers as compared to the utility-based customers and here we see a significant improvement in the ordering especially on the service upgrades from the private customers, which is the right trend. So, from the strategy point, we are moving in the right direction though the progress is slow as we see on the topline there is some pressure on the order intake which we will talk about in the coming slides but the general strategic direction that we have earmarked for the next three to five years we see that on track.

Moving to the page 6, I want to highlight the key project execution. I am very proud to share the first picture on the left is the unit of FGD on NTPC Unchahar side and there you can see that this is where we create the drawing into reality the project to construction, the concept and eventually the execution at site and that is something that is really what we are proud of that as making the difference to the society by implementing these FGDs instruments and then we have a couple of good executions, examples where on the service upgrade sites and the Subansari side which we restarted in the last quarter earlier this year, we see the progress.

A little bit on the Corporate Social Responsibility among the other projects, one of the process we are sharing today is we have shared digital devices with children to bring them on speed with their digital communication taken and learn and develop their research in that skills in the COVID times. Moving on to the next one, the next phase we will turn on the financials, we start with the order intake profile and we will move to the page number 7. I would hand over to Vinit, our Commercial leader to share about the key highlights of the quarter. We see certain headwinds there while on the service, which we are on track albeit at a slightly lower volume in the last quarter but Vinit will add certain more details into this deck.

I guess Vinit is not able to join the call. I will continue with the slide. So, on page 7 we talk about the order profile, we talk about order profile. On the FGD which is the core pillar today of our strategy primarily the GEPIL strategy is towards FGD and services today on the steam side, and then we have smaller limits of hydro and gas, which continue to be stable, but they are not material to the performance of the company. On FGD we saw slowing down of the ordering in



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this quarter compared to the previous year's quarter primarily because of the government reclassification of the zones on the sites in the three categories and the second element is the potential extension of the timelines from the Government of India from December 2022 to December 2024, where some of the developers are waiting before they finalize their orders or make their down payments therefore we see a lull in the ordering, but the pipeline is still robust and intact. We are confident that within a month or so when the government notifies the zones for the FGD this ordering shall restart, so that is one main reason why we see a dip in the order intake.

On the services side, in the current quarter as you may be aware there was a huge demand on the coal fired power plants and temporary shortage of the peak demand after COVID restarting the coal fired power plants, therefore some of the customers continued to operate their power plants rather than providing an outage or taking an outage and therefore they deferred ordering on certain critical equipment for services and there could be a dip owing to a robust demand on the power plant that has been run by the customers around that time and therefore we saw some postponement of decision making by our service customers as well.

Imagine that is positive that gives confident that the customers are still, the market is still relying heavily on the existing plants and the need for this coal fired power plants has been reinforced in the goal that was outlaid as 2070 net carbon zero by the Government of India by Mr. Modi yesterday. That also reinforces that the fossil plants or the coal fired power plants will continue to play a key role until 2030. So the demand is robust, unfortunately in the current quarter due to softening of demand we see led ordering.

Moving on to the page 8, we will now to the revenues. I will hand over to Yogesh to continue from here. Over to you, Yogesh.

**Yogesh Gupta:**

Thank you Prashant. Good afternoon everybody. Welcome to this investor call. Coming to revenue, we have seen the order intake slide, there are headwinds on order intake and on the revenue side, in spite of the challenges that we were facing because of COVID and the actions were taken by the operations team to ramp up the site, getting the manpower at sites, we faced another two challenges, on account of heavier than normal monsoon and most of our sites were waterlogged making it virtually impossible to work at these sites and the second was with the outbreak of dengue. So, on top of COVID these two challenges emerged in this quarter for us to really address these challenges so as to beat the number that was the objective that we have set for ourselves.

Here we have seen that we achieved a revenue of 7.3 billion as against a revenue in the Q2 of 2021 of 8.8 billion. There is a difference of 1.5 billion almost about 17.5 ~~billion~~ percent keeping in mind the headwinds that we had on account of heavier than normal monsoon and challenges of account of availability of site manpower. There has been a significant portion of this revenue has come from our FGD execution as has been in the couple of last year quarter's similar trend



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continues for us and if we compare our performance in Q2 FY2021 with the performance of Q1 of 2021 year we had done 35% more revenues than what we did in Q1 2021 so clearly the operations are stabilizing and we are moving in the right direction on the revenue. The order backlog is now 44.7 billion at the end of Q2.

Moving to the next slide, page number 9, which is on profit before tax and we have had a change in the product and margin mix compared to the Q2 of FY2020 in this current year quarter and our profit before tax has been 508 million as against 505 million of last year same quarter. In the current year quarter, Q2 FY2021-2022 we have exceptional item of ~~57~~ 58 million on account of restructuring cost for right sizing the organization keeping in the mind the market trends that we have.

If we look at the percentage of PBT versus revenue 2021 our percentage was 5.7 whereas now for the current year Q2 our percentage is 6.9 and if we add back the exceptional items, exceptional expenses that we incurred on restructuring this percentage becomes 7.7. We have been I would say our operations have stabilized and the profitability is moving in the right direction as revenue.

This is it from my side. I would now hand back to Prashant Jain.

**Prashant Jain:** Thank you Yogesh. With this we can open the floor to questions.

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

**Narendra M:** Thank you for taking my question. Firstly on the gross margins side, again 26% in the quarter, is it largely because of mix or also it is due to commodity and with Subansiri project now back in the books and executable over the next three or four years, how should we look at gross margins behaving in the next two years. Also, like what is the status of these two projects and how much is left in the backlog and by when it is expected to be completed?

**Yogesh Gupta:** Thank you Narendra for the question. There are three questions that you have asked. First one is with regard to the, can you repeat the first question Narendra? My line was not very good.

**Narendra M:** Gross margins of 26% they are lower than guidance, so it is likely because of the mix or there are other commodities against and how do you expect it going forward?

**Yogesh Gupta:** I think we did not give any guidance on the gross margins. The gross margins of 26% are very much in line with our gross margins of 2021, the same quarter of last year as well. We are trending at 26% and we have basically taken care of the impact of inflation in the projections that we have there, the number that we have here and the numbers that we have here has been more or



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less in line with our mix that we have and I do not see any divergent to change in with regard to the last year same quarter or the quarter gone by. Can we have the second question again please?

**Narendra M:** The three projects like how much is left in the backlog?

**Prashant Jain:** Key projects we are left is about 90 Crores and as we have always been sharing that we are targeting that two out of the three projects will be completed by mid 2022 and the last one will be completed by mid 2023. So, these three projects will be executed fully by mid 2023 and we have provided relevant loss on our provisions, just to make them margin neutral in our actual achievements. Coming to the question of how the things will be on the three four years the line. We normally do not give the projections on futuristic but on this aspect we are very much moving in the direction of our projections for the trend that has been dealt in the past and as has been always mentioned that the backlog is primarily driven by steam of our ~~HDDs~~ FGD and the significant portion of almost about 55% comes from steam FGD and then the projections on steam services are in the range of about 12% and hydro is remaining 35% almost. So, we have a reasonably good backlog and whatever the implications on the inflation and on the commodity prices and the challenges we have factored into our last quarter. So, we normally do not give any forward-looking statements, but we would be trending on similar lines on the future two, three years down the line.

**Narendra M:** Thank you Sir. Second question is on the networking capital. We see again further retire your capex, how do you expect it to pan out, are there any delays in like our targets to reduce networking capital and also you are targeting it by FY2023?

**Prashant Jain:** Narendra, can you please repeat your question? The line has been not good at my end. I am sorry for this. Just can you please repeat the question. I understand one is for the working capital, is what I heard?

**Narendra M:** Yes, working capital has deteriorated so further your targets to bring it on track is it still within your range and by when do you expect to turn on net cash, you had earlier guided for FY2023. Does that continue?

**Prashant Jain:** Thank you for repeating the question. Our working capital situation has been impacted because of increase in trade receivables to the extent of almost about 2.8 billion and this is primarily driven by the increase in FGD retention of almost about 2.3 billion and this is in line with the payment terms that we have on these contracts and this has been we have always sharing that our payment terms are skewed or not favorable and the major chunk is attributable and moved to retention. So the working capital, as I said deterioration, if you use the word or more increase in the working capital is attributable to increase in retention and we have given an indication in the last meetings that we would be getting out of this trend or this trend will be reversing and we would be in a much better shape by 2022-2023. We are holding on to that projection and we will be striving hard to achieve the milestones for getting these retentions.



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- Narendra M:** Thank you Sir. I will get back into the queue.
- Moderator:** Thank you. The next question is from the line of Surabhi Saraogi from SMIFS Capital Markets Limited. Please go ahead.
- Surabhi Saraogi:** My first question is can you give a breakup of your other income?
- Yogesh Gupta:** Normally we do not give full details, but we can share some, basically this comprises of forex gains that we have had in this quarter and some other increase that we have on the side of our costs positions during the asset.
- Surabhi Saraogi:** Sorry Sir, I could not catch the last word, entires on?
- Yogesh Gupta:** I would say some reversals for some provisions.
- Surabhi Saraogi:** Sir, another question is can you give some colour on your growth outlook?
- Prashant Jain:** Thanks Yogesh. On the growth as I mentioned earlier, primarily the focus is on the FGD and the services market. On the services we see that the opportunities were about \$900 million. Currently, we are ranging in the 3% to 6% market share depending on the product segment and the target is to in the next three to five years to get 10% to 15% market share in the services segment, we see that this is on track largely. Then the second area that we currently are strongly positioned at the FGD market where we see a good amount of opportunities and we will see that these are the two strong central pillars of the GEPIL business and these two we have recently added a consultant, external study by PwC strategy and they have evaluated the market from the marketing team with respect to what this as an independent strategy consultant and they have validated that there is a good amount of opportunities for the next three to five years in FGD and the services. So Vinit if you want to add a couple of words on the growth outlook.
- Vinit Pant:** You are right, Prashant on the FGD we have seen that there has been a whole industry quarter slowdown, but there is a healthy pipeline. We still see the 140 GW which is yet to be ordered which is total about \$10 billion and of course we are looking at cash accretive deals so we are looking at 6-7% of that market, but yes there is going to be a healthy growth for the FGD and there has been a delay of about two quarters, but I think it will start picking up from January and services of course yes it is going to be there. We have a pipeline for core services as well as upgrades, we see a lot of bids coming up, and revamping opportunities. So this is going to continue. Services will definitely be there. We are also looking at other areas, industrial boilers, industry segment we are trying to focus also on the industry segment besides power. So that is also going to be a growth area going forward.
- Surabhi Saraogi:** That is all from my side. Thank you.





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- Moderator:** Thank you. The next question is from the line of Narendra from IIFL Securities. Please go ahead.
- Narendra M:** Thanks again. On the execution side, we were having a lot of issues at our site, in terms of labour availability and supply chain, so have all the issues normalized with regards to the execution? If you could provide for this quarter between FGD and services, it will help us?
- Prashant Jain:** First let me confirm that we see from COVID we are out. The manpower we are ramping up rapidly and we are in the range of a gap of about 10% to 15% on the workforce at site. So, we are close to the manpower that we need on the site for execution. On the FGD we see that we have a very strong rigor in place and I will ask Raj to add to this subject on what you think make sure the execution rigor and how that execution is on track and second part of the question Yogesh will take it up. So over to you Raj.
- Raj Raman:** Thanks Prashant. As Prashant mentioned we got out of the COVID wave 2 in Q1 and as we got into Q2 we did see a good recovery on the workforce, but challenges on front of the rains which have been unprecedented and this is not like rains which have been long, but they are short duration rains but very heavy, which has caused lots of flooding in many of these sites. As you would imagine, most of our projects are brownfield projects and there some of the work areas which we are doing work, is not necessarily very easily accessible and being at low lying area within the site, created a significant challenges for our workforce access and in a position to deliver the productivity; however, we are getting out of that. Aside of that what we have done operationally is that our approach has in the spirit of continuous improvement we continue to challenge ourselves in terms of better processes and systems which we are executing the sites and we are seeing a significant positive impact of that. What we call it as the Kaizen approach, where we do a week long engagement, cross functional engagement to solve challenges and progress and continue to improve our productivity and vigor of daily management all of this is helping us to take the situation further.
- Prashant Jain:** Thanks Raj. Narendra what was your second question on the financials?
- Narendra M:** Your revenue mix for this quarter.
- Yogesh Gupta:** Revenue mix for the quarter that has gone by has been, you want the percentages of specific projects? Here we have had the number is about 70% like our basic FGDs and about 16% to 20% in services and 10% in hydro. So, these are the broad percentages. I repeat, steam has been in the range of 70% plus, steam means FGDs, and boilers, and then we have steam services in the range of about 16% to 20%, and hydro was about 10%. The earlier question that you asked about the working capital, I would like to supplement there that there has been shared there has be substantial pressure on working onsite. So, some of the milestones could not be achieved, and like some retention payments could not be collected. So, this has been another issue, which has deteriorated or increased our working capital requirements. We have tried to factor into how best we can address by the efforts that operation, if we are putting in to come back on track but there



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will definitely some delays on these retentions and accordingly our shift in the positions on cash will happen, but still we are maintaining the FY2022-2023 fiscal we should move into the terrain of getting out of negative cash flows.

**Narendra M:** Was there any provisions again this quarter?

**Yogesh Gupta:** No new provisions. We had basically some as I have mentioned should be that we had some release of provisions arose out of the provisions which were there in the other income.

**Narendra M:** What will be the quantum of the relief?

**Yogesh Gupta:** Normally we do not share. I can mention about the components, these were like regard to some on the on the tax side and some under bad debt side that we had on this provisions.

**Narendra M:** Thank you Sir.

**Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Prashant Jain for closing comments. Thank you and over to you Sir!

**Prashant Jain:** Thank you all for joining the call today. Wishing you all a very Happy Festive Season. Happy Diwali. Thank you. Thank you team for the support.

**Moderator:** Thank you. Ladies and gentlemen on behalf of GE Power India Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.