



GE T&D India Limited

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November 17, 2021

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The Manager  
Listing Department  
National Stock Exchange of India Ltd  
Exchange Plaza, Bandra Kurla  
Complex, Bandra (East)  
MUMBAI 400 051

**Code No. 522275**

**Symbol: GET&D**

Dear Sir,

Sub: **Transcript - GE T&D India Limited Earnings Call for Investors held on November 12, 2021**

Please find enclosed a copy of the Transcript of earnings conference call with analysts/ institutional investors held on November 12, 2021 in respect of financial results for the second quarter and half year ended on September 30, 2021.

You are requested to take note of the same.

Thanking you,

Yours faithfully,

For GE T&D India Limited

Manoj Prasad Singh  
Company Secretary



**“GE T&D India Limited  
Transcript of Earnings Conference Call for unaudited  
financial results of second quarter ended September 30,  
2021”**

**November 12, 2021**



**MANAGEMENT: MR. PITAMBER SHIVNANI – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER, GE T&D INDIA LIMITED  
MR. SUSHIL KUMAR – CFO, GE T&D INDIA LIMITED  
MR. NAGESH TILWANI – PRODUCTS BUSINESS LEADER,  
GE T&D INDIA LIMITED  
MR. SANDEEP ZANZARIA – COMMERCIAL LEADER, GE  
T&D INDIA LIMITED  
MR. MARIASUNDARAM ANTONY – PROJECTS BUSINESS  
LEADER, GE T&D INDIA LIMITED  
MR. MANOJ PRASAD SINGH – COMPANY SECRETARY,  
GE T&D INDIA LIMITED  
MR. ANSHUL MADAAN – COMMUNICATIONS LEADER,  
GE T&D INDIA LIMITED**



*GE T&D India Limited*  
*November 12, 2021*

**MR. SUNEEL MISHRA – HEAD -INVESTOR RELATIONS,  
GE T&D INDIA LIMITED**



*GE T&D India Limited  
November 12, 2021*

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to GE T&D India Limited second quarter ended September 30, 2021, for FY 2021-22. As a reminder, all participants' 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Suneel Mishra, Head of Investor Relations, GE T&D India Limited. Thank you and over to you, Sir.

**Suneel Mishra:** Thank you, Rituja. Good Day to all of you. I would like to take this opportunity to convey you season's greetings, so Welcome to today's conference call with GE T&D India Limited Management team here. As we know, this conference call has been organized to present and discuss financial results for the second quarter of the financial year ended on March 31, 2022. Now, let me first introduce my Management team available on this call. We have with us Mr. Pitamber Shivnani who is the Managing Director and Chief Executive Officer; we have with us Mr. Sushil Kumar who has been recently nominated as Whole-Time Director and he is CFO as well. We have with us Mr. Nagesh Tilwani who is our Products Business Leader; Mr. Sandeep Zanzaria who is our Commercial Leader. We have with us Mr. Mariasundaram Antony, who is our Project Business Leader. We also have with us Mr. Manoj Prasad Singh, who is the Company Secretary, and we have Mr. Anshul Madaan available on this call who is our Communications Leader. Please note that this conference call is scheduled up to 4 PM. I hope you would have received the investor analyst presentation and the same has been uploaded on our website. I hope you have also read the disclaimer as per Slide Number 2. I would now request Mr. Pitamber Shivnani to begin this conference call highlighting key events of the quarter. Then Mr. Maria and Mr. Nagesh Tilwani updating us on operations and factories. Thereafter, Mr. Sandeep Zanzaria will take us through market. Lastly, Mr. Sushil Kumar will give us his insights on financials. I would now invite Mr. Shivnani to begin this conference call with his opening remarks, so over to Mr. Shivnani.

**Pitamber Shivnani:** Thank you Suneel. Ladies and Gentlemen, Good Afternoon. Thanks for joining the call. We hope you and your families are healthy and safe. I would like to start this call by giving you a brief overview about the last quarter and then would request the other colleagues to present in the call the details, but before we update you on Quarter-2 results, I would like to share you a couple of announcements. First is about the appointment of Rajendra Seshadri Iyer on the Board as a Director with effect from October 1, 2021. Rajendra is the Managing Director of GE Grid Solution Global Business Unit, Grid Integration since October 2017. He is based out of London. He has almost three decades of expertise in HVDC, high-voltage DC transmission and project engineering coupled with an international management experience. The Board has also appointed Sushil Kumar currently CFO GE T&D Limited as a Whole-Time Director and CFO with effect from January 1, 2022. Sushil has a rich experience of 21 years working with organizations like GE, Alstom, Areva, and Schneider. He has been working with the company for past 12 years and has held responsibilities in various finance domain including Chief Financial Officer, Commercial Finance Turnkey Business, Strategy and Business Planning. We



are delighted to have both these gentlemen join GE T&DIL Board. They bring wealth of experience and keep knowledge from leading diverse set of business. I would also like to express my sincere gratitude to Emanuel Bertolini and Gaurav Negi, who resigned from the Board of Directors of the company with effect from October 1, 2021, and November 1, 2021, respectively. Their able leadership and wise counsel has always been highly appreciated by all the members of the Board.

Coming back to update on Q2 Financial Year '21-22, during the quarter we continued to operate with full vigor, however, the teams had to navigate through a challenging operating environment including continued supply chain and disruption, commodity inflation, and continued market pressure. Our teams are working diligently to manage these challenges by actively dual sourcing, qualifying alternative paths design, and re-qualifying product configuration and expanding factory capacity. During the quarter, our team commissioned important projects for State utilities as well as private players. This includes commissioning of critical projects of UPPTCL, DVC, and Kerala State Electricity Board. My colleague Mariasundaram will give the operation update in detail later in the call. As I mentioned in the last quarter call our biggest priority now is the growth in orders and we are improving our team abilities to market, sell, and service the products we have today. Our order booking in Quarter-2 of Financial Year '21-22 was 6.3 billion up 18% compared to 5.4 billion in quarter ended September '20. Though Sandeep will talk about orders in detail, but let me highlight one of them here which is related to our continued expansion in our neighboring country. After 3 nos. 400 kV gas insulated substation orders that we received in Nepal in Quarter-4 of last financial year, we have now received multiple contracts from Bhutan Power Corporation to build four gas insulated substations in Bhutan on turnkey basis. This is our second big order from the neighboring countries after Nepal and it is a testimony of our technological providence and strong delivery capabilities. Besides, we have also received 4.2 million US Dollars order for design, supply, erection, testing of 220 kV GI equipment for nine base substation at Senegal in Western Africa, which further strengthens our export.

Q2 has been a challenging quarter as everyone has put to test by the commodity inflation and continuing supply chain disruption and hence the same has impacted our financials as well. Sushil will cover on the financial aspects. We continue to use lean to improve our operation and our cost structure. We recently organized a week-long Kaizen event at our plants at Padappai, Pallavaram, and Vadodara. All the leaders including me were personally present at the plant to boost the morale of the team. Numerous guidelines were undertaken during the week and we achieved significant outcome in terms of measures that will help us deliver sustainable lean initiative over a long term to improve safety, quality, delivery and cost. My colleague, Nagesh, will take you through the key outcomes of the event shortly. COVID-19 has altered the world, but it has not stopped the steady march of renewable. In fact during the pandemic, the segment grew faster than in past. The world added more than 260 Gigawatts of renewable energy in 2020 up nearly 50% from the previous year. According to the International Renewable Energy Agency, more than 80% of new electricity capacity added last year was renewable with solar and wind accounting for 91% of new renewable. This is a good news for the planet, but the



energy transition to low carbon sources of **electricity** involves much more than building new wind and solar farms. As it is evident from outcome of the recently held COP26 summit, immediate action is necessary to achieve climate change, mitigation goals, and address the energy **trilemma** of affordable, reliable, and sustainable energy.

During the summit, India has announced a bold target of achieving carbon neutrality by 2070 including production of half of the electricity from renewable sources by 2030. Government has also raised the non-fossil fuel target by announcing 500 Gigawatts of non-fossil electricity capacity by 2030 as against 450 Gigawatts that was committed earlier. This requires rapid integration of more renewable into grid and will undoubtedly bring more investments to India renewable sector and associated grid infrastructure. We are closely tracking these opportunities in State committed to accelerate India's as well as South Asia's energy transition to a clean energy future and in the process unable a better and cleaner world. With that, I will request now Mariasundaram to provide future insights on the operation during the quarter, so over to you Maria.

**Mariasundaram Antony:** Thank you, Pitamber. Good Afternoon Ladies and Gentlemen, it is my pleasure to really update you on some of the key commissioning which we have done in line with our purpose of creating the grid of the future and accelerating the energy transition with advanced grid technologies. In terms of the key commissioning which we did during the Quarter-2, I would like to highlight was one which is you see on the top left, which is UPPTCL Hardoi Road. This was a very critical one for the State and we actually delivered the entire substation in terms of commissioning the eight 400 kV based, four 220 kV based, and five 132 kV GIS and two 500 MVA Reactors and along with one x 63 MVA bus reactor. This was crucial for the overall State in terms of their grid modernization plan. Then, I also want to highlight the work which we are doing in Bikaner which has been one of the big solar parks in the country and we actually commissioned two substations, one Saur Urja in Bikaner as well as for Adani in BKTL, Bikaner Khetri and this was for the overall solar power generation there and we continue to increase our contribution in that part of the region for India.

Then, we also commissioned on the eastern part of the country NKTL in Dhanbad AIS Substations as well as in the southern part of the country in KSEB package one and package four implementations as a part of their grid modernization. Finally, at DVC at Burdwan in West Bengal, we also delivered on the substation in Burdwan. We are definitely excited to continue our focus and operations in terms of enabling the energy transition and we have been progressing well in some of the neighboring countries like Nepal where we have significant amount of execution going on. We will be definitely starting our execution in Bhutan as well continuing our work, which we have done already and then focusing on the new orders as well. With that, I would definitely like to give the mike to my colleague, Nagesh, who will update us on the President lean week, which we did in the month of October. Over to you, Nagesh.

**Nagesh Tilwani:** Thanks Maria. Good Afternoon all. I will just take you through maybe two major updates; one, on the spotlight on Pallavaram, our flagship plant, which is operational from 1958 one of the



oldest plant in GE largely catering to the global market including domestic Asia market, one of the largest unit for the relay manufacturing. We are having a very strong exports footprint, exporting the relays, and intelligent devices to 60 more countries from India. A very strong commitment towards health and safety, over 20 million man days without loss time accidents that is site commitment for the safety of the employees. We are one among the first in terms of starting the relay manufacturing in the country as well as on the control and engineered solution which is control and relay panel to serve with a legacy installed base of about 60 years plus. Our tech time, tech time is about half a minute that means every one minute we produce two relays to serve the country and to the global markets. We are one first among in terms of introduction of digital technology, Center of Excellence for the IEC 6185 protocols and having a legacy of install base of digital substation and digital base in the country. Over 300 substations which are run today on our substation automation systems and the protection controls, so that is a spotlight zone on Pallavaram.

Followed by that as Mr. Pitamber explained, we had a very eventful week Kaizen President week where three of our plants were engaged in engaging lean initiatives on Pallavaram, Padappai, and transformer unit and all the three plants, the leadership team was present to work on the shop floor with the teams, with the manufacturing team, with the industrialization team to have an lean initiatives and to get immediate benefit and turnaround of the activities. Zoom on Padappai where we have worked on a mechanism drives, MV drive is what we call it which is a global line where we are doing about \$3 million of revenue in 2022 and the event was to identify few of the actions which will help us to reduce the lead times, the current lead time was 18 days. With the lean initiative, we are crashing the lead time to two days. There was a specific focus on ergonomics and overall movement of the goods which was movement of the material, movement of the activities that was also considerably reduced, so if you see 90% reduction on the lead times and on travel times to both 13% reduction which was achieved in the four-and-a-half days of workshop. Padappai specifically, Mr. Pitamber, was also physically present for engaging with the teams.

On the similar event, similar timeframe, we have done event at Pallavaram where the focus was on the store side where about we are doing about 100 plus substations projects and the visual management and the store handling was addressed during these lean actions. The important outcome was in 15% space optimization, ergonomically improvement at 45%-44% and kitting cycle time which is another critical item about 45% of reduction in the kitting cycle time. Similar event was conducted in PTR in Baroda factory, where the focus was on 765 kV single phase shunt reactor transformers and the important zoom was on how do we standardize and improvise our material bidding system. Out of the 15 Kaizens, identified economically, we have reduced 75% reduction in the replenishment lead times. The leakage was down by 50% and spaghetti movement has helped us to get about 45%, average reduction in terms of across all the sections, so that is the key achievement I would say on all the three plants, and this similar event was run across globe on other units of the grid as well and three of the plants were selected from India for doing these initiatives. With that, I hand over to Sandeep for covering the commercial piece.



**Sandeep Zanzaria:**

Thank you Nagesh and Good Afternoon everyone, so order intake for the quarter, we have booked orders worth 625 crores as Pitamber explained primarily coming from Bhutan where we won good order to build four GIS substations with the highest voltages 220 kV. Apart from that continuing our success in power grid, we have taken further orders for 765 kV Transformers which is part of the evacuation of the renewable projects which are being implemented in Rajasthan. Also, we have taken a substantial and a good service order on our installed base of Sardar Sarovar for the 400 kV GIS where we will be doing the M4 maintenance which is required after some years of service which is defined as per the product requirements. Apart from that, we have taken a big order for supplying 145 kV GIS to power grid for Arunachalam and Manipur project through Siddharth Engineering and we have taken GIS orders of 245 kV for Gandhinagar from Torrent Power, so this quarter we have improved our order intake as compared to last year by about 18% and when we look at H1, we have improved the order intake by 12.5%, so there is an uptick in the market after we have seen the impact of COVID at least in the first quarter this year, but now the market is slowly recovering and now I hand over to Sushil to take this further.

**Sushil Kumar:**

Thanks. Good Afternoon everyone, so we are on the page Number 9 of the presentation on the financials. As Pitamber explained in the beginning, we had underperformance in the quarter because of the unprecedented run in the commodities and the supply chain issues, so overall we had a revenue of 8517 million for the quarter which was almost in line with the last year about 200 million short than the last year. On the similar lines on a full half year basis, we had 14.8 billion of revenue compared to 15.1 billion again about 300 million short than the last year. However, on the EBITDA front, the EBITDA was for the quarter about 200 million approximately and about compared to 428 million in the last year, so there was a shortfall or the EBITDA of about more than 200 million for the quarter and similar impact on the profit before tax. As you see the P&L, our gross profit was impacted because of the commodity price increase that we had to absorb, the recent surge in the last six to nine months to more than 30% to 40% average across the board. Overall for the quarter, we had to take a hit of about 3% of the revenue or approximately more than 250 million of the commodity price impact in the cost of goods sold. That was one major reason and the other major reason if we look at the employee cost, the employee cost had increased compared to last year by about approximately about 90 to 100 million. This had two-three factors, one was the headcount rationalizations for which additional cost was incurred. The second was one-time home office setup allowance to the employees for working remotely or on a hybrid basis and other smaller factors including the cost, so these two factors of commodity price and logistics cost absorption along with the increase employee cost resulted into a lower EBITDA and profit or loss before tax performance versus the last quarter as well as the similar impact on the half year basis. On the cash front, during the first six months, April to September, we had about 350 million of net cash outflow and our debt increased to that extent in the six-month period, so on a quarter the net debt increased by about 600 million because first quarter was positive for us and end of September our net debt was 1966 million.





Moving to the next page, which is a detail on order and revenue to export and domestic market so for the quarter, our 48% of the orders came from the export segment and on a half yearly basis, 43% of the orders were from the export and rest were domestic. On the revenue side as we have been discussing since last three-four quarters that most of the increase or order we are getting in H1 but there is always a lag time when it catches up in the revenue, so for the quarter revenue were 25% from exports and 75% from the domestic side. Orders in hand, end of September 2021, 63% of the backlog are coming from the private segment, 18% of the backlog is from the State utility, and 19% of the backlog is from the central utility and central PSU. With this, we will now open up for the questions.

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

**Renu Baid:** Good Afternoon, my first question is to understand on the profitability side, you did mention that about 3% sales was hit because of commodity from the current quarter, can you help us understand what percentage of the backlog has been impacted by this steep inflationary headwinds from steel and CRGO portfolio and is it fully covered in terms of cost to completion provisions or one can anticipate some of these provisions to continue in the second half as execution ramps up?

**Sushil Kumar:** The way the accounting policy works and the way the provisioning is done and also we apply this for the cost to completion, all the anticipated charges or cost to complete are considered by the end of every quarter, however, as we see that the commodity prices and the domestic supply chain disruption, they are quite dynamic at present, so if there is further disruptions or further commodity changes, it may impact further Also due to volatility it depends on the timing of the placement of the orders or negotiation or finalization of negotiation and shipment versus the volatility in the market, so these market volatilities are difficult to predict. From our side as a Management, we have internal efforts to re-negotiate prices wherever possible with the private segment customers. We have the action plans to negotiate the prices back to back with the suppliers and make sure that we make saving in all other areas to offset this kind of commodity price or the impact on the....

**Renu Baid:** Sir, basically when we are expecting execution to ramp up into second half especially from certain fixed price projects which we had one towards the end of last fiscal, should we expect margins to improve given the fact that provisions have already been created or probably these orders would be broadly like margin neutral or we will continue to have headwinds in terms of gross margins when we recognize them in revenues?

**Sushil Kumar:** We are 4100 crore of backlog and everything is not fully ordered to the supplier, but we have considered all the cost to complete basis the current prices and depending on the execution timeline this whole estimation is done. Now, as of today we have factored in everything but tomorrow if the prices go down and we have better time placement of order we will gain, but if prices go up and we place the orders to supplier or execute in that time frame, we will have



impact. so any further changes in the commodity prices or logistics cost or any further destruction in the supply chain those are the factors which are beyond the control of the Management and may impact positively or negatively.

**Renu Baid:** Secondly, if we look at the competitive environment in terms of both the product portfolio for transformers, GIS products, and projects, are we seeing that restrictions in terms of Chinese competitors and the bids from the product customers are actually now in favor of supplier like us in terms of pricing or how is the demand supply dynamics in competitive outlook across the product and the project portfolio for us?

**Pitamber Shivnani:** If you ask from me, on demand supply, gap in spite of Chinese being debarred from quoting the border countries, still there is a more on a supply side demand is less, but obviously the prices have become to some extent I will say in some of the equipment stable actually.

**Renu Baid:** Okay, got it, so should we anticipate demand momentum picks up in terms of new order to enquiries the gross margins on the backlog should start improving now in your view?

**Pitamber Shivnani:** Gross margins from the order backlog will not improve like you take an example of variable orders, variable orders we do not book the material actually, that will be as it is, but firm orders if the commodity prices go down then we can get the advantage, but if they go up then what Sushil said we may get the hit also.

**Sushil Kumar:** Just to add on I think the point is whether we are considering because in a competitive scenario every supplier is expected to behave rationally and include the current costing in the new bid and if there is a competitive scenario obviously industry gives a particular gross margin say 25% to 30% depending on the cost structure of every supplier, so we have been including the current costing in the new bids to win at a margin that we expect to earn prior to these commodity price rise. This is something that we have been doing. Again as I said the future commodity price increase, if today we bid at say copper 30% higher than the six months ago and that is our current cost and if copper becomes further 30% higher and it is a firm price tender, so that may impact but if the copper goes down as an example, in firm price order we expect to gain. Our one of the endeavors as I also said is to have more and more variable price from track if possible and to also renegotiate then the unprecedented events were not anticipated by both us as a supplier and the customer.

**Renu Baid:** I understand that, so broadly if I look at the market environment as in we were expecting the slow momentum to pick in the second half with acceleration and project awards and tendering from the State as well as certain TBCBS projects, because until now exports has led the inflows for us, so how are we looking the demand momentum for the rest of the year especially from the domestic markets improving?

**Nagesh Tilwani:** Renu for TBCBS, we expect that lot of decisions to be taken from now to March, so there is a good pipeline of TBCB projects which are expected so that way the demand for the domestic



will definitely come up. The only thing is that the in State sector we are still not seeing the demand getting picked up. States have been laggard in terms of investment on the transmission side, so that is definitely a negative for the sector. That TBCB there are going to be about eight to 10 projects which are going to get decided from now to March time.

**Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

**Bhavin Vithlani:** Thank you for the opportunity, just continuing the question on gross margins and on a sustainable basis and if one takes a two to three year picture and based on the bidding that we are currently submitting and winning orders, back in history our gross margins used to vary between 30% and 35%, do you see a chance of that coming back over the next two years or that is ruled out given the demand supply economics that you highlighted?

**Sushil Kumar:** Bhavin, earlier when we were referring to 30%-35% of gross margins, that was when we were executing Champa-Kurukshetra project, which was a high margin deal and if you can see the last two financial year which did not really had a significant Champa execution. In the Financial Year '19-20, we had a gross margin of approximately 28% and in the last financial year we had a gross margin of 26.5%. In the current half year, H1 despite absorbing the impact of commodity, because we also are continuing Kaizen events that the team explained, we earned still a margin of 29% so actually I think 28-30 that is the range where we expect that margins continue given the competitive pressure in the industry, however, as we have been explaining in last many calls that there are lot of internal efficiency and lean actions being taken, they were normally close to give better profitability or improvement in the costs of goods sold, but that has been unfortunately offset by the unprecedented market event of commodity price increase, but as of now 28%-29% that is the range probably where we can continue for the time being.

**Bhavin Vithlani:** That is very helpful, we had taken an approval from the shareholders on the majority of minority with respect to related party on bidding of some of the large HVDC orders, could you give us an outlook on the HVDC orders that we are expecting say over the next two to three years and what if any broad timeline on when these projects could be awarded that will be helpful?

**Sandeep Zanzaria:** Bhavin, if you primarily see there are about four-five HVDC tenders I would not put the word tenders but prospects which are there on the horizons, so one is the Adani one which is still under discussion with Adani so that is in the tendering phase. Apart from that yes, the Leh-Ladakh and the transmission planning committee has also approved or projected two of the HVDCs one going from Badla to UP and one going from Khavda to Indore so these are basically in the prospective stage where these studies are being done by the Government etc., but even if this comes then we are looking at apart from the Adani one earliest would I would put my bet upon one year from now would be the right time when the first tender would see the light of the day and looking into the complex process of the size of the HVDC project even if the first tender comes after a year then putting a big etc. that means we are looking at six to eight months



decisions timeline from there, so it is practically the next to next financial year would be apart from the Adani we can see the first decision of HVDC to come.

**Bhavin Vithlani:**

Last bit even in the previous call you had highlighted the target is to take the exports to 30% and we have seen in the first two quarters, export has actually been considerably higher than that, so on a long-term sustainable basis where do we see a share of exports in the revenues or orders and if you could also just give a color in terms of how different is the profitability for the export market versus the India market?

**Sandeep Zanzaria:**

Bhavin to the answer here is that for example when we compare for example Bhutan, Nepal, of course these are exports but probably due to similar geography competition etc. remains the same, so the margins are not as high as when you compare it with the product export order which goes to, for example, either Africa or the East Asia Pacific and these type of things, so with the Indian market now picking up, we expect at least the share of export orders to drop because for example when we look at last quarter, many decisions were taken in India and with Bhutan coming in suddenly you see Bhutan, Nepal, when these come in, it skews the ratio of exports which we are seeing here, but it is like an extension of the Indian landscape in the neighboring countries, so I think that primarily the question which you are asking is that the high margin export profile of 30% when we will be able to reach, so I think that should be possible from there may be around two years down the line primarily because even the other markets also needs to pickup, so today we are not seeing much of the market picking up in Africa and other places as well after the COVID, so unless until those do not pick up, yes, definitely there is a pressure.

**Sushil Kumar:**

Just to add on Bhavin, it is very difficult layout a number in terms of percentage split between domestic and export orders because obviously order will depend on the meaning in the market because it is very, very dynamic. What we talked about earlier few quarters earlier and regularly that we only focused on growth of export and that what has happened and we have demonstrated, we want to win more and most in both the markets, export as well domestic to the point that Sandeep explained, the focus is also to increase export from factories because that product export helps in the better margin and even if we do the export for project in the neighboring countries, those are many times world bank, ADB funded tenders and we do not face as many challenges as in the domestic market related to payment term and the project release so those are the benefits of doing projects in the neighboring country, but as I said we want to do or maximize our order book in both the markets.

**Bhavin Vithlani:**

Just last question from my side, our parent GE announced reorganization of the company into three parts, how would that impact GE T&D?

**Pitamber Shivnani:**

You see GE has announced its plan to combine GE Renewable Energy, GE Power, and GE Digital into one business position to lead the energy transition and then the purpose to spin off this business in early 2024. GE T&D India Limited continues to be a part of GE Renewable Energy business. As of now, we do not expect any impact and it will be business as usual for us. We will keep you posted with the update at and when they happen.



**Moderator:** Thank you. The next question is from the line of Kashyap from Theleme Partners. Please go ahead.

**Kashyap:** I have couple of questions and pardon me if they are a bit basic, I am slightly new to the business compared to the gents earlier, my question is specifically for Mr. Pitamber and I was trying to going through his track record as to how ADB evolved under his leadership especially the work that he was managing and quite encouraging to see the margin and the return on capital employed as a trajectory in moving up, as investor broadly while we understand GE's legacy, but what is disappointing is that in the last few years the revenues have really not gone anywhere, if you look at the net worth in the balance sheet that has broadly remained static, obviously profits have really come off, so what I want to understand from Mr. Pitamber is how he sees the business the four years out especially in terms of part to profitability and return on equity because at the end of the day as investors what we really care about is not just the execution capability, but at the end of the day what makes sense of the financial numbers, so unless it is really accretive in terms of revenue growth, in terms of execution showing from where you are 3500 odd crores to 5000 crores and profits coming back and return on equity in double digits is really good, but it does not really add much value, so could you just explain how one should look at the business three to four years out?

**Pitamber Shivnani:** As far as my prospectus is concerned, we have four large factories actually and we have enough capacity but unfortunately last two years because of COVID situation, the order intake has been down. As far as production capabilities, project execution capabilities there is no dearth so once like TBCB now market is going to come up and when opportunities come up when our order intake increases, we can definitely churn out more and earn the more profitability and take the more juice of the fixed assets actually, so in times to come the situation should improve actually in another one year's time or so.

**Kashyap:** Just one further question, there was some discussion on margin profile earlier and I think broadly the thought process was that if the commodity prices come down then we will retain and if it goes up, it goes against us and what I am really interested is if you can explain is how we can structurally change the characters from our own efforts, see what the external environment done is different, but managerial capability stands out for is how we can manage to do much better than what the external environment deals as a hand, so what would be really interesting is we can kind of take the gross margins over time through a mix of better execution in terms of either cost efficiencies or like about saying about dealing of exports, so could you give us some trajectory how we look at it, I understand you did not want to share a perfect number on gross margins or you might not want to give a financial number, but can you give us how we should look at it or should we be only reliant on external environment and our gross margins remain where we are at 28%-30%, should we look at the business that way long term or should we kind of build in improvement which actually flows in because of Management intensity?

**Pitamber Shivnani:** If you see our last year result end of March, we made good amount of profit and now unfortunately this commodity price increase which were not foreseen, so we have two buckets



of orders, one is variable contracts where we are fully protected. Another is basically firm contracts, so in firm contracts we have assumed certain solidarity factors and then the increase has been more than that, so there sometimes you get the hit, but obviously in times to come, once if the commodity prices go really down, we may get the advantage but it is very difficult to predict the future of commodities like CRGO and copper as on date actually. As far as operation is concerned, we are concentrating a lot on Kaizen lean concept so as to take more juice and more productivity, the productivity in all our factories has enhanced quite around 15% to 20% actually.

**Kashyap:** Assuming raw material prices remain at this point, hypothetically, I know it is not real world situation, they are always fluctuating but hypothetically if they were to remain constant, over a three-year window given the Kaizen lean initiative and scale up of exports, would it be fair to assume that the margin at the gross margin level will see a gradual improvement sustainably, would that be a fair assumption?

**Pitamber Shivnani:** Yes, it is a fair assumption but we do not give a forward-looking statement actually and we feel if the prices remain as it is and now we are more taking into cognizance the material cost increase in some price contracts, so the situation should definitely improve.

**Kashyap:** How much of our total orders that we have booked, how much of that would be passed through like you mentioned and how much are there, we are kind of fixed price, could you share that breakup?

**Sushil Kumar:** I do not have that readily available, maybe we can cover that in the next investor call.

**Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL Securities. Please go ahead.

**Renu Baid:** Just a follow up from my side, has there been any Fx gain or loss in the particular quarter given that other expenses seem to be bit softer, so any gain which has come through in this particular quarter for us?

**Sushil Kumar:** During the H1, we had a gain of about 10 crores in the other expenses.

**Renu Baid:** Okay, and would it be broadly in the second quarter or?

**Sushil Kumar:** So first quarter as we said was a loss and this quarter was gain and net resulted in 10 crore gain in the H1.

**Renu Baid:** Secondly, broadly until last quarter we had seen multiple execution headwinds along with supply chain which had impacted our revenue booking across various domestic projects, so have we now started seeing those headwinds easing out and any comments in terms of how our customers looking at execution timelines, are we seeing material acceleration of fast track of projects?



- Pitamber Shivnani:** There are some projects like which PGCIL and other utilities have land issues, so those are getting delayed so because of that there is a delay in lifting of equipment also on that front actually.
- Renu Baid:** Okay, but otherwise in general whatever lag we had seen because of the COVID second wave, is that now catching up and should we see that being compensated in the second half or fourth quarter?
- Pitamber Shivnani:** Yes, that is catching up, the situation is improving. I will give you an example like our Essel order Warangal, which was jeopardized but now Adani has taken over and we converted the order and we released all our pending payments also and we are executing it well, so those things are moving fast actually.
- Renu Baid:** Broadly from the perspective on the export side, are we looking at any new market, which could open up especially in the Middle East, African market or Southeast Asian market, for some of the products in the global supply chain picture?
- Pitamber Shivnani:** We are definitely getting some market allocation from our global factories. There is some restructuring in the European factories like what Nagesh presented, we will be starting the drive ME4 and that will add 3 million US Dollar business additional for Padappai in 2022, so similarly more allocations are coming like instrument transformer and also the drives for the GIS and other things.
- Moderator:** Thank you. The next question is from the line of Jigar Shroff from Financial Research. Please go ahead.
- Jigar Shroff:** Thank you for taking my question, Sir if you could shed some light on this global grid plan one world one grid talk that is going on, I mean what could be the size, the opportunity, if you could have some study or something on it, how could it be profitable beneficial to us in terms of order intakes?
- Mariasundaram Antony:** It is a bit long-term today to talk about numbers, because this project is being talked about on the conceptual basis as of now, that for example the installed base, suppose if you build a big installed base of power generating capacity and then if you are able to connect it to the different parts of the world, for example, maybe through a cable to middle east and also through transmission lines connected towards the east and then depending upon that if you are generating then in some part of the world you will still be having peak demand and some other parts you will be having the low demand time etc. so this is basically the concept from that but it is still on the drawing board and today it is not possible for us to convert it into the numbers etc., because there is no concrete for example, this much capacity from this country and things like that, once that comes into picture on the drawing board, then the numbers can be put in.



**Jigar Shroff:** But what have you been hearing in terms of I mean are there some deadlines have been fixed, I mean say in the next six months, 12 months I mean because it is coalition of countries getting together I mean if you could shed some light on that?

**Mariasundaram Antony:** Because it is on a drawing board today, no timelines basically this is the multiple issues in terms of for example the connectivity with the country. Also the load scenario in each country and generation, so many things are to be seen and then it will also require the political engagement as well, so I have not seen that in terms of hard convertibility at least for next two to three years, I am not sure on that part.

**Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

**Bhavin Vithlani:** Thank you for the opportunity again, just one question, in our presentation we have mentioned a lot of emphasis on lean in manufacturing, and Kaizen 90%, improvement in manufacturing lead times in some of the product lines, so hypothetical question had the commodity inflation not been there, the initiatives we have taken on lean manufacturing and operational efficiency, what would have been the benefit on the financial terms maybe, 1%-2%, 3% of revenues if you could just help that?

**Pitamber Shivnani:** You see if the commodity prices would have not increased, we would have definitely gained out of the higher productivity and these lean and other concept, but we generally do not give forward-looking statement on these things, how much will be the increase so it is very difficult to say, so that is why let us see going forward if there is downtrend in the commodity prices that should reflect in our next quarter's profitability.

**Moderator:** Thank you. Ladies and Gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. Suneel Mishra for closing comments.

**Suneel Mishra:** Thank you Rituja again and thank you everyone for your participation. With this, we conclude today's conference call. In case if you have any other questions, then please feel free to contact me or Mr. Anshul Madaan on the email ids given on our website, so with this we conclude the conference.

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