



GE T&D India Limited

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July 9, 2020

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BSE Limited
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Dalal Street
MUMBAI 400 001

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 July 2, 2020**

Please find enclosed a copy of the Transcript of earnings conference call with analysts/ institutional investors held on July 2, 2020 in respect of financial results for the financial year ended on March 31, 2020 (Audited) and for the quarter ended on that date.

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 Q4 FY20 Earnings Conference
Call”

July 02, 2020



MANAGEMENT: MR. SUSHIL KUMAR – CHIEF FINANCIAL OFFICER, GE T&D INDIA LIMITED
MR. PITAMBER SHIVNANI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, GE T&D INDIA LIMITED
MR. NAGESH TILWANI – WHOLE-TIME DIRECTOR, GE T&D INDIA LIMITED
MR. SANDEEP ZANZARIA – COMMERCIAL LEADER, GE T&D INDIA LIMITED
MR. SHAILESH MISHRA – OPERATIONS LEADER, GE T&D INDIA LIMITED
MR. ANSHUAL MADAN – COMMUNICATIONS LEADER, GE T&D INDIA LIMITED
MR. SUNEEL MISHRA – HEAD, INVESTOR RELATIONS, GE T&D INDIA LIMITED
MR. MANOJ PRASAD SINGH – COMPANY SECRETARY, GE T&D INDIA LIMITED



GE T&D India Ltd
July 02, 2020

Moderator: Ladies and gentlemen, good day. And welcome to the GE T&D India Limited Earnings Conference Call for the Fourth Quarter and Year Ended 31 March 2020. As a remainder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Suneel Mishra – Head of Investor Relations. Thank you and over to you, sir.

Suneel Mishra: Thank you, Janice. Ladies and gentlemen, good afternoon. Myself, Suneel Mishra. And I manage Investor Relations for the company. So welcome to today's conference call with GE T&D India Limited management team. As we know, this conference call has been organized to present and discuss financial results for the fourth quarter and year ended 31st March, 2020.

Now let me first introduce my management team available on this call. We have with us Mr. Pitamber Shivnani – Managing Director and Chief Executive Officer, GE T&D India Limited; further we have available on the call Mr. Sushil Kumar, who is our CFO. Mr. Nagesh Tilwani, who is the Whole-Time Director; Mr. Sandeep Zanzaria, who is our Commercial Leader. Mr. Shailesh Mishra, who is our Operations Leader. We have with us Mr. Manoj Prasad Singh, Company Secretary; and Mr. Anshul Madaan, who is our Communications Leader.

Please note that this conference call is scheduled up to 5 PM. I hope you would have received the investor and analyst presentation and read the disclaimer as slide number 2. I would now request Mr. Pitamber Shivnani to begin this conference call, highlighting key events of the quarter. Thereafter, Mr. Shailesh Mishra will be presenting slide on operations and execution. Then he will be taken over by Mr. Sandeep Zanzaria, who will give us an update on order and market. Followed by Mr. Sushil Kumar, who will be speaking on financials.

So, I now invite Mr. Shivnani to begin. Over to Mr. Shivnani.

Pitamber Shivnani: Thank you, Suneel. Ladies and gentlemen, good afternoon. Thanks for joining the call. I would like to start this call by giving you a brief overview on last quarter, and then would request the other speakers present here to go through the detail. As we all will agree that COVID-19 pandemic has impacted our rise in business substantially. With the announcement of lockdown on 22nd March, the company temporarily closed its manufacturing facilities, except for essential maintenance and services, as reported to stock exchange on 23rd March. The offices, including sales offices were also closed and the employees were asked to work from home. In view of the lockdown, during the latter part of March, the sales for the quarter were significantly impacted. This had negative impact on the performance of the company for quarter four.

Allow me to give you a quick update on our current state of operations. Post lockdown, Unlock 2.0, the operation is returning gradually to normal at our manufacturing plants and project sites, except Pallavaram plant in Chennai for grid automation, which was operational till 19th June. But it has closed as of now till 5th July because of the new lockdown that was announced in Chennai.



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We are closely working with local administration to get the work strength back to normal numbers, while focusing on safety of our workforce. We are gradually reopening the corporate office at Noida. We are following central, state and GE guidelines to ensure health and safety of all stakeholders. Even though we have serious issues due to COVID, the company continues to have a healthy order backlog of Rs. 59 billion. Once the factories are operational and sites become fully operational, we will be able to come back to normality.

Taking into consideration COVID impact in the interest of the company, the customers and stakeholders, we are realigned our priority and have outlined our clear action items for the future quarters, increasing commercial intensity continues to be our prime focus, ensuring that we are winning here in market with margin levels that we are satisfied with. Operational excellence and execution will remain key to achieve incremental revenues and profit margins. There continues to be a huge focus on lean within the company, our plants have already adopted the lean concept. And you will get to know more about it soon through our communication channel. We are taken various measures, and in order to drive improvement in working capital, drive cost efficiencies, and estimated cash collection during the pandemic.

To conclude, I think that we strongly believe that Indian energy landscape is currently undergoing a significant positive transformation. As a leader in the innovation and modern grid solutions, we will continue to work closely with governments and our customers to implement solutions that will help accelerate in the energy transition journey.

If you will go to slide number four of the executive summary, I have already talked about the nationwide lockdown, gradual restart, order decisions are delayed in quarter one of 2021, focus on operational excellence also I talk, cost saving actions I talk, and also I mention about Rs. 59 billion backlog on orders.

Now I will hand over to my colleague, Shailesh Mishra, who is Head of our Project Business. Over to you, Shailesh.

Shailesh Mishra:

Thank you, Pitamber. And good afternoon, everybody, to the participants who are there on the call. Quarter four had been operationally significantly challenging for us because the COVID situation was setting up and global supply chains were getting impacted, which were impacting some of the equipment's to be shipped to various sites. In spite of all those challenges, we definitely as a operation team came up to the speed. And if you see the number of projects which we have commissioned during this period, and many of them were also commissioned during the peak of COVID situation in the country, because the total country lockdown was implemented some time on 20th of March, but prior to that also there had been restrictions. But the operations team definitely came up to the speed, we commissioned Varsova, Bombay Tata Power substation, which was very important for them from the power distribution point of view, and they really wanted this substation to be charged. We had to ship a transformer in a very shorter period and commission that. In Bombay, specifically, the situation was bad at that point of time.



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The third substation of the Gurgaon Palval project which was Sona Road, which was also commissioned during the same period, with this we completed the entire Gurgaon Palval scheme, which was a big project for us, including three substation in Sadarpur, Sona Road and Palval. Then we also during this period commissioned Chhattisgarh Dhamtari 400 kV substation which was AIA substation and this was also equally important for us. This is second 400 kV substation which is being done by Chhattisgarh as a state. The first one was also done by us in Jagdalpur, and this is the second one. We commissioned this also during that period.

In WB SEB, we commissioned a project which is at the Salt Lake Stadium, which is giving power supply to the Salt Lake Stadium and in the around area. We also did one solar project, eBOP for solar project in NLC, which is a power evacuation through PGCIL. And then one project in Baripada, which is again a PGCIL project in northeast part of the country where the transformer was to be commissioned. And all these substations, actually if you look at the operational performance or activity, there is a whole bandwidth of customers, so there are Power Grid projects which we completed, there are projects we completed for state electricity boards, there are projects which we completed for industry like Tata Power, and for TBCB customers like Sterlite. So it's been a satisfying operational thing for us from that point of view at least.

And I think I now hand over it to Sandeep for commercial things.

Sandeep Zanzaria:

Thank you, Shailesh. Basically, not a very, very active quarter from **Jan to March 20**. So, we could secure some major orders from, so the first one is the 400 kV AIA substation from Khurja, which is a Tehri Hydro Corporation. And then continuing our success in Himachal where we have kind of more than 60%, 70% of installed base where we got another argumentation project from **HPPTCL** basically the state transmission utility. Then Saurya Urja, which is a joint venture company with the Government of Rajasthan, so we are building a 220 kV substation for the evacuation of the solar project. So that's quite a prestigious order. And then from Adani Transmission we got the 400 kV reactor project at Mohindergarh, which is very close to their HVDC substation in Haryana.

So, the challenging market environment continues. And if you really look at the order intake situation for the Q4 2019-2020, then we did a number of about Rs. 650 crores against Rs. 972 crores. So, there are a lot of slowdown in the commercial activities which started happening, which we saw the impact that many of the bids submission got deferred and the decision making also got deferred in the last March etc. For example, there was an expected order of about \$16 million, about Rs. 110 crores for a project of Nepal which got shifted. So, there are some impact there. And for the year we have targeted a number of about Rs. 3,000 crores against Rs. 3,700 crores.

So, the total L1 positions got delayed due to COVID situation was close to about Rs. 170 crores. So for the sale, I hand over to Sushil.

Sushil Kumar:

Thanks, Sandeep. Moving on to the financial section on page eight, and starting with revenue. So, we had a challenging quarter and the financial year 2020. For the quarter four, we had a revenue



of Rs. 664 crores. This was impacted largely by the ramp down of the HVDC which is reflected in the chart to the extent of Rs. 40 crores, and the decline in the revenue for quarter because of the lockdown, that amount was roughly Rs. 160 crores. Similarly on the full year basis, the HVDC lockdown and some of the customer project delays, all these factors contributed to the decline in revenue from Rs. 4200 crores in the last financial year to Rs. 3,158 crores of revenue in the current financial year.

Moving on to the page nine. For the quarter and for the financial year, our profit before tax was negative. For the quarter, we have reported loss of Rs. 234 crores compared to a Rs. 40 crores profit in the last year same quarter. And on the full financial year basis, compared to the profit before tax of Rs. 334 crores, we had reported Rs. 355 crores of loss. Of this, Rs. 53 crores was the exceptional impairment item for one of the factory related asset which was reported in the Q2 of the financial year. And rest of the loss can be largely attributable to lower revenue, COVID related disruptions and reassessment of the warranty and other product related settlement provisions in the current quarter.

Moving on to the last slide, page 10. So as a summary, quarter four revenue were down to Rs. 664 crores, operating profit was negative Rs. 218 crores, and the loss before tax of Rs. 234 crores. On a financial year basis, we ended up Rs. 3,200 crores approximately for revenue, operating loss of Rs. 234 crore and loss before tax of Rs. 302 crores. I would like to highlight the net borrowing position where we ended up to the borrowing of around Rs. 430 crores in the financial year ending March 2020, compared to Rs. 20 crores of borrowing as of end of March 2019. This was largely because of the working capital increases that we saw in the first half of this current financial year.

With that, we will open to the question.

Moderator: Sure. Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: At the onset, I would like to congratulate Mr. Shivnani for joining the Board. So my first question is to you Mr. Shivnani. So broadly, I understand the macros are very uncertain. But in your view, what would be the low hanging fruits or your priorities first in the next six months to one year? Where do you think you can operationally help the business improve and strengthen its positioning overall? So if we can highlight some of your priorities after taking charge, and then a few questions for Sushil and the team.

Pitamber Shivnani: Yes. So the first and foremost priority is to strengthen the order backlog further, we are at 58 billion order intake, which is we are in a quite good position. But we will have to continue booking more orders and capture the market share, but profitable orders. And my mantra is very clear, cash over revenue. So because liquidity is a real problem in the market, so we want to go for secured terms of payment, that is my priority number one.



Renu Baid: Anything particular in terms of the operational elements with respect to the quality issues or otherwise? Because we have been extremely strong on the operation side.

Pitamber Shivnani: Yes. Madam, basically we are looking into each and every piece of the quality, because we are heavy on the production side, so there we have already strengthen in last six months some of the quality expects. And we will continue that efforts on quality and also lean concept, because thos lean concept we will have the higher productivity also.

Renu Baid: Sure. So the following question, first to Mr. Sushil on to your financials. Last time we have continued to see gross margins being under pressure, so there was certain reassessment of warranty obligations for SL in the previous quarters. And you mentioned there was some reassessment further in 4Q. So apart from the Rs. 52 crores of hit which we had earlier, what were the incremental hits in the fourth quarter? The other expenses shot up pretty sharply in the fourth quarter, so if you can highlight the reasons it will be helpful.

Sushil Kumar: Yes, so your question is on gross margin as well as other expenses. The Essel related provisions, as we have been disclosing in the notes to the account, is not considered in the past. Because that project we believe will revive, maybe Pitamber can explain more on the developments with respect to the CERC and changing of the ownership from the existing promoter to the new group. We had certain slippages in the earlier quarter, which were more related to the prolongation of the project costs. And some of the LD related charges that we had taken in Q3, and which was disclosed in the quarter three numbers. Having said that, our GP for the full year comes to roughly around 28%, because this quarter is a bit exceptional in nature, so we will like to probably more rationalize on a full year basis. This includes the one element of COVID, because we had to take some of the expenses related to COVID in this quarter . And also, some of the margins slippages that happened over the last few quarters and the current quarter. So having eliminating those margin slippages which have been extended in the earlier calls, our gross margin on a normal scenario comes to around 31% to 31.5%.

The other expenses, the second question that you have raised, it's already explained in the notes to the financial that we have reassessed the need of warranty and related settlement issues for all the business areas in the current quarter. And on the best estimate, the charge was taken in the current quarter and the financial year.

Renu Baid: Would it be possible for us to quantify the total provisions during the year for warranty obligations?

Sushil Kumar: It's already given in the notes to the financial. If you look at the changes in the provisions that are highlighted in the balance sheet that we have enclosed along with the financials, that's largely coming from the change in the warranty reassessment. But to be very specific, the net warranty charge is roughly about Rs. 132 crores.

Renu Baid: Sure. And my last question would be directed on the marketing side. Now, as in the imports on the T&D side were relatively lower coming in from China or foreign competition. But are you actually



now seeing customers talking about more in terms of locally manufactured or higher domestic content products, not only for Power Grid but also for states? And in your view, what could be the implication of this in the near to medium-term competitive outlook and pricing? Thank you. And that's it for my side.

Sandeep Zanzaria:

Yes, the customers are discussing about the Make in India aspect which is there, and not only in the state and Power Grid, but it is also in the TPCB space as well. But the real impact, will it be able to make up assessment only when we see the things actually moving on ground. We are anticipating some of the few bids which in Power Grid which were actually put in under the normal global competitive bidding. We are expecting some large bits to be cancelled and to be floated under domestic competitive bidding. So the first impact we are seeing, but the overall impact on this number, because still the states have not come up with any such policy. We have not seen any concrete feedback from any of the states on this aspect. So till the time we don't see it coming from the states, the exact impact is difficult to assess and come out.

Moderator:

Thank you. We take the next question from the line of Renjith Sivram from ICICI Securities. Please go ahead.

Renjith Sivaram:

Sir, if we look at our order book and the next year, how much of this order book do you think that can be executable given the COVID scenario for next year? We had an order book have close to Rs. 5,800 crores, how much of this will be executable or you think that can be executable over the next year?

Sushil Kumar:

See, if you look at our past performance, the company has capacity to even go up to Rs. 4,000 crores. But if we talk particularly about the financial year, it depends on how the COVID related developments happen. It's very difficult to call out the number in that scenario. As Pitamber already explained that there was practically two months of lockdown and gradual improvement of activity, which is now at a very reasonable level. So, depending on that, we would like to expand and execute as much as possible in the coming months and quarters. But overall, we can say that based on the current year revenue we can easily execute more than like Rs. 3,000 crores of revenue based on our past performance. And we need to take into consideration the two months of lockdown also. So we are not laying out a number, but company has potential to execute as much as possible, depending on how the customer projects move and how the government's permission allow us to perform.

Renjith Sivaram:

So all our project sites are currently active? Or if you can give a percentage to that?

Shailesh Mishra:

See, we have as of now almost 75 sites which are operational, which are on the floor. And most of them, I think 73 have reopened after the shutdown, after the COVID situation, only one or two sites where still we are not able to kind of really move the manpower. Otherwise, all our sites are open. However, we have not gone to the full speed of execution, because there are issues related to, still some states have quarantine related aspects, because people have to go for quarantine for 14 days once they enter into that state. And second, also little bit of an impact on the migrant



labourers, because the labourers have gone back to their hometown and bringing them back to site or maybe finding an alternative is challenging. So, operationally we are active on all sites, but as a percentage of operation, I would say, to the extent of 60% capacity we are operating on those lines.

Renjith Sivaram: And is there any more warranty obligation or any kind of this one-off spending? Or is everything done and dusted with?

Sushil Kumar: As disclosed in the notes to the financial, this is on the best estimate basis, whatever information and assumptions are available as of now following the guidance as per the accounting standard.

Renjith Sivaram: Okay. And if you look at our receivables, receivables days has increased. So where do you see this receivable, does it continues to be a challenge or you are seeing more liquidation of receivables in the recent time?

Sushil Kumar: So, last quarter, we ended up at about Rs. 100 crores of outflow, when I say last quarter means January to March quarter. Whereas the previous quarter, which was September to December quarter, we had Rs. 100 crores of net cash generation. So, for a six month basis, we are kind of breakeven. And last quarter, we could generate a reasonable positive cash flow, barring this lockdown which happened in the last 10 days where our substantial amount of money which was more than Rs. 120 crores to Rs. 150 crores got stuck because there was a sudden lockdown. So, our performance in terms of cash is stable in the last six months per se, and the current quarter we have seen that the customers have adopted to the new systems and the realizations have started to happen in a better fashion. So, our endeavor, as Pitamber said, his priority of cash is the number one priority. And we are working hard to improve the cash situation and liquidate our receivable and retentions as much as possible.

Renjith Sivaram: So when I look at your last year receivables, it's around 219 days. So, how much do we see this coming down in a normal for FY '21?

Sushil Kumar: It is very difficult to call out a number due to COVID scenario, but our effort is to liquidate most of the money that we can collect from the customer, whether it is lying in retention or receivable. You are comparing the days sales outstanding because the revenues have come down and corresponding receivable reduction is not at par with the reduction in revenue. Our effort is to liquidate and generate net positive cash flow, but we will have to keep in mind that there was a lockdown for a few months where the delays have happened. And we don't know how the continuing impact happens on the customer or the payment process. But as of now, as I said, the current quarter was very motivating where customers have adopted to the new procedures and started paying us better than the sudden lockdown impact that we saw in the March quarter.

Renjith Sivaram: And in terms of for fixed costs and employees, is there any rationalization planned?



- Sushil Kumar:** So, we have taken a hard look at all our cost elements. And that effort which will continue for the rest of the year, we have been able to save some of the elements from the fixed cost and we will continue working in that direction. It's very difficult to quantify a number at this stage, but yes, we are making a progress and improvement out there.
- Renjith Sivaram:** Okay. And sir, lastly, the order book mix in terms of central utility, state and private which you generally give.
- Sushil Kumar:** Yes. So, out of the backlog that we have, about 40% is roughly private, around 30% to 35% is the state electricity board, and rest 25% is split between the central utilities and PSUs, plus export orders.
- Moderator:** Thank you. We take the next question from the line of Jonas Bhutta from Phillip Capital. Please go ahead.
- Jonas Bhutta:** Good evening, gentlemen. And I hope everybody at your end is safe and healthy. I had three basic questions. First, drawing from Renu's earlier question on trying to identify the bridge between the other expenses in the fourth quarter last year to the current quarter, which has gone up by almost Rs. 150 crores. You mentioned that warranty obligation was Rs. 132 crores, so was that come in particular to the fourth quarter or for the full year?
- Sushil Kumar:** So, it's largely the amount of impact in the full year as well as the fourth quarter. I don't have the exact split between the year and the quarter, but roughly the numbers are similar in nature in the range of about Rs. 130 crores.
- Jonas Bhutta:** So out of the Rs. 150 crores delta that's come in via the other expensive, Rs. 130 odd crores is just warranty?
- Sushil Kumar:** Yes.
- Jonas Bhutta:** And we also see bad debts written off, which are part of the cash flows of almost Rs. 80 crores, Rs. 60 crores of which have come in fourth quarter, is that correct?
- Sushil Kumar:** Fourth quarter we roughly had about Rs. 35 crores to Rs. 40 crores of bad debt provision, which is also a part of the other expenses. Half of it is due to the adoption of the COVID related guidance note and the accounting practices where the expected credit loss models have to be aligned, given the new ICAI Guidance note. And the balance half is the specific few customers where we had seen a delay in payment and had to be provided off during the quarter.
- Jonas Bhutta:** And until the nine months you had some Rs. 25 crores of LD provision. What is the year end number?



Sushil Kumar:

I don't have the specific number, but roughly the LD charge for the year will be Rs. 30 crores to Rs. 35 crores, but I need to double check that piece.

Jonas Bhutta:

Sure. Sir, coming to my second question, that is on the pipeline of projects. What we have seen so far is that REC PFC have almost announced 20,000 plus megawatt of tenders. Are you seeing that same amount of vibrancy amongst your clients, indicating that this is a near-term opportunity, or this is going to be spread over maybe one or two years? And the second was in Bangladesh, because that's one another area where we have seen a significantly large pipeline of projects, but not much movement in the last 12 months. So if somebody in your marketing team can help us understand what is actually happening in Bangladesh, and whether that is, if at all, a tangible opportunity for the company?

Sandeep Zanzaria:

So, basically, yes, you are right, that the REC PFC projects, what you have said, is the same what we are also seeing in the market through our customers. The developers' community, which is like Power Grid, Adani, Sterlite and other developers as well. So, only thing is that due to COVID situation the projects have been shifting by a month, the revised due date is like July. But definitely looking into the very stringent timeline for the execution, we expected these projects to be awarded to the developers sometime between some time earliest could be September or the realistic timelines could be between October to December could be a realistic timeline for an award of these projects. Few of the projects out of these which is related to the southern region, we are seeing some shift which is happening. So that may and might get shifted by maybe six to eight months, something like that.

On Bangladesh, yes, we have seen a few projects, specifically last year there was a big pipeline, presently also there are two, three some large projects which are there. But looking into the competitive situation which is there, we have seen most of the Bangladesh business is being conquered by the Chinese companies. So the main bidders which are there, the main lowest bidder which are emerging are Chinese companies in collaboration with or maybe in partnership with some Bangladesh local company. But definitely there is a product market for us which is available there because the AIS product and the automation etc. is growing from either multinational companies or the Indian companies only. So, definitely there is a product market, but not the substitution market because most of the orders are with Chinese.

Jonas Bhutta:

And given that Indian EXIM bank is also funding almost \$2 billion there, so those orders are also going to the Chinese?

Sandeep Zanzaria:

So, one thing also is there, in Bangladesh the timeline for decision making is pretty long. So it takes practically about a year's time when the tender is floated to the decision making when it happens. So the EXIM funded projects have just come in, so that is going to take some more time. I am talking about the TBCB which had taken the loan of KFW and World Bank funded projects, I was mostly talking about this. EXIM Bank funded projects of India would definitely be coming to the Indian companies only.



- Jonas Bhutta:** Okay. And lastly, if you can comment on what would be the sustainable gross margins? Because you did mention that adjusted for these COVID related **impact** and margin slippages, the normalized GPM this year is about 31 point some odd percent. Should we assumed more or less the same GPM in the order book, or that is likely to improve now that most of your low margin orders you provided for the same?
- Sushil Kumar:** In terms of GPM, that's roughly the order booking margin, 30%, 31%. At the same time, we have seen some prolongation of projects in the past. Definitely there is a pricing pressure in the market, as Sandeep has been talking in the few other calls. As a strategy what we do, whatever order we book, we generally try to then work on the sourcing savings, negotiations and productivity to improve from the level of margin that we have booked in order. But at present, the normalized margin which comes in the order booking should be in the range of 30% to 31%.
- Moderator:** Thank you. We take the next question from the line of Viral Shah from Prabhudas Liladher. Please go ahead.
- Viral Shah:** So, a couple of questions, while most of them have been answered. One is in terms of order book. Have we seen any cancellation or slow moving orders or deferment of orders? And what we will that percentage be from clients?
- Sandeep Zanzaria:** So, I would not say that any of the orders have got cancelled for us. That is not what we are seeing. Definitely there is a slow pace which is happening for decision of the order making, because of the COVID situation, even at the customer side the people are not able to attend the offices, etc. So, we are seeing a shift in the decision making time for the orders. So, there is a slow movement in that process. But the good part of it is that we are not seeing any cancellation of these projects, and none of our orders what we have booked in our backlog has got cancelled.
- Viral Shah:** And Sandeep, since there has been a slow moving and deferment, so any kind of price escalation or that variation sizes which comes, whether that has also been accepted by customers, because the situation is not in our hands, right, COVID is something which no one would have guessed it. So, most of the suppliers are understanding it and they are eligible for price hikes as well or no?
- Sushil Kumar:** So on the orders side, some of the orders are firm price in the nature, and some of the orders have the variable price component. The COVID related impact is of two types in nature, one is the delay in the project timeline, which is largely covered by the force majeure event. So, meaning, we should get the time extension to execute this project. At the same time, there was some cost overrun that we saw in the quarter because of the lockdown situation where the minimum expenses had to be incurred at the site. We will continue to push our customers to get paid for that, however, that discussion will take time. Whatever on the best estimate basis we could think of will not be reimbursed, has been provided in the financials, for the quarter ending March 2020.



- Viral Shah:** Fair enough, that was very helpful. And secondly, we had did mention that there were some supply side issues as well. So have those issues been resolved in a month of June, or they still continue to persist?
- Pitamber Shivnani:** I am not sure what you are mentioning.
- Viral Shah:** Yes, we had mentioned in our call in the opening remarks that one of the team members had mentioned that there were some global supply side issues, and what is the reason why the execution was also a bit delayed. So, obviously, month of April was a lockdown, and partially we had commenced operation from the month of May. So has those issues been resolved or still the issue continues in terms of supply side?
- Pitamber Shivnani:** Those issue are resolved and there are a lot of improvement on supply side actually. But we have not reached 100% supplies for our factories. So there are a lot of improvements and almost we are getting supplies from our all suppliers, but the speed is not 100%.
- Viral Shah:** Agreed. So could you quantify that number? So what would be the number be in May and what would that number be in June, so that quantification, a rough estimate also would have been something which could be helpful.
- Pitamber Shivnani:** It is extremely difficult at this point of time to quantify it.
- Viral Shah:** Fair enough. And lastly if I may, any suppliers which we would have been importing from China or an exposure for China in terms of imports, could you quantify that in terms of numbers or percentage, that would be great?
- Pitamber Shivnani:** We are evaluating it at present about Chinese suppliers and how we can basically develop more suppliers in India at present.
- Viral Shah:** Agreed. But what would be the ratio for FY '20 be in terms of percentage of supply whatever we have been, so that is coming from China basically. A rough number, some guidance to that would have been great.
- Sushil Kumar:** Roughly we have about 20% of our import from the China, but some of them are also from the group companies, not from the third party suppliers.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** My first question is, the closure of the Naini factory would have taken out what part of our fixed cost?



Sushil Kumar: So, during the year, post closer to the factory, we have spent close to, our fixed cost to that extent is roughly Rs. 20 crores.

Bhavin Vithlani: And if one looks at our fixed cost structure, and I am looking at fiscal year 2019, as I have the annual report. So about roughly Rs. 700 crores, Rs. 400 crores could be the employee cost. And when we speak to our peers, they are targeting anywhere between 15% to 20% shave off from the fixed cost due to various measures. Any colour on that would be helpful.

Sushil Kumar: So, out of Rs. 700 crores, I think you are including the depreciation also out there. I think the cash charge is roughly in the range of Rs. 600 crores. As we mentioned earlier in the call, we are taking a hard look at every single cost line item, we have been able to optimize on some of the cost. We will not be able to lay out a number right now in the call, but our effort will be to reduce the cost as much as possible.

Bhavin Vithlani: Understand. The second question is on the, I mean, if one looks at fiscal year 2017, 2018 and 2019, on an average we have done revenues of Rs. 4,200 crores, and as your presentation mentioned, ex of HVDC we had done Rs. 4,000 crores. I mean, if one leaves fiscal year 2021 as an exceptional year, could we believe that, and looking at the order pipeline that you have, can we come to that Rs. 4,000 crores revenue number in fiscal 2022, if the business we anticipate pans out?

Sushil Kumar: Rs. 4,200 crores had always the element of HVDC. And you know we are in the long cycle business, so the order, decision, award and then execution takes longer time. So, FY 2022 revenues depend on the size of the market that get realized in FY 2021, and we will have to see for that. As I said earlier in the call, our capacity is there, we can definitely ramp up and increase to the higher level of revenue. With the backlog of say Rs. 5,900 crores, if the customer projects do not delay and if everything becomes normal back to the pre-COVID levels, definitely we should have improvement from the current execution level. Because currently we executed about Rs. 3,200 crores, and we had a miss of Rs. 160 crores remaining in the last quarter. So, adding to that, it roughly is like near Rs. 3,400 crores. You can say that we can also improve if the projects do not delay and the book to bill orders are available, from that level to a higher level. But difficult to reach immediately in 2022 for Rs. 4,000 crores without HVDCs in place.

Bhavin Vithlani: Understand. So could you speak on the export, what was the revenues from export in fiscal year 2020? And how are you seeing the export market opportunity? You spoke about Bangladesh, but anything that we could expect as an outsourcing or exports with the help of the parent?

Sushil Kumar: I will answer the first question of the level of export in our revenue, and then let Sandeep answer on the market realization from the export. So answer to the first question is that during the financial year our revenues from export were roughly in the range of 17% to 18%.

Sandeep Zanzaria: So basically what we are looking for is that we are talking to the parent company for utilizing the factories more and more for the export opportunities. And of course, it's very difficult to give a number as of today because of the COVID situation, so a lot of markets and also there is a lot of



different scenario which is occurring in to different regions. But yes, I would say in a medium-term, we expect more allocation of markets and exports to grow better and more improve from the Indian factory.

Bhavin Vithlani: Sir, can it be like 30% of the revenue, say, over a medium-term as you highlighted?

Sandeep Zanzaria: The number would be difficult to pitch in.

Bhavin Vithlani: Alright. Just last one question on the receivables front, and Mr. Shivnani spoke about cash over revenue. What is the level that you guys are targeting on the receivable side of the business and also the working capital side? We have seen improvement in the past, but any number that you could share would be very helpful.

Sushil Kumar: In the earlier calls we talked about becoming debt free by a financial year 2021, which means that we were aiming from September 2019 to March 2201, in like 18 months window to realize about Rs. 400 crores of cash. The quarter for September to December, the first quarter was good where we realized Rs. 100 crores, but because of sudden lockdown, as I said that we had an outflow of Rs. 100 crores. So, which means that in six months we have neither improved nor deteriorated our working capital or the borrowing position from the levels where we started to focus hard on cash in addition to the earlier effort that we were doing. Going forward, though the aim remains the same, but because of COVID there will be deferment to this target. Definitely, the financial year 2020-2021 becomes difficult to achieve. But effort is always to generate breakeven or positive cash every quarter. That is the minimum that we will work towards, and effort is to reduce the receivable and retention as much as possible by better execution and by streamlining or strengthening the payment terms that Pitamber talked in the beginning of the call. And to put in short, the aim remain same, we will work towards that, but the timeline may get delayed because of the current situation. And to achieve that, it's not only just receivable that we are focusing on, just to add on, we are also focusing on inventory optimization, the payables, and each and every item that lies in the working capital.

Moderator: Thank you. We take the next question from the line of Abhishek Puri from Axis Capital. Please go ahead.

Abhishek Puri: Just wanted to check a couple of things, first on the IL&FS provision, that has not been fully done yet, any reason why?

Sushil Kumar: So, IL&FS, we have provided about Rs. 19.5 crores roughly, out of the Rs. 25 crores of the assets that we had through the PF investment. Some of the bonds are secured, so in the absence of any particular market related information, and the earlier communication that came from the team which was managing IL&FS, the media information that was available, we took an estimate that 25% of the money could be realized. However, based on the update of the information, we will consider that in the next quarter. And the primary assumption was that because the part of the debt are the secured debts, and they have charged on that.



Abhishek Puri: So this will still be charged off in the coming quarters?

Sushil Kumar: No, I am saying that. Based on the information that was given, we are left with about Rs. 5 crores of provision. Based on the information available in the public domain, the assets of IL&FS have value in the market, and the committee which has taken over the assets are in the process of disposing off. The money is expected to be given to the secured creditors first. And some of the investments that we have made are secured in nature.

Abhishek Puri: That is what you have not provided in the slide?

Sushil Kumar: Yes, that's what we have not provided, because we assume or believe based on the available information that the money is realizable, but we will have to see the more outcome of the realization of asset and more information that is available in the market. These investments are due a few years from now. And we hope by the time there will be realization of the assets of IL&FS and allocation of the realization proceeds to the secured creditors.

Abhishek Puri: And my second question is on the gross margins of the company. So, past two quarters, we are at about 24%, 25% as against you know, 33%, 34% that we have been reporting earlier. So, although you gave some details for other expenses and warranty provisions that have been done, are there any one-off steer or is it just related to project delays that we have seen in these two quarters being abnormal level of gross margins and from next quarter we will be able to get back to 30%, 31% level?

Sushil Kumar: So, as I explained earlier in the call, we are running on a full year basis at the gross margin of around 28%. This has two components, about 1% due to Naini factory related expenses and 1.5% impact because of COVID . And then we had about couple of percentage point's margin reduction because of the project prolongation. So, if these two elements are excluded, the normal book to bill and execution margin, if no margin slippage happen, is roughly in the range of 30% to 31%.

Abhishek Puri: And that can be assumed if the projects do not get further prolonged, that can be expected to happen in the next year as well, in FY '21 as well?

Sushil Kumar: Yes. So our effort is always to improve. While we don't lay out a number here, because a lot depends on how the projects move because of the COVID situation, how the commodity price move. Our first effort is always to deliver at the actual or at book margin.

Abhishek Puri: Right. And my last question is on, Pitamber has run a very successful business at ABB, one of the most profitable T&D businesses, high ROCE, high cash, what are the kind of practices that have been brought about or cultural changes that have been brought about here that can assure the investors that similar warranty provision, project delays do not happen, and we are able to get to a better working capital and cash generation? As well as in terms of what new products are being planned along with global parent to be brought into India? I mean, GE supplies a large part of locos, but you do not have any electricals to be supplied there or any confirmed orders from the



group company. So, just wanting to understand any direction or strategic change that the company has taken.

Pitamber Shivnani: So, I am in discussion with the headquarters, and we are going to have a detailed discussion in the coming months to come, how we are going to take forward our journey in India, on export as well as bringing in new products. And you correctly said, related to railway business.

Abhishek Puri: And in terms of working capital, any business practices that have changed? Are we not bidding on any of the state projects, or what are we doing differently this time?

Pitamber Shivnani: We will clearly go for, I will not say state projects or central projects, we will go on connectivity basis. And cash will remain priority number one for me.

Abhishek Puri: If you can provide the breakup between projects, products and services for the current year or quarter, or current year should be good enough? That's my last questions. Thank you and all the best.

Sushil Kumar: Yes. So around 48% to 50% of the revenues from the product sales, and the balance is from the project sales during the current financial year. It's almost equally split.

Abhishek Puri: Services, is there any part?

Sushil Kumar: So I included the services in the project sales, so that will be roughly about 5% of this, so around 48% to 50% of products, 45% projects, and 5% services.

Moderator: Thank you. We take the next question from the line of Jigar Shah from Financial Research. Please go ahead.

Jigar Shah: I think sir, you mentioned for FY '20 we had a warranty assessment of Rs. 132 crores, bad debts of about Rs. 80 crores, and LD provision for Rs. 35 crores. What is LD provisions, if I may ask?

Sushil Kumar: Liquidated damages cost is a contractual provision where there is a penalty on the delay in execution.

Jigar Shah: And sir this warranty, I mean, any outlook or is it a one-off for FY '21 or...?

Sushil Kumar: No, as I said, it was based on the best estimate basis, considering the past historical trends and the related estimates that we have made. Warranty are generally for a period of next one year to three to four year, depending on the different nature of products.

Jigar Shah: I see. And sir, anything in the earlier calls we did talk about HVDC opportunity at Bangladesh and the Dhaka, any outlook on that, sir?



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- Sandeep Zanzaria:** So, basically the Bangladesh opportunity did not go through finally based on the agreement between India and Bangladesh, practically because of the cost of the project and things like that there was a rethinking by Bangladesh PGCBand eventually the project was dropped. This project of Leh, Ladakh definitely will, but because of COVID situation etc., it is still not moving at a desired pace. So, we expect maybe minimum at least one more year for it to come on ground and have some concrete movement forward.
- Jigar Shah:** What would be the size of this project, in the sense, opportunity?
- Sandeep Zanzaria:** That will depend upon the total volume, but if it is going to be 7.5 gigawatts, that is going to be like \$2 billion opportunity.
- Jigar Shah:** And our share would be?
- Sandeep Zanzaria:** So, they are planning about three blocks of 2.5 gigawatts each. So, that would depend upon what share we win.
- Moderator:** Thank you. Well, ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Suneel Mishra for his closing comments.
- Suneel Mishra:** Thank you, Janice. Thank you everyone for your participation. We conclude today's conference call. In case you have any other question, then please feel free to contact me or Mr. Anshul Madan, who is our communications leader. Thanks again.
- Moderator:** Thank you. On behalf of GE T&D India Limited, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.



“GE T&D India Limited Q4 FY20 Earnings Conference
Call”

July 02, 2020



MANAGEMENT: MR. SUSHIL KUMAR – CHIEF FINANCIAL OFFICER, GE T&D INDIA LIMITED
MR. PITAMBER SHIVNANI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, GE T&D INDIA LIMITED
MR. NAGESH TILWANI – WHOLE-TIME DIRECTOR, GE T&D INDIA LIMITED
MR. SANDEEP ZANZARIA – COMMERCIAL LEADER, GE T&D INDIA LIMITED
MR. SHAILESH MISHRA – OPERATIONS LEADER, GE T&D INDIA LIMITED
MR. ANSHUAL MADAN – COMMUNICATIONS LEADER, GE T&D INDIA LIMITED
MR. SUNEEL MISHRA – HEAD, INVESTOR RELATIONS, GE T&D INDIA LIMITED
MR. MANOJ PRASAD SINGH – COMPANY SECRETARY, GE T&D INDIA LIMITED



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Moderator: Ladies and gentlemen, good day. And welcome to the GE T&D India Limited Earnings Conference Call for the Fourth Quarter and Year Ended 31 March 2020. As a remainder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Suneel Mishra – Head of Investor Relations. Thank you and over to you, sir.

Suneel Mishra: Thank you, Janice. Ladies and gentlemen, good afternoon. Myself, Suneel Mishra. And I manage Investor Relations for the company. So welcome to today's conference call with GE T&D India Limited management team. As we know, this conference call has been organized to present and discuss financial results for the fourth quarter and year ended 31st March, 2020.

Now let me first introduce my management team available on this call. We have with us Mr. Pitamber Shivnani – Managing Director and Chief Executive Officer, GE T&D India Limited; further we have available on the call Mr. Sushil Kumar, who is our CFO. Mr. Nagesh Tilwani, who is the Whole-Time Director; Mr. Sandeep Zanzaria, who is our Commercial Leader. Mr. Shailesh Mishra, who is our Operations Leader. We have with us Mr. Manoj Prasad Singh, Company Secretary; and Mr. Anshul Madaan, who is our Communications Leader.

Please note that this conference call is scheduled up to 5 PM. I hope you would have received the investor and analyst presentation and read the disclaimer as slide number 2. I would now request Mr. Pitamber Shivnani to begin this conference call, highlighting key events of the quarter. Thereafter, Mr. Shailesh Mishra will be presenting slide on operations and execution. Then he will be taken over by Mr. Sandeep Zanzaria, who will give us an update on order and market. Followed by Mr. Sushil Kumar, who will be speaking on financials.

So, I now invite Mr. Shivnani to begin. Over to Mr. Shivnani.

Pitamber Shivnani: Thank you, Suneel. Ladies and gentlemen, good afternoon. Thanks for joining the call. I would like to start this call by giving you a brief overview on last quarter, and then would request the other speakers present here to go through the detail. As we all will agree that COVID-19 pandemic has impacted our rise in business substantially. With the announcement of lockdown on 22nd March, the company temporarily closed its manufacturing facilities, except for essential maintenance and services, as reported to stock exchange on 23rd March. The offices, including sales offices were also closed and the employees were asked to work from home. In view of the lockdown, during the latter part of March, the sales for the quarter were significantly impacted. This had negative impact on the performance of the company for quarter four.

Allow me to give you a quick update on our current state of operations. Post lockdown, Unlock 2.0, the operation is returning gradually to normal at our manufacturing plants and project sites, except Pallavaram plant in Chennai for grid automation, which was operational till 19th June. But it has closed as of now till 5th July because of the new lockdown that was announced in Chennai.



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We are closely working with local administration to get the work strength back to normal numbers, while focusing on safety of our workforce. We are gradually reopening the corporate office at Noida. We are following central, state and GE guidelines to ensure health and safety of all stakeholders. Even though we have serious issues due to COVID, the company continues to have a healthy order backlog of Rs. 59 billion. Once the factories are operational and sites become fully operational, we will be able to come back to normality.

Taking into consideration COVID impact in the interest of the company, the customers and stakeholders, we are realigned our priority and have outlined our clear action items for the future quarters, increasing commercial intensity continues to be our prime focus, ensuring that we are winning here in market with margin levels that we are satisfied with. Operational excellence and execution will remain key to achieve incremental revenues and profit margins. There continues to be a huge focus on lean within the company, our plants have already adopted the lean concept. And you will get to know more about it soon through our communication channel. We are taken various measures, and in order to drive improvement in working capital, drive cost efficiencies, and estimated cash collection during the pandemic.

To conclude, I think that we strongly believe that Indian energy landscape is currently undergoing a significant positive transformation. As a leader in the innovation and modern grid solutions, we will continue to work closely with governments and our customers to implement solutions that will help accelerate in the energy transition journey.

If you will go to slide number four of the executive summary, I have already talked about the nationwide lockdown, gradual restart, order decisions are delayed in quarter one of 2021, focus on operational excellence also I talk, cost saving actions I talk, and also I mention about Rs. 59 billion backlog on orders.

Now I will hand over to my colleague, Shailesh Mishra, who is Head of our Project Business. Over to you, Shailesh.

Shailesh Mishra:

Thank you, Pitamber. And good afternoon, everybody, to the participants who are there on the call. Quarter four had been operationally significantly challenging for us because the COVID situation was setting up and global supply chains were getting impacted, which were impacting some of the equipment's to be shipped to various sites. In spite of all those challenges, we definitely as a operation team came up to the speed. And if you see the number of projects which we have commissioned during this period, and many of them were also commissioned during the peak of COVID situation in the country, because the total country lockdown was implemented some time on 20th of March, but prior to that also there had been restrictions. But the operations team definitely came up to the speed, we commissioned Varsova, Bombay Tata Power substation, which was very important for them from the power distribution point of view, and they really wanted this substation to be charged. We had to ship a transformer in a very shorter period and commission that. In Bombay, specifically, the situation was bad at that point of time.



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The third substation of the Gurgaon Palval project which was Sona Road, which was also commissioned during the same period, with this we completed the entire Gurgaon Palval scheme, which was a big project for us, including three substation in Sadarpur, Sona Road and Palval. Then we also during this period commissioned Chhattisgarh Dhamtari 400 kV substation which was AIA substation and this was also equally important for us. This is second 400 kV substation which is being done by Chhattisgarh as a state. The first one was also done by us in Jagdalpur, and this is the second one. We commissioned this also during that period.

In WB SEB, we commissioned a project which is at the Salt Lake Stadium, which is giving power supply to the Salt Lake Stadium and in the around area. We also did one solar project, eBOP for solar project in NLC, which is a power evacuation through PGCIL. And then one project in Baripada, which is again a PGCIL project in northeast part of the country where the transformer was to be commissioned. And all these substations, actually if you look at the operational performance or activity, there is a whole bandwidth of customers, so there are Power Grid projects which we completed, there are projects we completed for state electricity boards, there are projects which we completed for industry like Tata Power, and for TBCB customers like Sterlite. So it's been a satisfying operational thing for us from that point of view at least.

And I think I now hand over it to Sandeep for commercial things.

Sandeep Zanzaria:

Thank you, Shailesh. Basically, not a very, very active quarter from **Jan to March 20**. So, we could secure some major orders from, so the first one is the 400 kV AIA substation from Khurja, which is a Tehri Hydro Corporation. And then continuing our success in Himachal where we have kind of more than 60%, 70% of installed base where we got another argumentation project from **HPPTCL** basically the state transmission utility. Then Saurya Urja, which is a joint venture company with the Government of Rajasthan, so we are building a 220 kV substation for the evacuation of the solar project. So that's quite a prestigious order. And then from Adani Transmission we got the 400 kV reactor project at Mohindergarh, which is very close to their HVDC substation in Haryana.

So, the challenging market environment continues. And if you really look at the order intake situation for the Q4 2019-2020, then we did a number of about Rs. 650 crores against Rs. 972 crores. So, there are a lot of slowdown in the commercial activities which started happening, which we saw the impact that many of the bids submission got deferred and the decision making also got deferred in the last March etc. For example, there was an expected order of about \$16 million, about Rs. 110 crores for a project of Nepal which got shifted. So, there are some impact there. And for the year we have targeted a number of about Rs. 3,000 crores against Rs. 3,700 crores.

So, the total L1 positions got delayed due to COVID situation was close to about Rs. 170 crores. So for the sale, I hand over to Sushil.

Sushil Kumar:

Thanks, Sandeep. Moving on to the financial section on page eight, and starting with revenue. So, we had a challenging quarter and the financial year 2020. For the quarter four, we had a revenue



of Rs. 664 crores. This was impacted largely by the ramp down of the HVDC which is reflected in the chart to the extent of Rs. 40 crores, and the decline in the revenue for quarter because of the lockdown, that amount was roughly Rs. 160 crores. Similarly on the full year basis, the HVDC lockdown and some of the customer project delays, all these factors contributed to the decline in revenue from Rs. 4200 crores in the last financial year to Rs. 3,158 crores of revenue in the current financial year.

Moving on to the page nine. For the quarter and for the financial year, our profit before tax was negative. For the quarter, we have reported loss of Rs. 234 crores compared to a Rs. 40 crores profit in the last year same quarter. And on the full financial year basis, compared to the profit before tax of Rs. 334 crores, we had reported Rs. 355 crores of loss. Of this, Rs. 53 crores was the exceptional impairment item for one of the factory related asset which was reported in the Q2 of the financial year. And rest of the loss can be largely attributable to lower revenue, COVID related disruptions and reassessment of the warranty and other product related settlement provisions in the current quarter.

Moving on to the last slide, page 10. So as a summary, quarter four revenue were down to Rs. 664 crores, operating profit was negative Rs. 218 crores, and the loss before tax of Rs. 234 crores. On a financial year basis, we ended up Rs. 3,200 crores approximately for revenue, operating loss of Rs. 234 crore and loss before tax of Rs. 302 crores. I would like to highlight the net borrowing position where we ended up to the borrowing of around Rs. 430 crores in the financial year ending March 2020, compared to Rs. 20 crores of borrowing as of end of March 2019. This was largely because of the working capital increases that we saw in the first half of this current financial year.

With that, we will open to the question.

Moderator: Sure. Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: At the onset, I would like to congratulate Mr. Shivnani for joining the Board. So my first question is to you Mr. Shivnani. So broadly, I understand the macros are very uncertain. But in your view, what would be the low hanging fruits or your priorities first in the next six months to one year? Where do you think you can operationally help the business improve and strengthen its positioning overall? So if we can highlight some of your priorities after taking charge, and then a few questions for Sushil and the team.

Pitamber Shivnani: Yes. So the first and foremost priority is to strengthen the order backlog further, we are at 58 billion order intake, which is we are in a quite good position. But we will have to continue booking more orders and capture the market share, but profitable orders. And my mantra is very clear, cash over revenue. So because liquidity is a real problem in the market, so we want to go for secured terms of payment, that is my priority number one.



Renu Baid: Anything particular in terms of the operational elements with respect to the quality issues or otherwise? Because we have been extremely strong on the operation side.

Pitamber Shivnani: Yes. Madam, basically we are looking into each and every piece of the quality, because we are heavy on the production side, so there we have already strengthen in last six months some of the quality expects. And we will continue that efforts on quality and also lean concept, because thos lean concept we will have the higher productivity also.

Renu Baid: Sure. So the following question, first to Mr. Sushil on to your financials. Last time we have continued to see gross margins being under pressure, so there was certain reassessment of warranty obligations for SL in the previous quarters. And you mentioned there was some reassessment further in 4Q. So apart from the Rs. 52 crores of hit which we had earlier, what were the incremental hits in the fourth quarter? The other expenses shot up pretty sharply in the fourth quarter, so if you can highlight the reasons it will be helpful.

Sushil Kumar: Yes, so your question is on gross margin as well as other expenses. The Essel related provisions, as we have been disclosing in the notes to the account, is not considered in the past. Because that project we believe will revive, maybe Pitamber can explain more on the developments with respect to the CERC and changing of the ownership from the existing promoter to the new group. We had certain slippages in the earlier quarter, which were more related to the prolongation of the project costs. And some of the LD related charges that we had taken in Q3, and which was disclosed in the quarter three numbers. Having said that, our GP for the full year comes to roughly around 28%, because this quarter is a bit exceptional in nature, so we will like to probably more rationalize on a full year basis. This includes the one element of COVID, because we had to take some of the expenses related to COVID in this quarter . And also, some of the margins slippages that happened over the last few quarters and the current quarter. So having eliminating those margin slippages which have been extended in the earlier calls, our gross margin on a normal scenario comes to around 31% to 31.5%.

The other expenses, the second question that you have raised, it's already explained in the notes to the financial that we have reassessed the need of warranty and related settlement issues for all the business areas in the current quarter. And on the best estimate, the charge was taken in the current quarter and the financial year.

Renu Baid: Would it be possible for us to quantify the total provisions during the year for warranty obligations?

Sushil Kumar: It's already given in the notes to the financial. If you look at the changes in the provisions that are highlighted in the balance sheet that we have enclosed along with the financials, that's largely coming from the change in the warranty reassessment. But to be very specific, the net warranty charge is roughly about Rs. 132 crores.

Renu Baid: Sure. And my last question would be directed on the marketing side. Now, as in the imports on the T&D side were relatively lower coming in from China or foreign competition. But are you actually



now seeing customers talking about more in terms of locally manufactured or higher domestic content products, not only for Power Grid but also for states? And in your view, what could be the implication of this in the near to medium-term competitive outlook and pricing? Thank you. And that's it for my side.

Sandeep Zanzaria:

Yes, the customers are discussing about the Make in India aspect which is there, and not only in the state and Power Grid, but it is also in the TPCB space as well. But the real impact, will it be able to make up assessment only when we see the things actually moving on ground. We are anticipating some of the few bids which in Power Grid which were actually put in under the normal global competitive bidding. We are expecting some large bits to be cancelled and to be floated under domestic competitive bidding. So the first impact we are seeing, but the overall impact on this number, because still the states have not come up with any such policy. We have not seen any concrete feedback from any of the states on this aspect. So till the time we don't see it coming from the states, the exact impact is difficult to assess and come out.

Moderator:

Thank you. We take the next question from the line of Renjith Sivram from ICICI Securities. Please go ahead.

Renjith Sivaram:

Sir, if we look at our order book and the next year, how much of this order book do you think that can be executable given the COVID scenario for next year? We had an order book have close to Rs. 5,800 crores, how much of this will be executable or you think that can be executable over the next year?

Sushil Kumar:

See, if you look at our past performance, the company has capacity to even go up to Rs. 4,000 crores. But if we talk particularly about the financial year, it depends on how the COVID related developments happen. It's very difficult to call out the number in that scenario. As Pitamber already explained that there was practically two months of lockdown and gradual improvement of activity, which is now at a very reasonable level. So, depending on that, we would like to expand and execute as much as possible in the coming months and quarters. But overall, we can say that based on the current year revenue we can easily execute more than like Rs. 3,000 crores of revenue based on our past performance. And we need to take into consideration the two months of lockdown also. So we are not laying out a number, but company has potential to execute as much as possible, depending on how the customer projects move and how the government's permission allow us to perform.

Renjith Sivaram:

So all our project sites are currently active? Or if you can give a percentage to that?

Shailesh Mishra:

See, we have as of now almost 75 sites which are operational, which are on the floor. And most of them, I think 73 have reopened after the shutdown, after the COVID situation, only one or two sites where still we are not able to kind of really move the manpower. Otherwise, all our sites are open. However, we have not gone to the full speed of execution, because there are issues related to, still some states have quarantine related aspects, because people have to go for quarantine for 14 days once they enter into that state. And second, also little bit of an impact on the migrant



labourers, because the labourers have gone back to their hometown and bringing them back to site or maybe finding an alternative is challenging. So, operationally we are active on all sites, but as a percentage of operation, I would say, to the extent of 60% capacity we are operating on those lines.

Renjith Sivaram: And is there any more warranty obligation or any kind of this one-off spending? Or is everything done and dusted with?

Sushil Kumar: As disclosed in the notes to the financial, this is on the best estimate basis, whatever information and assumptions are available as of now following the guidance as per the accounting standard.

Renjith Sivaram: Okay. And if you look at our receivables, receivables days has increased. So where do you see this receivable, does it continues to be a challenge or you are seeing more liquidation of receivables in the recent time?

Sushil Kumar: So, last quarter, we ended up at about Rs. 100 crores of outflow, when I say last quarter means January to March quarter. Whereas the previous quarter, which was September to December quarter, we had Rs. 100 crores of net cash generation. So, for a six month basis, we are kind of breakeven. And last quarter, we could generate a reasonable positive cash flow, barring this lockdown which happened in the last 10 days where our substantial amount of money which was more than Rs. 120 crores to Rs. 150 crores got stuck because there was a sudden lockdown. So, our performance in terms of cash is stable in the last six months per se, and the current quarter we have seen that the customers have adopted to the new systems and the realizations have started to happen in a better fashion. So, our endeavor, as Pitamber said, his priority of cash is the number one priority. And we are working hard to improve the cash situation and liquidate our receivable and retentions as much as possible.

Renjith Sivaram: So when I look at your last year receivables, it's around 219 days. So, how much do we see this coming down in a normal for FY '21?

Sushil Kumar: It is very difficult to call out a number due to COVID scenario, but our effort is to liquidate most of the money that we can collect from the customer, whether it is lying in retention or receivable. You are comparing the days sales outstanding because the revenues have come down and corresponding receivable reduction is not at par with the reduction in revenue. Our effort is to liquidate and generate net positive cash flow, but we will have to keep in mind that there was a lockdown for a few months where the delays have happened. And we don't know how the continuing impact happens on the customer or the payment process. But as of now, as I said, the current quarter was very motivating where customers have adopted to the new procedures and started paying us better than the sudden lockdown impact that we saw in the March quarter.

Renjith Sivaram: And in terms of for fixed costs and employees, is there any rationalization planned?



- Sushil Kumar:** So, we have taken a hard look at all our cost elements. And that effort which will continue for the rest of the year, we have been able to save some of the elements from the fixed cost and we will continue working in that direction. It's very difficult to quantify a number at this stage, but yes, we are making a progress and improvement out there.
- Renjith Sivaram:** Okay. And sir, lastly, the order book mix in terms of central utility, state and private which you generally give.
- Sushil Kumar:** Yes. So, out of the backlog that we have, about 40% is roughly private, around 30% to 35% is the state electricity board, and rest 25% is split between the central utilities and PSUs, plus export orders.
- Moderator:** Thank you. We take the next question from the line of Jonas Bhutta from Phillip Capital. Please go ahead.
- Jonas Bhutta:** Good evening, gentlemen. And I hope everybody at your end is safe and healthy. I had three basic questions. First, drawing from Renu's earlier question on trying to identify the bridge between the other expenses in the fourth quarter last year to the current quarter, which has gone up by almost Rs. 150 crores. You mentioned that warranty obligation was Rs. 132 crores, so was that come in particular to the fourth quarter or for the full year?
- Sushil Kumar:** So, it's largely the amount of impact in the full year as well as the fourth quarter. I don't have the exact split between the year and the quarter, but roughly the numbers are similar in nature in the range of about Rs. 130 crores.
- Jonas Bhutta:** So out of the Rs. 150 crores delta that's come in via the other expensive, Rs. 130 odd crores is just warranty?
- Sushil Kumar:** Yes.
- Jonas Bhutta:** And we also see bad debts written off, which are part of the cash flows of almost Rs. 80 crores, Rs. 60 crores of which have come in fourth quarter, is that correct?
- Sushil Kumar:** Fourth quarter we roughly had about Rs. 35 crores to Rs. 40 crores of bad debt provision, which is also a part of the other expenses. Half of it is due to the adoption of the COVID related guidance note and the accounting practices where the expected credit loss models have to be aligned, given the new ICAI Guidance note. And the balance half is the specific few customers where we had seen a delay in payment and had to be provided off during the quarter.
- Jonas Bhutta:** And until the nine months you had some Rs. 25 crores of LD provision. What is the year end number?



Sushil Kumar: I don't have the specific number, but roughly the LD charge for the year will be Rs. 30 crores to Rs. 35 crores, but I need to double check that piece.

Jonas Bhutta: Sure. Sir, coming to my second question, that is on the pipeline of projects. What we have seen so far is that REC PFC have almost announced 20,000 plus megawatt of tenders. Are you seeing that same amount of vibrancy amongst your clients, indicating that this is a near-term opportunity, or this is going to be spread over maybe one or two years? And the second was in Bangladesh, because that's one another area where we have seen a significantly large pipeline of projects, but not much movement in the last 12 months. So if somebody in your marketing team can help us understand what is actually happening in Bangladesh, and whether that is, if at all, a tangible opportunity for the company?

Sandeep Zanzaria: So, basically, yes, you are right, that the REC PFC projects, what you have said, is the same what we are also seeing in the market through our customers. The developers' community, which is like Power Grid, Adani, Sterlite and other developers as well. So, only thing is that due to COVID situation the projects have been shifting by a month, the revised due date is like July. But definitely looking into the very stringent timeline for the execution, we expected these projects to be awarded to the developers sometime between some time earliest could be September or the realistic timelines could be between October to December could be a realistic timeline for an award of these projects. Few of the projects out of these which is related to the southern region, we are seeing some shift which is happening. So that may and might get shifted by maybe six to eight months, something like that.

On Bangladesh, yes, we have seen a few projects, specifically last year there was a big pipeline, presently also there are two, three some large projects which are there. But looking into the competitive situation which is there, we have seen most of the Bangladesh business is being conquered by the Chinese companies. So the main bidders which are there, the main lowest bidder which are emerging are Chinese companies in collaboration with or maybe in partnership with some Bangladesh local company. But definitely there is a product market for us which is available there because the AIS product and the automation etc. is growing from either multinational companies or the Indian companies only. So, definitely there is a product market, but not the substitution market because most of the orders are with Chinese.

Jonas Bhutta: And given that Indian EXIM bank is also funding almost \$2 billion there, so those orders are also going to the Chinese?

Sandeep Zanzaria: So, one thing also is there, in Bangladesh the timeline for decision making is pretty long. So it takes practically about a year's time when the tender is floated to the decision making when it happens. So the EXIM funded projects have just come in, so that is going to take some more time. I am talking about the TBCB which had taken the loan of KFW and World Bank funded projects, I was mostly talking about this. EXIM Bank funded projects of India would definitely be coming to the Indian companies only.



- Jonas Bhutta:** Okay. And lastly, if you can comment on what would be the sustainable gross margins? Because you did mention that adjusted for these COVID related **impact** and margin slippages, the normalized GPM this year is about 31 point some odd percent. Should we assumed more or less the same GPM in the order book, or that is likely to improve now that most of your low margin orders you provided for the same?
- Sushil Kumar:** In terms of GPM, that's roughly the order booking margin, 30%, 31%. At the same time, we have seen some prolongation of projects in the past. Definitely there is a pricing pressure in the market, as Sandeep has been talking in the few other calls. As a strategy what we do, whatever order we book, we generally try to then work on the sourcing savings, negotiations and productivity to improve from the level of margin that we have booked in order. But at present, the normalized margin which comes in the order booking should be in the range of 30% to 31%.
- Moderator:** Thank you. We take the next question from the line of Viral Shah from Prabhudas Liladher. Please go ahead.
- Viral Shah:** So, a couple of questions, while most of them have been answered. One is in terms of order book. Have we seen any cancellation or slow moving orders or deferment of orders? And what we will that percentage be from clients?
- Sandeep Zanzaria:** So, I would not say that any of the orders have got cancelled for us. That is not what we are seeing. Definitely there is a slow pace which is happening for decision of the order making, because of the COVID situation, even at the customer side the people are not able to attend the offices, etc. So, we are seeing a shift in the decision making time for the orders. So, there is a slow movement in that process. But the good part of it is that we are not seeing any cancellation of these projects, and none of our orders what we have booked in our backlog has got cancelled.
- Viral Shah:** And Sandeep, since there has been a slow moving and deferment, so any kind of price escalation or that variation sizes which comes, whether that has also been accepted by customers, because the situation is not in our hands, right, COVID is something which no one would have guessed it. So, most of the suppliers are understanding it and they are eligible for price hikes as well or no?
- Sushil Kumar:** So on the orders side, some of the orders are firm price in the nature, and some of the orders have the variable price component. The COVID related impact is of two types in nature, one is the delay in the project timeline, which is largely covered by the force majeure event. So, meaning, we should get the time extension to execute this project. At the same time, there was some cost overrun that we saw in the quarter because of the lockdown situation where the minimum expenses had to be incurred at the site. We will continue to push our customers to get paid for that, however, that discussion will take time. Whatever on the best estimate basis we could think of will not be reimbursed, has been provided in the financials, for the quarter ending March 2020.



- Viral Shah:** Fair enough, that was very helpful. And secondly, we had did mention that there were some supply side issues as well. So have those issues been resolved in a month of June, or they still continue to persist?
- Pitamber Shivnani:** I am not sure what you are mentioning.
- Viral Shah:** Yes, we had mentioned in our call in the opening remarks that one of the team members had mentioned that there were some global supply side issues, and what is the reason why the execution was also a bit delayed. So, obviously, month of April was a lockdown, and partially we had commenced operation from the month of May. So has those issues been resolved or still the issue continues in terms of supply side?
- Pitamber Shivnani:** Those issue are resolved and there are a lot of improvement on supply side actually. But we have not reached 100% supplies for our factories. So there are a lot of improvements and almost we are getting supplies from our all suppliers, but the speed is not 100%.
- Viral Shah:** Agreed. So could you quantify that number? So what would be the number be in May and what would that number be in June, so that quantification, a rough estimate also would have been something which could be helpful.
- Pitamber Shivnani:** It is extremely difficult at this point of time to quantify it.
- Viral Shah:** Fair enough. And lastly if I may, any suppliers which we would have been importing from China or an exposure for China in terms of imports, could you quantify that in terms of numbers or percentage, that would be great?
- Pitamber Shivnani:** We are evaluating it at present about Chinese suppliers and how we can basically develop more suppliers in India at present.
- Viral Shah:** Agreed. But what would be the ratio for FY '20 be in terms of percentage of supply whatever we have been, so that is coming from China basically. A rough number, some guidance to that would have been great.
- Sushil Kumar:** Roughly we have about 20% of our import from the China, but some of them are also from the group companies, not from the third party suppliers.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** My first question is, the closure of the Naini factory would have taken out what part of our fixed cost?



Sushil Kumar: So, during the year, post closer to the factory, we have spent close to, our fixed cost to that extent is roughly Rs. 20 crores.

Bhavin Vithlani: And if one looks at our fixed cost structure, and I am looking at fiscal year 2019, as I have the annual report. So about roughly Rs. 700 crores, Rs. 400 crores could be the employee cost. And when we speak to our peers, they are targeting anywhere between 15% to 20% shave off from the fixed cost due to various measures. Any colour on that would be helpful.

Sushil Kumar: So, out of Rs. 700 crores, I think you are including the depreciation also out there. I think the cash charge is roughly in the range of Rs. 600 crores. As we mentioned earlier in the call, we are taking a hard look at every single cost line item, we have been able to optimize on some of the cost. We will not be able to lay out a number right now in the call, but our effort will be to reduce the cost as much as possible.

Bhavin Vithlani: Understand. The second question is on the, I mean, if one looks at fiscal year 2017, 2018 and 2019, on an average we have done revenues of Rs. 4,200 crores, and as your presentation mentioned, ex of HVDC we had done Rs. 4,000 crores. I mean, if one leaves fiscal year 2021 as an exceptional year, could we believe that, and looking at the order pipeline that you have, can we come to that Rs. 4,000 crores revenue number in fiscal 2022, if the business we anticipate pans out?

Sushil Kumar: Rs. 4,200 crores had always the element of HVDC. And you know we are in the long cycle business, so the order, decision, award and then execution takes longer time. So, FY 2022 revenues depend on the size of the market that get realized in FY 2021, and we will have to see for that. As I said earlier in the call, our capacity is there, we can definitely ramp up and increase to the higher level of revenue. With the backlog of say Rs. 5,900 crores, if the customer projects do not delay and if everything becomes normal back to the pre-COVID levels, definitely we should have improvement from the current execution level. Because currently we executed about Rs. 3,200 crores, and we had a miss of Rs. 160 crores remaining in the last quarter. So, adding to that, it roughly is like near Rs. 3,400 crores. You can say that we can also improve if the projects do not delay and the book to bill orders are available, from that level to a higher level. But difficult to reach immediately in 2022 for Rs. 4,000 crores without HVDCs in place.

Bhavin Vithlani: Understand. So could you speak on the export, what was the revenues from export in fiscal year 2020? And how are you seeing the export market opportunity? You spoke about Bangladesh, but anything that we could expect as an outsourcing or exports with the help of the parent?

Sushil Kumar: I will answer the first question of the level of export in our revenue, and then let Sandeep answer on the market realization from the export. So answer to the first question is that during the financial year our revenues from export were roughly in the range of 17% to 18%.

Sandeep Zanzaria: So basically what we are looking for is that we are talking to the parent company for utilizing the factories more and more for the export opportunities. And of course, it's very difficult to give a number as of today because of the COVID situation, so a lot of markets and also there is a lot of



different scenario which is occurring in to different regions. But yes, I would say in a medium-term, we expect more allocation of markets and exports to grow better and more improve from the Indian factory.

Bhavin Vithlani: Sir, can it be like 30% of the revenue, say, over a medium-term as you highlighted?

Sandeep Zanzaria: The number would be difficult to pitch in.

Bhavin Vithlani: Alright. Just last one question on the receivables front, and Mr. Shivnani spoke about cash over revenue. What is the level that you guys are targeting on the receivable side of the business and also the working capital side? We have seen improvement in the past, but any number that you could share would be very helpful.

Sushil Kumar: In the earlier calls we talked about becoming debt free by a financial year 2021, which means that we were aiming from September 2019 to March 2201, in like 18 months window to realize about Rs. 400 crores of cash. The quarter for September to December, the first quarter was good where we realized Rs. 100 crores, but because of sudden lockdown, as I said that we had an outflow of Rs. 100 crores. So, which means that in six months we have neither improved nor deteriorated our working capital or the borrowing position from the levels where we started to focus hard on cash in addition to the earlier effort that we were doing. Going forward, though the aim remains the same, but because of COVID there will be deferment to this target. Definitely, the financial year 2020-2021 becomes difficult to achieve. But effort is always to generate breakeven or positive cash every quarter. That is the minimum that we will work towards, and effort is to reduce the receivable and retention as much as possible by better execution and by streamlining or strengthening the payment terms that Pitamber talked in the beginning of the call. And to put in short, the aim remain same, we will work towards that, but the timeline may get delayed because of the current situation. And to achieve that, it's not only just receivable that we are focusing on, just to add on, we are also focusing on inventory optimization, the payables, and each and every item that lies in the working capital.

Moderator: Thank you. We take the next question from the line of Abhishek Puri from Axis Capital. Please go ahead.

Abhishek Puri: Just wanted to check a couple of things, first on the IL&FS provision, that has not been fully done yet, any reason why?

Sushil Kumar: So, IL&FS, we have provided about Rs. 19.5 crores roughly, out of the Rs. 25 crores of the assets that we had through the PF investment. Some of the bonds are secured, so in the absence of any particular market related information, and the earlier communication that came from the team which was managing IL&FS, the media information that was available, we took an estimate that 25% of the money could be realized. However, based on the update of the information, we will consider that in the next quarter. And the primary assumption was that because the part of the debt are the secured debts, and they have charged on that.



Abhishek Puri: So this will still be charged off in the coming quarters?

Sushil Kumar: No, I am saying that. Based on the information that was given, we are left with about Rs. 5 crores of provision. Based on the information available in the public domain, the assets of IL&FS have value in the market, and the committee which has taken over the assets are in the process of disposing off. The money is expected to be given to the secured creditors first. And some of the investments that we have made are secured in nature.

Abhishek Puri: That is what you have not provided in the slide?

Sushil Kumar: Yes, that's what we have not provided, because we assume or believe based on the available information that the money is realizable, but we will have to see the more outcome of the realization of asset and more information that is available in the market. These investments are due a few years from now. And we hope by the time there will be realization of the assets of IL&FS and allocation of the realization proceeds to the secured creditors.

Abhishek Puri: And my second question is on the gross margins of the company. So, past two quarters, we are at about 24%, 25% as against you know, 33%, 34% that we have been reporting earlier. So, although you gave some details for other expenses and warranty provisions that have been done, are there any one-off steer or is it just related to project delays that we have seen in these two quarters being abnormal level of gross margins and from next quarter we will be able to get back to 30%, 31% level?

Sushil Kumar: So, as I explained earlier in the call, we are running on a full year basis at the gross margin of around 28%. This has two components, about 1% due to Naini factory related expenses and 1.5% impact because of COVID . And then we had about couple of percentage point's margin reduction because of the project prolongation. So, if these two elements are excluded, the normal book to bill and execution margin, if no margin slippage happen, is roughly in the range of 30% to 31%.

Abhishek Puri: And that can be assumed if the projects do not get further prolonged, that can be expected to happen in the next year as well, in FY '21 as well?

Sushil Kumar: Yes. So our effort is always to improve. While we don't lay out a number here, because a lot depends on how the projects move because of the COVID situation, how the commodity price move. Our first effort is always to deliver at the actual or at book margin.

Abhishek Puri: Right. And my last question is on, Pitamber has run a very successful business at ABB, one of the most profitable T&D businesses, high ROCE, high cash, what are the kind of practices that have been brought about or cultural changes that have been brought about here that can assure the investors that similar warranty provision, project delays do not happen, and we are able to get to a better working capital and cash generation? As well as in terms of what new products are being planned along with global parent to be brought into India? I mean, GE supplies a large part of locos, but you do not have any electricals to be supplied there or any confirmed orders from the



group company. So, just wanting to understand any direction or strategic change that the company has taken.

Pitamber Shivnani: So, I am in discussion with the headquarters, and we are going to have a detailed discussion in the coming months to come, how we are going to take forward our journey in India, on export as well as bringing in new products. And you correctly said, related to railway business.

Abhishek Puri: And in terms of working capital, any business practices that have changed? Are we not bidding on any of the state projects, or what are we doing differently this time?

Pitamber Shivnani: We will clearly go for, I will not say state projects or central projects, we will go on connectivity basis. And cash will remain priority number one for me.

Abhishek Puri: If you can provide the breakup between projects, products and services for the current year or quarter, or current year should be good enough? That's my last questions. Thank you and all the best.

Sushil Kumar: Yes. So around 48% to 50% of the revenues from the product sales, and the balance is from the project sales during the current financial year. It's almost equally split.

Abhishek Puri: Services, is there any part?

Sushil Kumar: So I included the services in the project sales, so that will be roughly about 5% of this, so around 48% to 50% of products, 45% projects, and 5% services.

Moderator: Thank you. We take the next question from the line of Jigar Shah from Financial Research. Please go ahead.

Jigar Shah: I think sir, you mentioned for FY '20 we had a warranty assessment of Rs. 132 crores, bad debts of about Rs. 80 crores, and LD provision for Rs. 35 crores. What is LD provisions, if I may ask?

Sushil Kumar: Liquidated damages cost is a contractual provision where there is a penalty on the delay in execution.

Jigar Shah: And sir this warranty, I mean, any outlook or is it a one-off for FY '21 or...?

Sushil Kumar: No, as I said, it was based on the best estimate basis, considering the past historical trends and the related estimates that we have made. Warranty are generally for a period of next one year to three to four year, depending on the different nature of products.

Jigar Shah: I see. And sir, anything in the earlier calls we did talk about HVDC opportunity at Bangladesh and the Dhaka, any outlook on that, sir?



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- Sandeep Zanzaria:** So, basically the Bangladesh opportunity did not go through finally based on the agreement between India and Bangladesh, practically because of the cost of the project and things like that there was a rethinking by Bangladesh PGCBand eventually the project was dropped. This project of Leh, Ladakh definitely will, but because of COVID situation etc., it is still not moving at a desired pace. So, we expect maybe minimum at least one more year for it to come on ground and have some concrete movement forward.
- Jigar Shah:** What would be the size of this project, in the sense, opportunity?
- Sandeep Zanzaria:** That will depend upon the total volume, but if it is going to be 7.5 gigawatts, that is going to be like \$2 billion opportunity.
- Jigar Shah:** And our share would be?
- Sandeep Zanzaria:** So, they are planning about three blocks of 2.5 gigawatts each. So, that would depend upon what share we win.
- Moderator:** Thank you. Well, ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Suneel Mishra for his closing comments.
- Suneel Mishra:** Thank you, Janice. Thank you everyone for your participation. We conclude today's conference call. In case you have any other question, then please feel free to contact me or Mr. Anshul Madan, who is our communications leader. Thanks again.
- Moderator:** Thank you. On behalf of GE T&D India Limited, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.