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17 February 2022

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

Symbol: **GEPIL**

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

Scrip Code: **532309**

Sub.: Transcript of the Earnings Conference Call held on 10 February 2022

Dear Sir/Madam,

Further to our letter dated 10 February 2022, please find enclosed a copy of the transcript of the Earnings Conference Call for the third quarter of FY 2021-22 held on 10 February 2022.

Thanking you,
Yours truly,

For GE Power India Limited

KAMNA
TIWARI

Digitally signed by KAMNA TIWARI
DN: cn=KAMNA TIWARI c=IN
o=Personal
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Location:
Date: 2022-02-17 19:35+05:30

Kamna Tiwari
Company Secretary & Compliance Officer

"GE Power India Limited's Q3 FY'2021-22 Earnings Conference Call"

February 10, 2022

MANAGEMENT: **MR. MAHESH PALASHIKAR – CHAIRMAN**

MR. PRASHANT JAIN – MANAGING DIRECTOR,

MR. YOGESH GUPTA – WHOLE-TIME DIRECTOR & CHIEF FINANCIAL OFFICER
MR. VINIT PANT – CHIEF COMMERCIAL OFFICER

MR. AMIR MUJEZINOVIC – GE REPRESENTATIVE

Moderator: Ladies and gentlemen, good day and welcome to GE Power India Limited's Earnings Conference Call for the Third Quarter of FY'2021-22. 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 Mr. Jain.

Prashant Jain: Hi, good evening, everyone and good afternoon to Amir. Welcome to the investor call today for GE Power India Limited. I am joined today by Mr. Mahesh Palashikar – the Chairman of the Board; Yogesh Gupta – Whole-Time Director and CFO; Vinit Pant – my Chief Commercial Officer and Amir Mujezinovic who is the Strategy Head from GE Power representing the promoter today in the call.

We have uploaded the deck for your reference. I'm referring to the page two on the agenda. We have a quick update on the safety. I hope everybody has recovered well from the Omicron wave. And we will touch very briefly on the performance on safety, we will cover the financial highlights of the quarter and then GEPIL's vision opportunities and readiness and finally we will address some messages from the corporate around the announcements that we have made earlier yesterday and subsequently evening in the press release. So that's the agenda on page two.

Moving to the page three, I am happy to say that safety has been the top most priority for the company. The operations are now intact. There was a very small disruption this time from the wave but there was some disruption with certain quarantine and travel restrictions, but the plant is operating to full capacity with no impact from the wave and our project sites we have barring about 10% to 15% shortage of workers, it's on track.

The safety parameters have been pretty good, no fatalities in total hours of 24 million that have been clocked in the company. And we are proud to share certain awards that the teams have received in recognition for best-in-class safety performance at sites.

Moving to the page four, I want to highlight a few achievements. We are very happy to announce the order which the company booked on the 31st of December from Anuppur. The second highlight of course is an execution competence of the company on service repair work. There is some significant milestone achievement in NTPC Dadri on the combustion modification package and turbine and generator work at Himachal for the hydro project. These are some key highlights in the execution for the quarter.

And the company CSR projects are on track and we are engaging employees with village support for the tribal villages in Durgapur and 2,000 workers being trained on safety, operational excellence, technical upliftment as a part of skill development program from CIDC as couple of programs that we are working with our CSR teams.

Moving on to the financials, I will ask Vinit to share the progress on the order intake, key opportunities and how we are fairing on the orders. Over to you, Vinit.

Vinit Pant: Thank you, Prashant. Good evening, everyone. As Prashant mentioned, we had this FGD order. We booked on 31st of December. So if you look at slide six, as compared to last quarter of last year, we are about 20% higher on orders. So we got this Anuppur order for 2x600 MW plant. And overall, I would say the FGD ordering has improved in the market. We have seen orders almost 5.4 GW in Q3 as compared to 2.3 GW in the previous two quarters. So definitely we see that ordering has improved after some clarity has come on the notification for the plant categorization. So this is good news on the FGD front and we have maintained the market share of 22% for this Q3 overall.

On services, yes, there is a drop as compared to the earlier year. This is because some of the key upgrade needs which we were pacing have got deferred because of the outage postponement. But overall, it has been positive from the order side and FGD market is definitely looking up.

Now, I go to the next slide which is slide seven. This talks about the business mix. So we have been showing this slide to you earlier also. So there are three components – new build versus services, EPC versus non-EPC, government versus private. So new build versus services on the extreme left you can see that now because of this FGD order the mix last year was 100% for the services but with the FGD order it is 53% services and 47% renewable. So this is more or less in line with what we have projected. EPC versus non-EPC again in last year it was 100% and this year also we are maintaining that.

As far as the split between government and private is concerned, yes, it is our strategy to focus more and more on private customers. Even for FGD we have seen that, now the market is moving towards the IPP. So in maintaining the trend, we have 72% on private and 28% with government customers.

So this is all on this slide and now I would hand over to Yogesh to take us through the slides on the other financials. Thank you.

Yogesh Gupta: Thank you, Vinit. Good evening, ladies and gentlemen and I would take you through the revenues and the profits. I'm on slide number eight. Revenue in Q3 has been 7.57 billion and this has been in the range of the average that we have been having in the last two years. And if we look at this Q3, out of the three quarters of the current fiscal year, this has been the highest on the revenue front, and whereas if you compare it with the revenue in Q3 of last fiscal year which was 10.9 billion was primarily for major supplies happening on our FGD projects of Simhadri Sipat. So revenue in spite of the challenges that we had on the FGD side, we have had a significant success on this front.

Moving to the backlog, presently we have a backlog of INR39.8 billion, and of this close to 86% is from our project business with the continued healthy margin of about 13% and the remaining is services which is at almost 22%-plus on the margin side.

Moving to the next slide number nine, which is the profit before tax, in this quarter, we made 462 million worth of losses against the profit of same Q3 in FY'2021. The prime reasons have been on account of the restructuring that we had to carry out in Durgapur for the voluntary retirement. This amounted to INR522 million. The second one again I would say restructuring on account of impairment of Shahabad plant and machinery to the extent of 123 million. And there has been like the margin impact of lower sales to the extent of 131 million. And there have been some project cost update on account of like additional quantity requirement and site issues that we had from erections, etc., that we were carrying out at different sites.

So all in all, if we don't consider the restructuring items we were at 6% margin in the Q3 '21-22.

I hand over to Prashant Jain to take us further. Thank you.

Prashant Jain: Thank you, Vinit and Yogesh. On the restructuring, I would like to provide a quick update. As we had been planning to optimize the capacity in the Durgapur factory which was at about 800,000 hours, we are standing to somewhere around 4,500 hours today and as we know that the new orders have dried in the new build site from July or towards the end of the year the factory capacity will be optimized in the order of 200,000 hours. So that would be the large part of the restructuring that we still need to do in the next couple of quarters. Then the workshop will be geared towards service upgrades and will be moving towards a steady state.

So that was a brief update on the restructuring activities that we have been doing. It is a painful transition but this is an adjustment to the market realities that we are facing today.

What I wanted to share with you today is about what is it that we are working in GEPIL, what excites us, what is the vision and the opportunities that we are chasing from GEPIL. I will come back to page 11, but maybe I want to move to page 12. This is the reality that the power sector in India is facing today where the capacity addition that you see in the dark gray color from the coal plants have significantly reduced over the period of years and we see renewable capacity getting added to the grid. And this is the reason why we had to adjust the capacity in Durgapur workshop to adjust to this market reality and to address our strategy towards emissions and services.

Now, moving to the page 13, what happens in the next 10 years. It is important to note that today we have about 100 GW of renewable energy in the present level that you see on the left. And that means in '21 about 72% of electricity that is coming into our light bulbs into the houses is today coming from coal. As per the CEA projections fast forwarding to 2030 where we will have additional 500 GW being added to the grid, in that case, the relevance of coal-fired power plants will still be about 50%, electricity coming from the existing coal-fired power plants to meet the growing power demand of the country. Now, these are the projections from CEA and we have seen post-COVID capacity utilization of all the core power plants have gone up and in fact the customers have postponed their outages because they had actually huge demand to continue to supply power. So we see that this is a huge structural transition which is happening and this transition towards renewable energy, towards green is also creating opportunities on the existing coal-fired power plants for emission reduction which is the FGD program. And I will talk about this a bit more in the coming slides and it is creating opportunities for making the existing coal-fired power plants more flexible so that they can allow renewable integration to the grid. In future, we anticipate there will be a demand for balancing the grid with synchronous condensers, etc., or alternate methods to stabilize the grid. Those are the opportunities that we see emerging with this energy transition that we are talking about in page 13.

So all in all, in the next 10 years we see tremendous potential in the energy transition where still the coal-fired power plants will have a significant role to play and GEPIL will be a significant partner to reduce the emissions and to support the transition that the country has to do towards the future. So having said that, I want to come back to page 11. On page 11 what is it that we do in GE Power India Limited is we enable our customers achieve energy transition towards sustainable, reliable, affordable, cleaner energy and that's power and decarbonized future. How do we deliver that today? If you look at our ESG technologies and portfolio, the third bullet is the biggest opportunity that I will talk about in the coming pages is reducing emissions where there is the big demand for emission technologies, FGDs as per the government regulations and there is thousands of crores of opportunity in the market that will be addressed in the next three to five years.

The second area is to support the existing coal-fired power plants by services and upgrades, by efficiency upgrades, flexibility to enable renewable integration. I also see that due to certain decisions that global organizations are making an opportunity for GEPIL to expand outside India to address certain service markets and that's an opportunity I see is available to GEPIL, your company.

Moving to page 14, I would like to talk about this net zero path that the world has taken and top three countries have said 2050, 2060 and India has said by 2070 a net zero target. What does that mean for India specifically? When we look at India specifically, we are in a phase today that we still draw 73% electricity from coal. This is a reality that we face today as a country and therefore the part-A of GEPIL's plan is to address the installations of the existing coal-fired power plants with AQCS which is our FGDs, with our SCRs and ESG upgrades, etc., to make sure that we are driving the pollution control and reducing the emissions of the existing coal-fired power plants. And we believe that even if we are able to successfully add 500 GW of renewable by 2030, the coal-fired power plants in India will be relevant for at least 10 more years and they will need to support the transition from A to B where we are able to get towards a greener future in the near term. And therefore, your company GE Power India Limited is focused on flexibility efficiency upgrades, renewable integration technologies and emissions. That is the core technology expertise references in GE Power India Limited and the transition to (B) will create certain integration opportunities with the upcoming technologies. So for five years we see a very strong demand on (A) and then also a sufficient time period to start focusing on pillars that will take towards the (B) and GEPIL can be a credible bridge to the future for the net zero targets that the country has laid out.

Moving to the page 15, the data is speaking for itself that 87 GW of FGDs have been ordered. How many more FGDs will be ordered? About 133 GW. That is what you see on the graph on the left. On the right, what is it that GEPIL has to offer? We have a technology leadership, we have absorbed technology, I will talk about that in the coming slide. GEPIL has very strong references in the country with first live installation at NTPC, Vindhyachal. They are a frontrunner as GEPIL executing FGD today. We have posted certain progress on the LinkedIn, the teams are doing lean kaizen at sites and demonstrating good progress in execution.

And when I talk about future opportunity pipeline, we have about 67,000 crores of opportunity in the market and GEPIL is working towards retaining its strong position to serve this market in FGD.

All in all, for the FGD the GEPIL is well positioned to support. And page 16 talks about services where there is a 6,500 crores per year market and efficient compliance is an additional opportunity, upgrades fuel conversion, flexibility support, renewable integration I talked about and grid stability, these are the opportunities that will emerge on top in future in three to five years we see this market will grow with these requirements.

On the right how is GEPIL positioned to the technology leadership with strong references and strong pipeline of active projects. As we speak, we have about 1,500 crores worth of pipeline in March that the company is working upon is where we are focusing for growth.

I wanted to briefly update you on page 18 where we are with respect to technology absorption and progress. With wet FGD today, your company has 98% local competence. The entire competence of design, engineering, execution is all local. And your company is the only company when we look at the top three leading players in the country which has its own technology which has absorbed pretty much in the company with IP of course from GE but got fully developed competence in the country. Semi-dry FGD is 96%. Now, this 2-4% gap will be bridged by next two to three months where the company is focusing on commissioning of these projects by when the entire competence is localized. There is an emerging technology on waste to energy FGDs where the technology absorption is at 92%. And the size of the bar is the size of the market opportunities that we are pursuing in the coming years. On the opportunities therefore we see 133 GW of FGD market. We talk about 2,000 crores of opportunities and emerging markets on waste-to-energy.

There is another topic I wanted to share with you with considerations regarding brand. We did check the buying pattern of the customers, we had a discussion with the strategy consultant PwC strategy & to understand what are the top buying criterias from the customer. Since September

2020 since coal exit was announced by GE and which we had intimidated to you all, where FGD is a part of new build goal globally whereas in India GEPIL decided to continue in this area and develop competence. It was important for GEPIL to assess the competence to ensure that GEPIL is able to continue to operate in this market. And here we had asked a survey on the buying pattern of our customers and the finding is that the top buying criteria is technical competence, past credentials which are the top two and the plan is the low priority with less than 5% impact. So, GEPIL has that financial credentials, the references, the technical competence and of course is in deep engagements on the IP with GE which I don't see a challenge, I see that this is the market that we would like to pursue from GE.

So with that I would like to pause for a moment and I would offer to Mahesh, the Chairman of the Board to make a few comments and then to Amir to take us through what the recent developments that you would have seen that we have shared over the course of the day.

So with that, Mahesh, over to you.

Mahesh Palashikar: Thank you, Prashant. Thanks for the update with the latest financial and operational performance. Good evening to everybody. This is Mahesh Palashikar. I lead the Board of Directors as Chairman for GE Power India Limited and it's my privilege to be here with you and thanks for investing your time at this discussion. There are important focus areas that Prashant has mentioned that the board of directors and the management is driving to continue GEPIL's evolution and Jebel's progress as we look at the future. Yesterday you have seen that we have shared the letter that we have received from the promoter, General Electric company. And today what we would like to do, we have Amir who represents the GE promoter steam power company and I would invite Amir to share these thoughts on behalf of the promoter and then I'll also bring a couple of thoughts that I want to share with you. So Amir, with that can I please request you to share some of your thoughts?

Amir Mujezinovic: Thank you, Mahesh and good afternoon, ladies and gentlemen. First, thank you to GEPIL management team for inviting me as a representative promoter to this meeting.

I would like to start by first expressing our full confidence in GEPIL management team that has been successfully running this company.

Secondly, as I'm referring on page 19, I want to assure you as the owners of this company that GE will continue to fully support GEPIL in this transition. This is going to be a transition that is going to take place over the next 36 months. It has been initiated by our strategic decision in October of 2020 to withdraw from the new unit coal and this is the next phase of their development. In that process, we will continue to strengthen GEPIL to help it operate independently from GE and to achieve all of its growth plan. That help will consist but not only be limited in providing the necessary intellectual property, technology, training of its people and such so that the GEPIL can be successful in its future areas of focus that GEPIL management team and the GEPIL board want those to be.

Moderator: Ladies and gentlemen we will now begin the question-and-answer session. Our first question is from the line of Sanjay Doshi from Nippon India Mutual Fund. Please go ahead.

Sanjay Doshi: I'll first restrict to two questions and both are more strategic and the announcement which has come yesterday from the parent related to that. My first question on that aspect is sir if you can explain to us the rationale of this intimation which has come of de-promoterization and reduction in stake in GEPIL from a group standpoint of view where you have already highlighted that in two years' time you would hive off all energy assets into one entity. So does the energy assets which are there in India from a GE group perspective, they are getting the same treatment and which has been given across the globe, whether it is in developed markets or other markets apart from India? Second, related is that how do you intend to take this ahead in terms of depromoterization because that involves a lot of complex I believe you will have to work out on many things, so how do you propose to take this ahead and this is a long time period of 36-months, so how do investors deal with this uncertainty?

Mahesh Palashikar: The first question, Sanjay, was around globally GE has already publicly announced that by early 2024, the energy businesses will become a standalone investment grade, independent listed company. And your question was how that reflects in India. So the specific letter that we are talking about for GE Power India Limited is in continuation with the previous communication that we had in September 2020, where GE had globally announced about exiting through the new built coal-fired power plants and now this is further continuation as it was over the next 36-months. So, I think that is the first clarity. For overall energy businesses which is other than GE Power India Limited, as I reiterated the plan is by early 2024, all of GE's energy businesses will be in that independent listed entity. That work has just started, Sanjay, because the company made the global announcement on 9th of November 2021 and now the global leadership and the global energy leaderships are in the process of establishing action plans and establishing systematic steps which will help achieve the plan.. Hopefully, Sanjay, you could hear the thoughts that I shared in terms of the overall global energy. I am sorry that the call got dropped, but if you need I can repeat.

Sanjay Doshi: So just a follow up on that part before you please help us with the other question is so basically it would mean that whichever geographies GE as an energy business had coal-based assets which needs to be serviced it will all be taken out into a different entity and there will be no overlap. So GE Power India as such, there would be some similar entity in the global context which have those capabilities and there will be no overlap between energy assets of GE and GEPIL kind of a company, is that true?

Prashant Jain: Can I seek a clarification when you say no overlap on the other energy assets?

Sanjay Doshi: So if there were coal assets which are based on GE technologies in developed markets or other emerging markets, whether it is Africa, Southeast Asia or even China and then developed markets, then there will be no servicing of those from GE as an energy business because that's what you're hiving off in India, right?

Amir Mujezinovic: The details of the reduction in stake are to be worked out. But what we can say at this point is that GEPIL will have exclusivity in its domains and I will leave it at for time-being. And to answer your second question, the details of how the exit will take place are going to be developed over next time period and then we have enough details to come back. I am sure GEPIL board will do so.

Moderator: We'll take a next question from the line of Danish Mistry from First Advisor. Please go ahead.

Danish Mistry: Just taking the question forward from the previous caller, a couple of questions here; number one is that in your presentation you have talked about specifically adding a GE asset and divesting a non-core long cycle asset to enhance GEPIL's operating performance. So, if you could help us understand what are these assets and who will be buying -- is it GE that's going to buy these assets, is there any value that you would like to kind of ascribe to that?

Amir Mujezinovic: We will do those things considering the interest of the company, GEPIL , and the interest of the minority shareholders as well. This is right now an ongoing conversation between GE andGEPIL . Some of the things that are being considered are a geographical expansion beyond India where there would be any intellectual property expertise to enable GEPIL to service the power generation equipment beyond India, Southeast Asia, Middle East potentially. That is one of the examples of what is being considered right now.

Danish Mistry: If I can add on there what is the size of that business? And in the second part, we were talking about divesting a non-core long cycle asset. So what is that asset and is there any value that you'd like to ascribe to that?

Amir Mujezinovic: These are ongoing conversations right now and I would rather not comment on the details as we cannot really talk as this is not being concluded, so would rather not speculate on what the shape of the final proposal might be. Again, considering the minority and company interest will be certainly our priority in these discussions.

Danish Mistry: Second question is that on the NTPC debtor that is there, is there some sense on any visibility on those coming from next year?

Prashant Jain: I will quickly respond and then maybe Yogesh can add. So on the debtors part, these are the retention payments that we have been sharing with you in the past, the NTPC contracts typically come with retention payments, the lot one had 65% retention payments that were to be paid when the milestones were being achieved. So the earlier plan that we had communicated that GEPIL will buy itself, GEPIL will be cash positive by June, July, unfortunately because of the COVID wave to an operational delays, the cash positive situation of GEPIL will move towards end of the year. So we expect that by end of the year, GEPIL should turn cash positive, we've had a good collection in the December quarter coming in from NTPC but as we supplied more services and erection, the retention payments have got added. So these are not due payments because we have just supplied the supplies but they become due when we do the erection and services. So that's largely the component in the accounts receivable. Yogesh, maybe you can add some details here please.

Yogesh Gupta: Out of the total outstanding that we have with NTPC the question is specifically on NTPC, almost about 94%, 95% is on account of I would say retention payments and remaining is what the normal operational dues is. And as Prashant mentioned, the last quarter was I would say a very good quarter for us on the collection front and we could reduce almost about INR500 million worth of like retention payments, we could collect from NTPC. So this is i would say primarily the contracts that we have, they are responsible or they are the reason what kind of outstanding we have with NTPC. In this coming time, we will be continuing with the trend of liquidating the retention payments as and when we meet the milestones and we have a constant rigor and focus on achieving these milestones.

Moderator: We'll take a next question from the line of Renu Baid of IIFL. Please go ahead.

Renu Baid: My first question is on the strategic business which is mentioned. So what would be the roadmap here by the group to reduce its stake, will it involve a probable merger with other unlisted entities of the steam power business in India or will it involve bringing some other strategic investors or a strategic partner into GEPIL to help drive the next leg of growth or probably as you mentioned there would be a third company which would be formed two years down the line by early CY'24 for global energy business, will we see a transition and that business will hold its stake in India or probably GEPIL will be completely independent board run company without any promoter group per se or a majority holder three years down the line and how will that impact its go-to-market positioning and strategy in the Indian market?

Prashant Jain: As regards the go-to-market strategy is concerned, since September 2020 when we noted the announcement from GE's intent to exit coal and GE at that time did mention they would consider the GEPIL as a listed entity and would let enable the GEPIL board to address to the market realities in India. So we have earmarked on a plan to increase competence which I shared in my presentation before. So there go-to-market strategy has been and is currently to make sure that - GEPIL is able to independently participate in all the opportunities. So that's the easy one and I can confirm that, yes, GEPILs actively working to ensure it has what it needs to be able to go-to-market already today and the FGD order that was finalized in the last quarter in December again was on GEPIL's own merit with no DJU or any other requirements from the headquarter. So this is one step that we have been taking to protect the biggest chunk of the market every day and we are pretty confident and successful. On the service market, GEPIL has been having that lead and is qualified in most of the tenders and GEPILis bidding and taking the lead. On the clean combustion where Durgapur is repositioning as the supplier. Now, as regards the turbine upgrades, there is an interdependency today from CPL. And, yes, we are working with a proposal to ensure that we have a business continuity and we have a continuity of service that ensures that GEPIL will be able to continue to focus on this market for the coming years and that is what we are working to ensure that that business is continuous and it's an important part of the growth strategy and that is being worked upon with good collaboration. So that part is what I can share.

On the earlier part of the question, as Amir and Mahesh have clarified earlier, Renu, that it's a staggered plan over the next three years and at this point in time the board will have to engage as well with the promoters and we will come back to you with a timeline shortly and a better strategy and I guess we'll very quickly share the timeline as well with you for that. But I can again confirm that we are pretty much on track on business continuity in the strong business pillar that we see today.

Moderator: Next question is from the line of Aashna Manaktala from ICICI Securities. Please go ahead.

Aashna Manaktala: First question is in terms of order outlook. So as you mentioned that FGD order outlook is now looking up, so currently what is the amount of orders that we have in our pipeline for the coming two quarters and if you could also share some light on the services order outlook?

Prashant Jain: On the FGD, what I can share with you is the opportunity pipeline, Rs.67,000 crores as I mentioned on page 15. The company is focused to retain its market share. What will change? I did mention in one of my previous earning call the split between the state, the NTPC, the central and the private. As you know mostly all the central projects have been ordered. Now it is the state and the private utilities that will go into the ordering. So from the 67,000 crores will we participate in 100 percent of that market? The answer is no. We have selected about six to seven priority states that we will work upon and we have also chosen a model of EP and EPC to derisk the company as a trend that is what we are monitoring since last one year to derisk the portfolio because that working capital consumption to execute this FGD projects is what we are seeing today to optimize that. So those are the two things that we have changed in our strategy to address these opportunities. So if I have to share the share, we will retain the same share, but when we take EPC exposure to all these projects, there we will be selective. So that's the guidance I can share with you now and as we book the orders we will be very happy to share with you. Coming to the services area, what we have announced earlier is we are focusing on increasing our market share. When we initiated the service strategy from the market that we roughly see of Rs.6,500 crores per year, we were in an order of magnitude of less than 3% and the goal is to go more than 15% and today I can say we are hovering around 9-10% market share. Maybe, Vinit, if you want, you can add there but this is the order of magnitude that we are seeing in terms of services the business growing. What we have done in the service strategy is there are two elements to services; one is the core services; the other is upgrade. And in upgrades we see volatility that you saw in the last quarter as well, we've had some big upgrade tickets to be finalized but because of the outage schedule of the customer then it was postponed. That has a high volatility. So the strategy is to stabilize the core services and grow in that, and we have strengthened our ability to get a stable core services order. And the upgrades is where we are now working towards getting more predictability and more granularity, that is an area that we are working upon. That is what I can share today with you in terms of guidance. The numbers are there to see, market share I have given you and orders as we book definitely we will share with all the shareholders via the notifications.

Vinit Pant: Prashant, I would just like to add that yes, as you mentioned and we have a very healthy pipeline going forward for both FGD, services, core and upgrades. And as we mentioned the ordering for FGD is picking up. So obviously it's also going to help us going forward.

Prashant Jain: It's amount of closure and getting the downpayment and then closing and booking the system at times, the movement across quarters but the pipeline is robust. Thank you for that, Vinit.

Aashna Manaktala: Our gross margins have been impacted in this quarter. So for the coming couple of quarters, can we expect the gross margin to be in the 22%, 23% range?

Prashant Jain: So on the gross margin, Yogesh will add. What I can share with you is the backlog that we have mentioned on the page of 3,900-odd crores and the mix that Yogesh mentioned in percentage of projects versus services, the mix of gross margin or CCM levels is about 23% in services and about 13% in the projects. That's the general mix on the gross margin. Now, we also disclosed earlier that we have certain ESP projects which are at zero margin. So when we do that revenue they don't come with associated margin and there is still sizable amount that does contribute to the gross margin movement per quarter depending on if we have a mix of more ESP versus FGD or the boiler revenue that we have in the portfolio. So Yogesh, maybe you want to add here.

Yogesh Gupta: I think, Prashant, you have given the full details on this. Overall we would be on what Prashant has shared and what I also mentioned in the presentation that we are looking at about 13% on the order backlog coming from projects which constitutes about 85%, 86% of our total volumes and the total order backlog of 3,900-odd crores and the remaining on the services side is 12%, 13% which will be close to 20%, 23%. So we are on the similar lines on this for the future gross margins.

Moderator: We'll take a next question from the line of Sanjay Doshi from Nippon India Mutual Fund. Please go ahead.

Sanjay Doshi: First question is to our chairman. Sir, the press release which came yesterday to the stock exchanges did mention that the company is examining the implications of the aforesaid letter. So do we expect a more detailed evaluation and communication from the board to the authorities?

Mahesh Palashikar: Sanjay, thanks for the question. There are a couple of important things we would like to share with all the share owners. Since we received the September 2020 communication, obviously, this has been a focus and we have been focused with the management team and the board of directors to look at how do we continue GEPIL's growth and that continues to be a very top priority. I want to reassure on behalf of the board of directors and behalf of the management that this is something that we are investing a lot of quality time and we are giving a lot of attention to develop these solutions. The second important point is as you have seen probably from the letter that we have received from the promoter is there is a very strong commitment from the global promoter to make GEPIL successful for achieving its long-term growth. So fortunately, we also have strong commitment from the promoter. The board of directors has had several discussions. We continue those discussions with the management team, Prashant Jain, Yogesh Gupta and the management team is working on a lot of the ideas that we mention. So we will need some time, Sanjay. I don't think we are today in a position and that is why we have very transparently shared with the share owners that we are now considering the 36months timeline that promoter has mentioned us. There are also areas that we will secure to protect GEPIl's independence so that GEPIL can grow and flourish going into the future. I would request that please allow us some time as the letter only came yesterday as the management team and board looks at it and as we go through the evolution of our actions, we will certainly come back to the share owners at an appropriate time, Sanjay.

Moderator: We'll take the next question from the line of Abhishek Poddar from HDFC Mutual Fund. Please go ahead.

Abhishek Poddar: Sorry to ask this question again but the word mention is depromoterize. So should we assume that the strategy sale options are not open or they are still open and everything is open so you will consider whatever best options comes in?

Amir Mujezinovic: Yes, we will consider all the options as a shareholder, keeping the interest of the minority shareholders and company in the mind. So no option for the path to our depromoterization is closed, all of these options continue to be opened, evaluated and in cooperation with the GEPIL board, the right decisions will be made.

Abhishek Poddar: Regarding the IPR transfer that is happening. So trying to understand that how the R&D support is happening at present from the GE global? And how does this one-time IPR transfer affects your ability to keep up to-date with the new technologies and all in terms of how much update you keep on getting every year from the GE global in terms of new technologies and does it affect your ability to further innovate and bring new products?

Prashant Jain: Thank you for this question. This excites the engineering team locally. There is a strong level of competence. We have about 1,000-odd engineers today in the company and several of them engineers have been working earlier in certain global capacities as a part of a global organization with deep competence. So in the last one year what we have done in technology upgradations is what I've already shared earlier on the pages. On the R&D part this year while we have increased or for the first time improved and we call it as an R&D program to continue on certain projects locally. Today, the teams were operating as a part of globally but we have kind of improved corporate competence, there are about 28, Vinit, maybe if you have the number ready on the NPI programs that now we have initiated last month as a part of our competence development.

Vinit Pant: Prashant, I don't have the numbers readily, but…

Prashant Jain: About 18 programs… I have to check the exact number but about 18 programs we've launched already this year and Yogesh, the number was what in terms of $1.38 million roughly?

Yogesh Gupta: You are perfectly right, exactly $1.38 million. So that's the amount that we have started with already on the technologies that we believe are critical for GEPIL to continue to invest. Earlier these programs were managed globally but these experts have been working in a very good global environment from India and in my view this will continue where GEPIL will take ownership with support from GE on technology transfer development and engage as required to ensure that we have this competence going forward.

Moderator: We'll take a next question from the line of Deepak Narnolia from Birla Sun Life Insurance. Please go ahead.

Deepak Narnolia: I have two questions. One is housekeeping question regarding your restructuring cost. And the gross margin guidance you have given is 12%, 13% for the FGD project business and 23% for the services. So I just wanted to know that for the future projects you will be bidding the same kind of gross margins in both the businesses? Second question is about this competence development sir. You explained it but I just wanted further clarity on that. Practically you are saying that right now you are developing your competency in India. So you already had engineers working with the global team and in global operations. So you already have those skilled people and right now you are developing the competency further ahead and GE is helping you globally by your experts or something they are training your people or how you are developing this competency?

Prashant Jain: The first one I can say that the margin on the projects is competitive, you know that we have competition as well. And we will definitely do what is required to be competitive at the same time win accretive orders with margin and cash accretive profile, that's all I can say. And as regards the backlog, I want to correct your statement. What we have said is an aggregate margin on all projects, that includes the portfolio and all services that includes the portfolio and not specific for a product line. So that's on the part number one. Part number two, on the engineering, yes, we have a mix of experts sitting in the country who were earlier engaged with the global teams and therefore the technology support that is required from certain global experts that program is in place and there is some interdependency on certain expert areas and that percentage of readiness I have mentioned in the pages that I've shared with you. At the cost of repetition, yeah, we are well positioned for the key market segment which is FGD with 98% and 97% on the semi-dry FGD with very strong deep local competence and in fact these teams were a part of the global team as the global headquarter for this product line was as well in the past in India. So very strong local competence in the clean combustion side is what I can confirm to you. On the services, yes, there is a mix of local competence in India and the headquarter, and that's a good mix and there is a very good collaboration as I mentioned earlier and there is a commitment from the promoter that you have heard in supporting GEPIL in its independence in terms of achieving this competency.

Vinit Pant: Prashant, just to add, the customers in India for the FGD in the last quarter we booked is completely with local competence and customers have accepted, GEPIL is taking the lead and the order, complete, everything is done by GEPIL only.

Moderator: We'll take a next question from the line of Ashit Koti, an individual investor. Please go ahead.

Ashit Koti: Can GEPIL become a lead company taking over all the business and assets of GE coal base or this this particular line of activity and become a main promoting company with the professional management, is that possible?

Prashant Jain: It's a very interesting question. What I can say is that, yes, the leadership in GE Power India Limited is committed to step up on own technology and this excites the opportunity to be able to shape the future of energy transition towards the net zero 2070 for the country is an exciting energy disruption and transition. And the teams here are excited to learn skills, develop skills, add skills in this area and address to the market realities. Now the technologies for doing so, if I may refer to my slide where I mentioned the bridge on A to B for the net zero transition, A is the FGD and services. Here, we have the interdependency on license technology and geography from GE and here, yes, we have certain ideas on the opportunities for expansion beyond India and taking lead and getting more business outside India. So that's on (A) for sure. Now when it comes to (b) there will be additional opportunities that we will encounter as we embark on the journey, but it is too early to talk about that, but for sure teams are excited to upskill and shape the future towards the greener energy, absolutely excited about that.

Moderator: Our next question is from the Surabhi Saraogi from SMIFS Capital. Please go ahead.

Surabhi Saraogi: My question is more of a clarification regarding the gross margin guidance that you have given. Sir, what I have understood is that out of your backlog of Rs.3,900 crores, 85% is projects and 12% is services. Is that a correct understanding?

Prashant Jain: First, I want to say it's not a guidance, it's the fact on the current status on backlog today on the project portfolio. So yes, that is what it is today and that we can confirm. Now these projects as you know include certain projects that have been booked, these are live and active but have been booked probably five to ten years ago as well. And as these projects we will execute, those projects will unfold. So when you look at a period of time for the revenue, I think it is not easy to take a guidance from the backlog for margin because in service there is also an element of book-to-build business where certain amount of orders that are booked in the current year are executed, whereas there is an element of long time lag in the project business. So I would be careful in not taking that as the guidance, but to take that as the status of the backlog, that would be my submission.

Moderator: Our next question is from the line of Ashit Koti, an individual investor. Please go ahead.

Ashit Koti: This coal-based power plants and services, would it be a sunset industry and business availability would be maybe for next 10 to 15 years?

Prashant Jain: I would be careful in not defining that as a sunset business because if you refer to the slide on the long term net zero plans up to 2017, today, we have about 200 GW of fossil power and in

200 GW of fossil power by 2030 the grid will add roughly about 500 GW of renewable energy. Without storage the capacity that might be required in renewable energy to make this coal industry a sunset, probably would be in the order of magnitude of 1,200 GW plus. And in that time when we reach that capacity of 500, 700 GW without storage I think even then I would be careful in saying it's a sunset industry. So that is why I am careful and we have seen in the last couple of months the PLF of all the existing plants have gone up because the CEA projected until 2030, there will be still significant demand coming from coal assets. I'm not so sure. Maybe I can say, it will become niche.

Moderator: We will take our next question from the line of Deepak Poddar, an individual investor. Please go ahead.

Deepak Poddar: I just wanted to understand like in terms of EBITDA margin front, now we saw a decline, it might be because of raw material or maybe because of the product mix. So, how do you see that normalizing in terms of EBITDA margin, what is the time period or by when we can see the normalization of your margins?

Prashant Jain: I think there are two things. One is the operational and strategic part. On the strategic part, we still have restructuring which will continue for at least a few more quarters as I mentioned earlier. And on the future margins, normally we avoid from giving guidance, but maybe if Yogesh you want to add any further comments?

Yogesh Gupta: Mr. Poddar, as Prashant clarified, we don't give future guidances. We have shared where do we stand vis-à-vis the restructuring aspect as we stand today and the operation. And I indicated that on the operation side, the margins were reasonable comparable to the earlier quarters.

Deepak Poddar: In terms of gross margin, you mentioned on services we have 23% gross margin and project side we have 13%, right?

Yogesh Gupta: As Prashant clarified, these should not be considered or tantamount to any guidance. These are how the orders have been booked. And as Prashant clarified that these orders especially on the project side, the execution cycle is ranging from five to ten years and then see to it that everything is executed as booked is you can understand very well the challenges.

Moderator: Ladies and gentlemen, that was the last question. I now hand the floor back to Mr. Prashant Jain for closing comments.

Prashant Jain: Thank you so much for the opportunity. I deeply appreciate the confidence laid by you in the management. The 1,000-odd employees are looking forward excitedly to the energy transition towards net zero and to bring in the emission reduction which is a very important aspect to the societies. And we are working and engaging to ensure business continuity as we have mentioned. And we will come back to you with an update on the strategy as soon as we have. So thank you so much for your time and we will talk to you soon. Have a good evening. Thank you team from GE for the support.

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