GE Power India Limited
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19 February 2024

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

Symbol: **GEPIL**

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

Scrip Code: **532309**

Sub.: Transcript of Earnings conference call held on 13 February 2024

Dear Sir/Madam,

Further to our letter dated 13 February 2024, please find enclosed a copy of the transcript of Earnings conference call held on 13 February 2024.

Thanking you,
Yours truly,

For GE Power India Limited

KAMNA TIWARI

Digitally signed by KAMNA TIWARI
DN: cn=KAMNA TIWARI c=IN
o=PERSONAL
Reason:
Location:
Date: 2024-02-19 19:43+05:30

Kamna Tiwari
Company Secretary & Compliance Officer

Enc.- As above

"GE Power India Limited
Q3 FY 2023-24 Earnings Conference Call"
13 February 2024

MANAGEMENT:	**MR. PRASHANT JAIN - MANAGING DIRECTOR - GE POWER INDIA LIMITED** **MR. YOGESH GUPTA - WHOLE TIME DIRECTOR AND CHIEF FINANCE OFFICER - GE POWER INDIA LIMITED** **MR. ROSHAN SINGH - SENIOR SALES MANAGER - GE POWER INDIA LIMITED** **MR. RAJ RAMAN - EXECUTIVE PROJECT MANAGEMENT - GE POWER INDIA LIMITED** **MR. KALPESH - BUSINESS HEAD -HYDRO GE POWER INDIA LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Earnings Conference Call of GE Power India Limited in respect of its financial results for the quarter ended on 31st December 2023. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Prashant Jain, Managing Director, GE Power India Limited. Thank you, and over to you, sir.

Prashant Jain: Thank you, team Chorus and very good evening to you all, and thank you for joining the discussion on our financial and operational performance for the third quarter and 9 months ended financial year 2024.

For this call, I welcome my team, who has joined me to answer your queries. I have with me, Mr. Yogesh Gupta, the CFO; Mr. Roshan Singh, Head Sales of FGDs and Emissions; Mr. Raj Raman, Executive with Projects; and Mr. Kalpesh, the Hydro Business Country Finance Officer.

I would start with the global economy. Looking back at 2023 the global power demand growth saw a notable deceleration standing at 2%. This slowdown was influenced by various factors, including the aftermath of the energy crisis, which cast a shadow on economic growth in developed economies.

However, according to the McKinsey's recent article on Power Outlook, trajectory of global power demand is set to surge across sectors in the coming years. Our notable surge is expected in transport sector driven by rapid growth in the electrical passenger's vehicle.

Within the industry, a doubling of power demand by 2050 is foreseen, fuelled by the electrification of low-to-medium heat processors and escalating needs of data centers. Simultaneously, the power demand building is also projected to double, simulated by growing demand in emerging markets and electrification administrative's gaining traction in OECD countries.

Considering various scenarios, power demand is forecasted to grow globally, influenced by factors like population growth, increasing wealth per capita, continued trend of electrification. While China, India and North America are expected to contribute more than half of the global power demand growth, economies in regions such as Africa, Middle East are anticipated to experience fastest electrical growth aligning with good growing wealth per capita.

In 2023, robust growth in electricity demand was observed in China, India, and Middle East countries and Southeast Asia, whereas advanced economies posted substantial declines. This decline was attributed to lackluster macroeconomic environment, high inflation leading to reduced manufacturing and industrial output.

Looking forward, the trajectory is optimistic with global electricity demand projected to grow at a faster rate, averaging 3.4% annually through 2026. Coming to Indian economy and Power sector. In the Indian context, the power demand has been robust since last 2 years. In FY '23, the power demand grew 9.5% and in the 9 months period of current financial year, power demand is around 8%, reaching 1,221 billion units.

In September this fiscal year, peak power demand touched a record high of 243-odd gigawatts, far higher than 220 gigawatts witnessed in 2023. Continued rapid economic expansion and robust demand for space cooling their main pillars of growth in the electricity demand.

After 2 consecutive years of strong gains, India's electricity consumption surpassed that of Japan and Korea combined at the end 2023, bolstered by a fast-growing economy and powered by increased electrification. India's electricity demand is expected to rise by an average of 6.5% over '24 to '26 period. India pose this fastest growth rate through 2026 among major economies. Over the next 3 years, India will add electricity demand roughly equivalent to the current consumption of United Kingdom. 1/3 of this incremental electricity demand is expected to come from rising coal-fire generation.

Additionally, the government's approval for coal and lignite-gasification projects has further boosted sentiment in the Power sector. This move is seen as a significant step in middle stream chemical & import to domestic power industry.

Despite these developments, a challenge in India's Power sector lies in the reliance on coal and lignite-fired power plants. Currently out of the total capacity of 207 gigawatts, only 22 units with a capacity of about 9.38 gigawatts less than 5% have been fitted with flue-gas desulfurization or FGD systems. This indicates the need of implementation of FGDs in the Power sector to resume sulphur emissions and enhance efficiency of the units. Your company is a prominent player in this technology, and we are hopeful government accelerating compliance of installation of FGDs over the next couple of years.

Moving on to the executive summary of the performance of your company for the third quarter and 9 months ending for GE Power India Limited. In the third quarter of the financial year '23, '24, we continue to see that FGD and Hydro PSP opportunities are converting to orders slower than anticipated.

Our revenue is down 14% versus the second quarter of previous year, mainly due to lower orders in previous quarters as well as project delays. Claims settlement continues to be slow. However, we continue our efforts towards them. The service business continues to grow with 56% more orders quarter-on-quarter.

Operational pressures and executing challenges on our new build project sites still persist. Multiple onetime impacts have a positive influence on profit this quarter, including forex gain and interest on income tax refund. That's the overall summary of the operational performance of the company in the quarter ending December '23

I hand over the call to Yogesh, who will take you through financial performance of the company for the quarter. Over to you, Yogesh.

Yogesh Gupta: Thank you, Prashant. Good evening everyone. I am pleased to welcome you all to share the financial and operational performance for the third quarter of FY 23-24.

During the quarter, the company booked orders worth INR 195 crores against INR 152 crores in Q3 FY 22-23, which is 28% higher in this quarter. The slower than anticipated order inflow from FGD and Hydro PSP, has impacted revenue. The backlog thus has depleted from INR 3,699 crores as of September '23 to INR 3,437 crores as of December '23. Lower than expected orders in the last 2 years andSaundatti project suspension has resulted into lower revenue for the quarter.

Revenue for Q3 '24 stood at INR 456 crores down from INR 533 crores in the corresponding quarter oflast year, and the revenue in Q3 '24 is higher than the revenue of INR 354 crores in Q2 '24.

Cost escalation due to project delays, execution challenges at sites and slower claim conversion have led to lower margins for the quarter. As we navigate through the evolving customer expectations amidst the changing market dynamics, the complexity of our operational landscape poses ongoing hurdles. The persistent operational challenges demand attention and strategic resolution and hence, with an aim to mitigate these pressures, we are refining our operational framework that helps us in progress optimization and resource reallocation to ensure sustained competitiveness and long-term viability.

Loss before tax for Q3 '24 was INR 2 crores against loss before tax for Q3 '23 of INR 30 crores. The reduced loss is due to onetime impact in the current quarter which are:

- Forex gain
- Interest on income tax refund
- Onetime cost impact of Durgapur restructuring in Q3 '23.
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Further, the decrease in loss before tax for Q3 '24 as compared to loss before tax for Q2 '24 of INR 62 crores is due to one-time impacts stated above (forex gain, interest on income tax refund and increase in margin on certain projects).

Summarizing:

Focus areas for the company continues to be claims settlement and cash collections, by executing on FGD projects. The improvement in order intake is an important milestone to watch out for.

We now open the floor for Q&A.

Moderator: Thank you very much. The first question is from the line of Akshay from JHP. Please go ahead.

Akshay: So what was the reason for slowdown in the -- on the FGD and Hydro side?

Prashant Jain: Thank you. It is not a slowdown. The -- as I've mentioned earlier, that less than 5% have been commissioned FGDs and the units. The government has extended the timeline for implementation of FGDs by about 2 years. So the customers have come with a sense. So if you look at the central sector, LTTC, has ordered all the FGD units, majority of their installations. The State and the private customers, they are now following through. So we have seen one order and then we have seen -- so the orders have not materialized to the extent that we were expecting to materialize. That's where we are.

And Hydro, of course, it's always been a long-cycle business. And therefore, it's always taken time to convert an opportunity to an order. So -- and the order that we converted previously, Saundatti, it's almost a year now. It has been under suspension, that's a PSP Hydro, that's because of certain land clearance issues. So that -- even though we booked the order, the conversion to revenue is taking a lot longer than anticipated. So that's the headwind that we see in the [topline] of the company.

Akshay: Okay. So but if I compare some of your competitors for example, Power Mech, has been able to get a lot of FGD orders as well. So what is the reason behind they getting and we not getting?

Prashant Jain: We've also announced an order, if you remember, in Gujarat. The question is, what was the expected demand versus what is the actual conversion of orders with the demand. So if you look at the entire statistics of the total demand, I will call upon to Roshan to throw some light in terms of the ordering happening and the conversion with the FGD. Roshan?

Roshan Singh Yes. Thanks, Prashant, and hello, everyone. Roshan this side . So when coming to the conversion, like vis-a-vis when compared to last -- this 9 months, there was 20 gigawatt what was overall ordered in the market. And so as Prashant rightly said that due to extension of timeline by government of India by 2 years. So there is -- the order has been slowed down. So like this year, in this 9 months, there has been 12.3 gigawatts, which has been ordered. And in this 12.3 gigawatt, we have secured Gujarat order of Sikka which is 500 megawatt, 0.5GW.

And coming to the Power Mech part. Yes, they have got order, but if you see they are the EPC contractor and they have to collaborate with certain technology partners. And for a few of their projects, we have partnered with them and secured order in last financial year.

Akshay: Okay. Okay. And sir, what sort of opportunity are we looking out of this 20 gigawatts?

Prashant Jain: So 20 gigawatt was last year, '22, '23 of that 9 months. And if we compare this year for that 9 months, it is 12.3 gigawatts.

Akshay: Okay. No, I'm asking what sort of opportunity pipeline for the next 2 years are we expecting? Are we eyeing for, if you can...

Prashant Jain: Yes, I'll take that. Look -- we do not give forward statements. We have stated the market -- the opportunities in the market, and we have bids out there. The challenge that we have seen is even Gujarat Sikka, we were L1 almost a year ago. It has taken 9 months to convert that into an order. So the challenge that we are sharing is on the slow ordering and conversion of order into what we're able to book.

So the run rate that is required for the company in that run rate, we do see that there are challenges. If we do book the order, let's assume even if you book an order in the coming quarter, if you take meaningfully 9 months to a year before we can convert that into revenue. So when we say the context of slower order intake, it is to explain that in the project business, unlike service business, the time to convert the order into revenue is longer, which means at least 3 to 4 quarters from booking an order we will start seeing that convert into revenue.

And as Yogesh mentioned, the backlog has come down by roughly INR 200 crores. That's because we've lesser orders than the revenue that we are executing currently. And we have seen slower order intake. That's the challenge that we want to make it transparent to give you the context of what we'll be talking about.

Akshay: Okay sir that helps. And sir, when are we expected to be operationally positive? If you can give some color on that.

Prashant Jain: As I said, forward forecast, we do not give as a policy. But it will be a good idea to monitor the order intake and you will get a leading indicator in the order intake and the backlog when it starts becoming meaningful. At the moment, we are running short on the run rate for revenue due to the depleting backlog of the order intake.

Moderator: Thank you. Our next question is from the line of Dilip from ICICI Bank. Please go ahead.

Dilip: Sir, my question is regarding for retention payments. request, if you can give some insights regarding the realization schedule of retention payments that you have?

Prashant Jain: Sure, I would like Yogesh to share insights on that. Yogesh over to you.

Yogesh Gupta: Thank you, Prashant. We have our receivables of almost about 60% under retention. And these are linked to the achievement of various milestones of the project. And the year and the quarter gone by has been very successful for us in terms of collecting retention money and close to INR 240 crores have been collected on account of retention in these nine months ended December'23. And the plan to collect retention money against the milestones goes up to 2026-2027. Normally, we don't give any forward-looking statements, but this is how the evolution of the collection against retention will happen.

Dilip: Okay, sir. And sir, the second question, is there any update regarding depromoterization event for GE Power India Limited?

Prashant Jain: No, there is no update. We will disclose at the moment we have an update.

Moderator: Our next question is from the line of V.P. Rajesh from Banyan Capital Advisors.

V.P. Rajesh: Just -- I am new to the company so I am trying to understand some numbers here. When you talk about 92% of your order book is from...

Moderator: Sorry to interrupt sir. May I request to use your handset because your audio is not clear, sir.

V.P. Rajesh: Just one second. How about now?

Moderator: Yes, sir; now you can go ahead.

V.P. Rajesh: My question was that with respect to -- I am new to the company, so I'm just trying to understand some numbers here. So when you talk about 92% of your order book is services, should we say this backlog of -- 92% of this backlog of INR 3,427 crores is from services. Is that the right interpretation?

Prashant Jain: No, that's not. Thanks for raising the question. Since last couple of years, we've been sharing the development quarter-on-quarter on the order profile. And we had identified 3 areas of focus. One was to develop non-EPC business. Second was to grow services. And third was to focus on private customers and government customers. The idea was to derisk the portfolio, improve cash accretive, margin accretive profile of the order intake. So every quarter -- so this is the quarterly number. This number is for the quarter period and comparison to the quarter of previous period.

And how are we faring on a scale of 100 for the order book in the current quarter. It is not on the cumulative backlog. It is the booking of the quarter and how that booking fare.

V.P. Rajesh: I see. So what you're saying is INR 195 crores of order booking in this particular quarter 92% is the services and 8% is in the new built.

Prashant Jain: Correct. That's simply because we did not book any Hydro or FGD. So the entire booking was pretty much service. That's how it is.

V.P. Rajesh: Right. And then the other comment, your colleague made that you are into EPC, but yet for this quarter, we see 47% is EPC. So -- what am I missing in that comment and the statement?

Prashant Jain: No, we did not say we are not in EPC. What we said is we want to derisk the portfolio. The comment was that to explain the Power Mech booking. But the 3 orders of Power Mech, which Power Mech took as full EPC, the partner was GEPIL on an industrial project. So some of their order intake had also translated for order intake for GEPIL, unfortunately, that order is in suspension at this point in time. But it was excluding one particular transaction, which was raised by the other investor.

V.P. Rajesh: I see. Okay. And then just last quick question is on the GE's intention with respect to this business. I think we had talked about 3-year timeline back in fall of 2021, if my memory serves me correctly. So we are into the third year of that timeline. So do we have some clarity as to what the intent is because I've also heard that they may not want to sell this business. So I'm just curious what's the take on that point.

Prashant Jain: Anything I say would be speculative on that. The current official position, the last disclosure that GE has made and GEPIL has made to the stock market and Kamna can clarify when we rate that probably went -- that was a couple of months ago where we have clarified the current position of GE on the topic. Kamna, you may want to bring the light to the previous disclosure we made around this topic. So that he can refer to the right documents.

Yes. I think she is not on the call. We have made this disclosure, there is no change yet on the depromoterization strategy. And we have also gone to the shareholders for -- that's fine. So we are also gone to the shareholders for an approval on the change of GE Vernova but that was, again, we have also clarified that has no bearing to the depromoterization strategy. So there is no change as of now to that.

Moderator: Thank you. Sir, we do have Ms. Kamna on the line.

Prashant Jain: Yes Kamna, do you want to add.

Moderator: Thank you. We have a follow-up question from the line of Akshay from JHP. Please go ahead.

Akshay: Sir, what would be the claim amount which we are looking for?

Prashant Jain: I think it would not be fair to speculate on an amount. Claim is complex, it has inward claims, outward claims. So to say what we can say when we mentioned claims, we have, let's take NTPC where we have Lot 1, lot 2, Lot 3 projects. NTPC has given us general amnesty after the presentation with the Ministry and NTPC management, they have given to all suppliers an amnesty of 8.5 months' time extension on account of project.

Now against that time extension, there are certain claims that the company is pursuing on which we see certain amount of release that might be feasible. However, that is not adequate for the Lot 1 projects where we see that cover is not adequate yet.

So this is a topic that we are working both with the ministry and with the NTPC officials and pleading our case that these are exceptional years and that has impacted negatively the performance and the delays of the projects which are not contracted for such a large tenure to keep a site on going for such a long time was not how we anticipate it.

So that is the claim about prolongation in all those sites generally in all the projects. And that is a topic which -- since we are in the -- towards the end of the backlog, what is the cost updates we get, we'll see that in the quarter? But the case is where we are hoping we might get some dilution-- some of the cost. But this number is -- we would detain from sharing this number until we materialize.

Akshay: Okay. This is different -- this is something different from the Solapur fire incident which occurred?

Prashant Jain: Yes, this includes Solapur fire -- when we mentioned claims, it includes the insurance claims as well.

Akshay:: Okay. Okay. And -- do you mind giving any range for us to know because it would be difficult for us to know what would be the about -- If you can give any range that would also be fine.

Prashant Jain: It is hard to predict. These are all complex government projects unless we are able to recognize a claim, it would create speculation, and I would want to avoid speculation. We have seen conversion of claims is very slow. It has taken almost 2 years of pleading to get at least an intensive approval and thereafter submission documents. So it's a slow process.

And therefore, it's hard to speculate on exact value, but that is an important element, and therefore, we share it that claims could be -- if I have to summarize the performance of the company, there will be topline pressure for a few quarters till the time we are able to turn around the order intake.

And therefore, we will see operational pressure for at least 3 to 4 quarters because simply the backlog has depleted. That's something which is clear and it is evident in the books. The net worth, of course, is for you to see in the balance sheet, which is clear. That is the challenge that we are working to deal with. Interim measure is claimed till the time we are able to turn around the volume. That's the summary that I would like to share with you.

Akshay: Okay. Got it, sir. Sir, lastly, just your understanding on the depromoterization. When we talk about depromoterization, would it be just a partial stake sale? Or could it also mean the whole stake sale? What sort of communication are you having from the GE parent? If you can give some color on that?

Prashant Jain: Yes. At this point, there is no decision and the options -- I mean, the options are open but we have no decision on the direction, the timing and the mode or method. So GE is evaluating that as a shareholder and that is not GEPIL management decision, that is, GE, as a shareholder and promoter and they are evaluating these options and it would be unfair on my part to speculate. So if you want to refer the latest that we intimated the stock market was on the sixth of October '23 that we have as the latest update. And that's available on public domain, you can have a look at that.

Moderator: Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Prashant Jain, Managing Director, for closing comments.

Prashant Jain: Thank you so much, everyone, for joining, and have a good evening. Wish you all the best.

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