

GE Power India Limited

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india-limited

24 July 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

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

Symbol: **GEPIL** Scrip Code: **532309**

Sub.: Transcript of Earnings conference call held on 18 July 2024

Dear Sir/Madam,

Further to our letter dated 18 July 2024relating to the Audio recording of the investor meet held on 18 July 2024, please find enclosed a copy of the transcript of Earnings conference call held on 18 May 2024.

Thanking you, Yours truly,

For GE Power India Limited

Kamna Tiwari Company Secretary and Compliance Officer

Enc.- As above



"GE Power India Limited Q1 of FY2024-25 Investor call"

July 18, 2024





MANAGEMENT: Mr. Prashant Jain – Managing Director, GE

POWER INDIA LIMITED

MR. YOGESH GUPTA – WHOLE TIME DIRECTOR & CHIEF FINANCIAL OFFICER, GE POWER INDIA

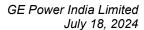
LIMITED

MR. PUNEET BHATLA – EXECUTIVE BUSINESS

OPERATIONS -SERVICES, GE POWER INDIA LIMITED

MR. AASHISH GHAI – SR. FINANCE LEADER, GE

POWER INDIA LIMITED





Moderator:

Ladies and gentlemen, good day, and welcome to the Investor Call of GE Power India Limited.

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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. Participants, please note you may join the webcast link to view the presentation.

I now hand the conference over to Mr. Prashant Jain, Managing Director of the company. Thank you. And over to you, sir.

Prashant Jain:

Hello, Yashashri, thank you, and hello everyone. A very warm welcome to all of you for joining this call today. I hope you have gone through our Investor Presentation, which is available on our website as well as on the stock exchanges.

During today's discussion, I will take you through the pages of our Investor Presentation live as we move along, and you can follow the pages on the link provided on the notification.

For this call, I welcome my team who will join me to answer your queries and update as and when needed. I have with me Mr. Yogesh Gupta – the CFO, Mr. Puneet Bhatla – the CEO for Service Business, Mr. Aashish Ghai – the CFO for Service Business and my team here today.

In today's call, we want to focus on the status of current strategy of the company and of course, the important rationale behind the announcement of the slump sale of the hydro business and the gas business as disclosed on the 10th of July 2024.

As we move to the second page, I want to bring to light the context of the company when we begin with what we have been sharing with you, what is the business strategy that we have been working on so far, then we talk about the key dynamics on the hydro business, then we talk about the gas business. We will also share with you what is the strategy that we have been talking about in the last couple of calls with you and the progress on the strategy so far with the recent wins and we will conclude thereafter with ample time for questions and answers.

So, moving to the context of the company, since 2019, the company has been focusing on trying to solve the issue of losses. As you can see, the performance on profit and loss after tax, we have been losing hundreds of crores in the last three years. The working capital, you can see that we have more current liabilities than assets as we have a depleting net worth year-on-year due to ongoing losses.

This has put us in a difficult situation with depleting net worth and we have been reporting the net worth depletion from time to time that the net worth has depleted which is coming very close to zero, which is at 57 crores as on March 31, 2024. And this is where we wanted to share with you that today we are in a situation that the credit rating of the company has deteriorated to BBB



negative from an A+ negative in '21. The implication is if the company goes into negative net worth, it would be very difficult to source the working capital for the bank guarantees and the working capital for executing the backlog and growth. And that is the challenge that the company wanted to mitigate.

Going to the next page, what we have been doing so far in the strategy is to mitigate the net worth is what I would share with you for a moment to recap. Can you move to the next page, please? Thank you.

So, the business strategy since FY '19-'20 is the management has been focusing on high margin cash accretive business with faster cash conversion cycle. To give you a context, in the portfolio of the company, there are three levels of portfolio in terms of working capital conversion. Hydro projects have a working capital cycle of 10 plus years. EPC projects that we have been taking in FGD, those projects, we have seen a working capital cycle of five to eight years. During the last couple of years, the company has started taking projects on EP basis, which is limited engineering procurement scope, which is slightly better in cash and margin and the cash conversion cycle for that is about three years.

So, the company has been focusing to grow service business. The company has been focusing to de-risk EPC projects in the company scope and grow service business because service has the most attractive margin at cash conversion cycle. For core services, it is about six months and for upgrades, it's about three years. So, that is the most attractive part in terms of cash and margin conversion in the company.

From the recent conversion from EPC to EP, we have seen also a significant improvement in the margin and the cash profile of the projects with a better risk reward ratio. So, the backlog of the company that we have been reporting on quarter-on-quarter has now started to improve with a better working capital cycle mix. As we move into this strategy into the next couple of years, we see the average working cycle capital of the company, which used to be in the range of 7 years plus will be able to come down to about 3 years. So, this is where we have been focusing on and if you see the initiatives that we have been sharing with you have been in line with this initiative.

Moving to the next page, I wanted to share a bit about the hydro business. In hydro business, as you can see on the left chart, we have lost hundreds of crores in the last few years. The nature of the long gestation project is that in the initial years of the project, there is cost escalation due to delays and we are not able to realize the cash. It is consuming a lot of working capital as the revenue is going up.

Unfortunately, it is consuming, due to cost escalation and project delays, a lot of working capital, and it is also requiring very high amount of bank guarantee limits and that is the implication going to which in the balance sheet the net liability of hydro is about 214 crores, which means the net worth of the company is impacted to a level of 214 crores negative due to performance



of these hydro project contracts. The aggregate cash consumption projection for the next couple of years is about 500 crores additional.

What we have also noticed in the last couple of years is that the projects like Upper Sileru, we have almost been announced for a year, but we have not been able to conclude due to delays. In existing projects, there are delays locking in about 700 crores of bank guarantee limits as of March '24. There is a consistent margin deterioration, which I have explained a bit on the graph on the left, due to project delays creating pressure on cash consumption and debt.

The nature of long gestation projects in hydro, we have also seen in the recent PSP project that we booked which was under suspension for two years. So, the company was hoping that in the last couple of years that the PSP projects, the cycle would improve, but we have seen even in the recently signed projects, there have been delays and found that they have been delayed by two years.

So, overall, due to the consistent underutilization of the factory driven by significant project delays, the hydro manufacturing facility was shut down way back in August 2018 and also it had led to an optimization of headcount. Today, if you look at the project and the load and future forecast, it even does not justify a full utilization of a factory facility owing to the nature of the projects and the long gestation cycle of the projects.

The company is dependent on technology to GE Vernova and the company does project management engineering services in the company but is working in association with the headquarters for engaging in execution of these contracts. So, the key challenge that we are trying to solve for is to de-risk the high working capital requirement, the long gestation projects and with the proposed transaction on the day one, the company will see a positive impact of 214 crores in the balance sheet and this is a direct impact on the net worth of the company, and I will explain a bit more as we move to the next page.

When we look at the market on hydro, we know that there is a plan of about 47 gigawatts without PSP and about 47 gigawatt installed going to 67 gigawatts and 4.7 gigawatts planned to go to 27 gigawatts of which about 22 gigawatts are under construction and 14.6 gigawatts are likely to be ordered by 2031-32.

For the last couple of years, what we have seen is that the reasons for slippages in the project are factors which are external to the company and external to what management can influence. The factors like geology, hydrology, topology, critical electrical mechanical work, delays in various clearances like environmental etc., local issues, contracting disputes, enabling infrastructure, land acquisition and so on and so forth and this we have also experienced in the recent projects as we mentioned earlier.



Therefore, we are also seeing pressure in the market with price sensitivity and customers are still seeking lowest cost per megawatt and we are continuing to see delays and execution challenges in projects like Tehri, Subansiri, Teesta-VI projects, etc.

So, that is kind of the overall situation that we are seeing, and we do not see the cycle time or the working capital requirement of the company and the cash conversion cycle of the company improving with the new projects. We still believe with the new projects that we plan to book, three projects in the near term would also take time and the working capital cycle will be high and that working capital cycle time would also be subject to delays due to the reasons that we have outlined above. Therefore, the management has recommended making a slump sale of the hydro business to be able to encash on the contract that we have in the book.

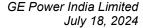
Going to the next page, I will give you a bit about the business dynamics of the gas business. In the gas business, your company operates in project management, sourcing, engineering of projects for single customer which is GE Vernova worldwide. This business, as you are aware, has been on the downside on new solution of gas turbine units and therefore the company had been right sizing the headcount and since this is a primarily COE business, the headcount has been dropped down by 48% to keep in pace with the demand that we have seen in the market.

So, the demand is being reduced, skill sets are limited to GE with technology. They are not portable and not core to your company and therefore non-strategic. The business is not scalable and just adds to about 5% revenue share in China and there is a limited ability in the company to drive demand.

And on the other hand, if you look at the economics, the net liability to the company is about 38 crores, which is Rs. 380 million, which is impacting the negative net worth of the company. Owing to the future forecast, the valuation on the consideration for this business is about 43.8 crores, and if you look at this transaction, this would bring in about 82 crores as a day one positive impact to the company. And therefore, considering the depleting net worth of the company and the urgent need for the company to be able to improve the net worth situation of the company, the management has recommended to make a slump sale, combine these two businesses and do a strategic slump sale to get the most value for the company.

Moving on to the next page, I want to share with you the strategy that I have shared with you earlier in the year, the company has been focusing in these areas to increase the working capital cycle and also to reduce quarter-on-quarter big surprises. The challenge that the company has been facing due to the large EPC nature of the contracts in the backlog, the quarter-on-quarter performance has been very choppy. You have either a large project update in one single project or you book one large project and then you have no other booking for a long time and that creates a big choppiness on the business quarter-on-quarter.

So, therefore, the company has been focusing for and updating since 2019-20 on the progress on the growth on service business, which has been fairly robust, and we are very pleased to report





that this area has been doing quite well where the company has been focusing on the core services of the thermal power plants which is providing parts, repairs, services, outages for the entire thermal power plant and the company has a very wide range of knowledge and competence all locally within the company which is towards boilers, turbines, generators, air quality control systems. The company also has a very strong capability to serve the Chinese and the other fleet in the country and has a very versatile technology to also help with the decarbonization roadmap of the country.

The second area is service upgrades. In service upgrades, in the last four years we have seen a variation in demand, but this year the company is seeing that this is an area that the government has outlayed. About 60 gigawatts of plants that they want to do R&M (retrofit and modernization) and the company has been very successful in the past in this area where there is a strong local competence in upgrading power plants and end-to-end competence to be able to improve the carbon footprint by providing retrofit and upgrade to an existing power plant. So, there is a 60-gigawatt worth of potential in this market which your company will continue to focus to address.

The third area the company will continue to focus is FGD and here, as I have mentioned previously, now we are focusing on EP portfolio and not the complete EPC to reduce the working capital cycle and provide a faster turnaround and, better risk reward ratio for the company.

The fourth area is the Durgapur factory where we have extremely strong welding capabilities, best-in-class fabrication capabilities and here the company is now focusing on exports on service components and we have also started to focus in areas on non-coal, for example, pressure vessels and cryogenic vessels in India. So, that is an additional area that the company has been focusing for the strategy.

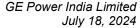
If you look at these four segments where we have a very strong local capability, end-to-end competence, the market potential is about 18,000 crores. And that is the market the company is continuing to focus quarter-on-quarter to be able to improve the working capital cycle and also to reduce quarter-on-quarter choppiness that we should see today in the demand.

Moving to the next page, I would ask my colleague, Puneet Bhatla, who is our CEO for Services, to share an update on the recent events in the areas of focus for the company.

Puneet Bhatla:

Thanks, Prashant. Good evening all. I am really pleased to present before you our recent wins and the past trends, which clearly gives strong confidence to the management moving towards the new GEPIL strategy, which Prashant has just now explained.

So, I will take your attention towards the left column, which is for the core services. The company operates for all the products like turbine, generators, boilers for both OEM as well as the other OEM segment. Other OEM segment primarily means the BHL and the Chinese fleet, which constitutes about 95% of the installed base. The growth witnessed by your company has





been very good at a CAGR of 30% for the last few years, and it has got a very, very attractive cash cycle of 6 to 9 months.

From the upgrade perspective, your company has been a differentiator in terms of the technical solutioning, the execution excellence, recently won Wanakbori and Vedanta boiler upgrades says a strong testimony for the same. The policy announced by government of India to progressively go for 60 gigawatt of thermal upgrades would be really a good market for us for the future. The cash cycle is about 18 plus months or so.

As we are moving towards the strategy to de-risk our EPCs, we are moving very strong on our FGD equipment strategies, wherein we have about 1.7 gigawatts of project worth 780 crores plus from Jaypee, and still this segment has to be served for 97 gigawatts for next few years.

Durgapur, we have recently got ourselves approved by Petroleum and the Explosive Safety Organization for the production of pressure vessels and the cryogenic vessels apart from our coal and the export market. Orders worth 7 crores plus are being under execution right now and several under bidding. So, this gives a quite good robust confidence to us that this new strategy will serve our business purpose and it is a cash accretive segment for us. Thank you, Prashanth.

Prashant Jain:

Thank you, Puneet. Moving to the next page, I want to summarize that your company is focusing on high margin cash accretive deals with a faster cash conversion cycle. The company has been working to de-risk EPC and focus on equipment supply. EPC has long gestation as I had earlier mentioned and especially hydro has been consuming a very large amount of working capital owing to a very long project cycle subject to delays.

We have also now started to move towards FGD EP and especially the growth in services and Durgapur by penetration through other OEM and pressure vessels in cryogenic markets gives us confidence that this is the right path to provide stability quarter-on-quarter to the company and to be able to show a path for higher profitability, lower working capital requirement and higher free cash flow generation.

So, with this, ladies and gentlemen, I would like to conclude my presentation and summarize that what we are proposing with the carve out of hydro and gas field as a slump sale is in the best interest of the company. We need to focus to improve the net worth and ensure that the company has ability to bid for tenders, maintain a robust credit rating and ensure working capital lines are available from the banks.

Hence, it is very crucial to support and we ask for your support for the transaction. With this transaction, we expect to improve the net worth of the company by about 296 crores on day one. This includes a significant weightage for the company. This transaction would also unlock about 700 crores of non-funded limits for the bank guarantees and help in us being able to secure the working capital to be able to bid and win new orders and also avoid additional working capital of about 500 crores that would be needed to continue to execute the current hydro projects.



This is a strategic sale with a fair valuation for 44 crores of gas and a premium of 100 crores for hydro on the valuation that would generate immediate wealth for the company and for its shareholders. All this put together would enable profitable unrestricted free cash flow for the company and also a better return of equity for the company.

With that, I would like to stop here and open the floor for questions.

Moderator:

Thank you very much. We will now begin the question and answer session. We have a first question from the line of Rahul Modi from Nippon India Asset Management. Please go ahead.

Rahul Modi:

Thank you, Mr. Jain, for your elaborate discussion on the issue. So, I would just like to thank Mr. Jain for his initial remarks. Sir, just a couple of questions. I appreciate the reason for this, but some color on how the P&L of our company would look post this because after around 35%, 36% of the revenue which goes out, any proportionate reduction in the fixed costs that we incur, which is around 500 crore plus, do you see that over a period or with this sale also getting reduced?

And sir, secondly, is my understanding correct that today we have an interest cost of 60 crores plus on an annual basis? Now with the hydro business gone, do you see a substantial reduction in the interest cost because of the BG limits that gets released?

Prashant Jain:

I thank you, Mr. Modi. First, yes, in the steady state strategy, if I have to go forward, once we are in the new backlog, we are anticipating a double-digit EBITDA. That is what we are aiming for and if you look back at the last three years' performance of the company, we are very far from that level of performance and that was due to the high portion of EPC and long gestation cycle of the project.

If I have to comment on the working capital cycle and fixed costs, yes, on the working capital cycle, the current working capital cycle is, if I have to say on an average seven years, if I have to refer back just to a few projects in hydro for a reference, these projects have been, for example, we have a project of Tehri, which has been since July 2011 and we are still expecting that to be on the current forecast, but I have been seeing this forecast has moved, though we are working with the best interest both from the government to expedite and close the project and we are expecting, so that is just an example to explain that in the backlog, there are these projects which are since 2011, 2012 and 2015 which we are still working to see if they can progress forward.

Also, the way we are looking at this transaction, as I said, is a bridge to the strategy from highrisk, long cycle where we are not able to generate positive cash and margin to be able to give back to shareholders. And if I go back, if I just look two years in the future, we will see a very stable quarter-on-quarter performance with positive margin, positive cash. And that is something that we are very positive about the strategy that look today, the quarter-on-quarter because of a large project, a cost update, the way our hydro projects and the large FGD EPC projects are structured, in the first seven years, you end up exceeding your cost and your cost updates. And



those costs are then eventually loaded towards the end and then you have to wait for claims and to resolve and to be able to get your margin and cash back. And therefore, you are actually investing working capital for a very long time in this project and the free cash flow becomes quite unpredictable. The choppiness is very high.

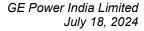
The second issue is that with these projects, even the claims because of the delays, we hit the ceiling on the price variation clause. Sometimes it is 10% in the contract, 15% and then it becomes elaborate independent engineering evaluation going to arbitration claim, et cetera to find a solution to be able to bring. So, then the claim becomes a big lever to say can we do that, but the period is so long that if you start a project to the end of the project, you are talking about a cycle of 10, 15 year plus to be able to realize the cash. And that we don't see changing with the new project that we have booked unfortunately, that cycle continues.

So, therefore, yes, as we move into the new stabilized business, we are looking at a debt-free company in two years from now, which is a positive cash and therefore the interest burden is gone. And as we are taking out the large project structure into the future with the carve out and also with the change in mix of backlog, we will move towards a much optimum structure, which will reflect a very stable business as we move into the future. So, that is what we are proposing for your support.

And in terms of the structure and the interest cost, yes, this will be in two parts. One, of course, will be with the carve out, but second also as we will be executing also some of the steam backlog, which is the old EPC projects that we have seen in the books. So, that is why I am giving a two-year window for executing this project and moving completely to the new backlog and the service for sure has been fantastic. Quarter-on-quarter we have been reporting progress, double-digit growth, a very strong end-to-end competence in the team and the market is really appreciating our products and solutions.

And that is also bringing value to Durgapur, which is the last piece of their strategy. In Durgapur, we had about 800,000 hours capacity and because we did not have any orders for the last 3-4 years, we have downsized the capacity to about 200,000 hours ballpark here and there based on the calculations. About 3 years ago, we had 10,000 hours load on the factory from service. Today, we have moved to about 170,000 hours and now we have got the strategy approved to also focus on industrial segment, which is non-fossil, which is oil and gas for pressure vessels and cryogenic. And we have seen some early successes and we have notified that to the stock market which is again from return of investment point of view, this is something that is the existing capability of the factory where there is potential to create value as we fill the factory.

So, that will also take away the under-recovery that we have seen today to the tune of about 30 odd crores in the factory because of under-recovery that we see will move away and we will start recovering the load for the factory in 2 years from now as we are building the new backlog into the system. So, that is what I wanted to briefly share with you, and I am asking my colleague Yogesh to add. Yogesh?





Yogesh Gupta:

Thank you, Prashant Jain, and I would say you have perfectly responded to the query raised by Mr. Modi. And just one clarification i would like to add with regard to the Durgapur underrecovery. This will be reduced to the extent of about 8 to 10 crores.

So, this is the only thing that I wanted to add and rest all you have I think perfectly responded to. And you are very right, Mr. Modi, the interest cost has been in the range of 60 crores which was the number as of March'24, will reduce for the full year with these actions that we will be taking for our fund requirement, our working capital requirement and getting consideration for hiving off our gas business. We would be definitely better off with regard to the projection of cash. And as Prashant has indicated that we are likely to be debt free within 2 years. So, this is how we would be reaching a level of elimination of all of the interest cost. Thank you Prashant.

Moderator:

Thank you. We have our next question from the line of Sanjay Kohli from Goldstone Capital. Please go ahead.

Sanjay Kohli:

So, my query is on your core business, which is boilers and turbines and now we are going to be basically bidding only for upgrades and not fresh greenfield projects. And is there any synergy also with the nuclear turbine facility which is there in Sanand? With Durgapur, will there be any business connection over there?

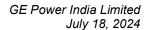
Prashant Jain:

So, I will address both the questions. The first question on new coal, as I have been sharing in the past, the GE Vernova has exit new coal or GE has exit new coal business and as far as GE Vernova is concerned, we will not participate in new coal. And earlier also I had stated that any participation in new coal would be subject to depromotorization. And at this point in time, the biggest challenge that we have been facing is not related to the strategic decision but to the balance sheet issues that participating in the new coal project requires very large working capital and bank guarantees.

So, for example, if you bid for a new coal project, you need about 4,000 crores worth of order. You need about 500 crores plus credit lines and the balance sheet of the company does not support participating in such bids and therefore the company was reporting also in the annual report last year and also we have updated in the annual report current year that we are facing a big challenge in being able to participate in these large projects.

And therefore, not waiting for this, the company was focusing on building the service business and the R&M business and also creating a new line in Durgapur to get additional jobs from exports and also from the pressure vessels, cryogenics apart from building services and that has yielded and today we have a good momentum in that regard, and we are making good progress on that strategy. We have also been sharing the recent, in fact, even today we have been sharing the good successes we are receiving in the four pillars.

The next question on synergy with Sanand, Sanand is of course supplying the key machining and key parts for assembling of the generator rotor et cetera for the R&M project that we have





announced and for the additional R&M projects we will be sourcing from Sanand some of the key critical equipment.

Durgapur on the other hand brings in a good amount of capability for servicing of boiler components, mill components, air quality control systems and now we have also started using the facility for pressure vessels and cryogenics. So, we are utilizing Durgapur facility also for certain repairs, but yes, from the Sanand facility, we are working with a very good arrangement for the R&M where we leverage the workshop.

Moderator:

Thank you. We have our next question from the line of Subhadip Mitra from Nuvama. Please go ahead.

Subhadip Mitra:

So, two sets of questions from my side. Firstly, with regard to the slump sale that we have done both for the hydro and the gas business, you have clearly mentioned that there are some net liabilities associated with each of these. If you could also give us some color as to what is the split of these net liabilities, what are the nature of the liabilities, and how did you arrive at the fair value of the slump sale? Is it on some kind of a discounted cash flow basis or some other manner? That's my first question.

Prashant Jain:

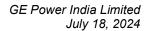
See, on the fairness of the valuation, I want to take you through what we have done. We had a Grant Thorton that we mandated for the valuation, and we also hired RBSA to check the fairness of the valuation. And I would like to highlight on hydro while if you look at the past five years, we have had almost every year significant cost updates and project delays which has impacted as you have seen our balance sheet significantly. For the purpose of valuation, what we have assumed for all the contracts is that these contracts will be executed as per how they have been contracted and we have not projected those delays in the future.

So, from the management point of view, we said look, when we want to do the slump sale, we should consider that these contracts will be executed on time. So, if I have to say, in short, the past was in red, but with the contracts which are in the backlog, we have assumed they will be executed after the contract and therefore the entire value has been considered in the present value today. So, that was one.

The second including we have assumed that we would continue to book three more projects and we have also assumed that the underutilization or the non-utilization of the people would then also be utilized fully by way of a COE that would support GE Vernova into the valuation. So, that has helped in reducing the liability that sits in the book in terms of valuation. And therefore, if I have to say that the valuation has considered a sale value today for hydro. Regarding the valuation method, I would ask Yogesh to add. Yogesh, please.

Yogesh Gupta:

Thank you, Prashant. And so, Mitra, the valuation has been done based on the discounted cash flow of the projected business that we have for the coming five years. Plus, finally, the terminal value was also added in that to arrive at the Enterprise value. And then we have reduced thethe





borrowings etc, and all the debt-like items, from this enterprise value, that has been calculated based on the discounted cash flow value of the future cash flows of the business and present value of the terminal value.

So, this is how the valuation has been arrived at. And we had evaluated different methods which are in the public domain. So, we clearly looked at the publicly traded comparable method. We looked at the comparable transaction method. But there were no relevant data or no similar companies which are available in the market with which we could relate to. And this led us to the valuation method, which was advised by the valuation agency-Grant Thornton. And even the net asset value was not relevant and right for us.. And so this is the basis. And the discount rate has been calculated based on the adjusted capital asset pricing model.

And moving on to your next part of the question with regard to the liabilities, the color of the liabilities, the 214 crores worth of net liabilities that Prashant was mentioning is with regard to the Hydro business which comprises of trade payable, which is 180-odd crores, borrowing from our related cash pool- 54 crores, advance from customers that we have of almost about 370 crores. And then because these are POC contracts, we have billing in excess of revenue of almost about 200 crores. So, these are the key components of the liabilities that we had, which resulted into this net liability for the hydro business.

Subhadip Mitra:

Thank you for a very detailed answer. Just one point of clarification. The billing of 200 crores that you mentioned, that is the net receivables, which is the asset that you are going to adjust against the liabilities. Correct?

Yogesh Gupta:

This is when I mentioned billing, this is basically billing in excess of revenues, like we have done advanced billing. And this is reflected on the liability side of the balance sheet.

Subhadip Mitra:

And there would also be a certain quantum of receivables that would have gotten adjusted again, right, which would be on the asset side? How much would that be?

Yogesh Gupta:

The receivables are 384 crores.

Subhadip Mitra:

384 crores.

Yogesh Gupta:

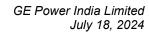
Yes.

Subhadip Mitra:

And similarly, if you can give us a breakup on the gas side of the business as well.

Yogesh Gupta:

Gas business is relatively smaller on the scaleand this is affiliate related business. So, we have liability of about 74 odd crores for payables there. And the receivables will be also to the similar extent. Just give me a second. I would just pull out that number as well. The number for the receivables is 69 crores. I mentioned 74 crores as the payables.





Subhadip Mitra: Now, moving on to the second part.

Yogesh Gupta: And some other payables also we have in addition to the 70 crores, we have another 16 crores

payables to some other parties as well. So, total payables will be 86 crores. Receivables will be

in the range of 69 -70 crores.

Subhadip Mitra: So, the net reduction on the debt on your balance sheet would be how much after this transaction?

Yogesh Gupta: The net reduction of the liabilities on the balance sheet for hydro will be 214 crores. And this

will be like if we look at this, I am talking of net liability which will be knocked off. And on the gas side, it will be 38 crores, which will be the net liability reduction which will comprise of both assets and liabilities. Plus, on the cash side, as Prashant mentioned, there will be an improvement of about 43.8 crores, which is the consideration that we will be receiving for hiving

off the gas business.

Subhadip Mitra: So, is there any repayment of debt that you will do because of this fresh cash inflow? So, your

debt would come down by a certain quantum because of this?

Yogesh Gupta: Yes, the debt will come down because of whatever assets and liabilities we are transferring

because this slump sale will be for each and every component that we have on our books of account from like hydro and gas business. And I have shared with you the net impact. So, definitely, overall receivables will also come down and the payables will also come down. Payables will come down more to the extent of almost 266-odd crores. And the receivable side also would be coming down. The net impact will be what I mentioned as 290-odd crores,

like reduction on the total net liability.

Subhadip Mitra: Secondly, is there a threshold of breakeven?

Moderator: Mr. Mitra, we request you to join back the queue please, as we have other participants waiting.

Subhadip Mitra: Surely, thanks.

Moderator: Thank you. We will take our next question from the line of Rajesh from AlfAccurate Advisors.

Please go ahead.

Rajesh: Thank you for the opportunity and since I think this is something very historic for the company,

a very big event for the company, I am sure, I think every analyst or the fund manager would have more than two, three questions because this is something very, very important. So, I request

you to kindly allow everyone to ask enough questions. That's my first request.

Second very important thing I wanted to know that post you do all this entire restructuring, if

you redraw your FY '24, then what is the revenue?



Prashant Jain: The revenue, if we redraw, would be like removing our business of hydro and gas revenue that

we have and presently if you look at our revenue has been 1,700 crores and from this, if we remove about, so this will be in the range of about 1,000 crores. So, the exact number will be

like, we give you, this will be in the range of 1,000 plus crores.

Rajesh: So, 1,000 crores kind of thing, net will be retained, am I right? That's what you are saying.

Prashant Jain: Yes.

Yogesh Gupta: It will be the same business revenue.

Prashant Jain: 1,300 crores.

Rajesh: Sorry, I am confused. 1,000 or 1,300?

Prashant Jain: 1,000, 1,000.

Rajesh: Okay, 1000 crores is the net revenue to be and if you redraw your pro forma based on EBITDA,

then how that will look like?

Prashant Jain: This is a difficult question.

Yogesh Gupta: Yes, I will come back to you on that. We are still working on that.

Rajesh: Let me put it this way, because you mentioned in your closing remark that you are basically

likely to see kind of a double digit margin. So, that basically you are seeing this 1,000 crores or

whatever the net retention, broadly, this would have kind of a double-digit margins?

Prashant Jain: Not in the year '23-'24 or '24-'25. What I said is this strategy, we have seen in the thermal as

well, the mix of EPC business of FGD. We have certain ESP projects which have been undertaken on EPC with fixed price contracts and then we have the new booked orders in the last few years based on the new strategy. There is a mix of that. As we move to the current backlog as per the new strategy, the steady state, yes, would be around this number with a

double-digit EBITDA for sure. That is what we are saying in two years from now.

Rajesh: Two years from now, understood. So, basically you are saying you have some legacy orders that

probably might have the low profitability and the new orders probably would have the higher

profitability.

Prashant Jain: '26 onwards we are very optimistic that the steady state will be operationally we are already in

that range, but we have legacy issues, and therefore we see that the benefit that you will start

seeing will be in '26-'27.



Rajesh: And basically at least till that time as you move towards that, would it be safe to assume that it

will be profitable business at EBITDA level?

Prashant Jain: No, not at the EBITDA level. We will still have some pressures coming in from the cost updates

and those pressures we continue to see in '24-'25 and '25-'26. They will come down but we will

be positive from '26-'27 onwards, but that's how we are.

Rajesh: So, basically, you are saying even at EBITDA level, it means kind of a loss making because of

the legacy issue. That's what you are trying to say?

Prashant Jain: Yes.

Rajesh: And my third question is more strategic in nature. If I look at GE Vernova, the global and if I

look at this entity, is it possible for you to map that what are the businesses basically similar business what you have in India and whether GE Vernova has any other unlisted entity or intend to have any other unlisted entity to cater to the global requirement? Are there any policy decision

which are already taken that what will be the role of the Indian listed company for the GE

Vernova global?

Prashant Jain: See, what I can speak for is for your company GE Power India Limited, we have been working

to find a sustainable business plan for GE Power India Limited and the sustainable business plan would mean that we should be able to generate free cash flow from the operations. And for that we have been undertaking a transformation in the strategy with the focus on the services, the

upgrades, the GDEP market and the growth in Durgapur. So, those are the levers we are

confident will deliver us to get there.

Now as regards to the business that we do, in this strategy if I have to say we are going to do additional areas of business like the pressure vessel in cryogenic which is unique to your company, this competence is new, and we are building competence to ensure that the company

is able to generate and create value from its competencies and capabilities.

There are certain other areas of the company that we are continuing to focus which is unique to

the company is the upgrades of the other OEM fleet because the company sees 60 gigawatts of

demand which the government has committed for the thermal power plants for the next few

decades. We are focusing on that segment which is again unique to the company's capabilities.

The third element of business, which is FGD, today, India is the only competent center in the

GE Vernova world that has competencies for serving FGD customers. And this is largely to

develop and support the team in India, but we will also then be able to support any customer in

13-odd countries where we believe we can support that there would still be demand for services for these components. And that is where we will be able to provide certain services, and that is

what you have seen on the page in the fourth segment of what we said in focus and development.



So, that is the area that we have very strong capabilities in the company. And therefore, with this strategy, we said we should consolidate and leverage the competence of the company that is fully into the company, a very strong set of competence that we can support in India and certain competencies in services that we have identified that we would be exporting from the industry, especially.

Rajesh:

Just the last question. Sir, so basically, in this journey of GE Power 2.0, you think that Vernova has an equal kind of a strong commitment in case of, suppose, any new growth business areas comes where GE Power has the competency, and it may require CapEx for or investments to develop that kind of a business in terms of the capacities, how geared up you are or the support from the global perspective? That's my last question.

Prashant Jain:

So, the way I would put it is today, the strategy that we have written down for the company is based on the competence of the company, the investment that is required to build additional capabilities in Durgapur, those investments have been budgeted for and approved in the business plan. It is approved by the Board of the Company, and it is also supported by the promoter. The promoter representative was in this earnings call previously when we were stating this strategy. And yes, the promoter has supported providing the parent company guarantee for these business areas that the company is focusing on. And for that, there is complete alignment.

Moderator:

Thank you. We have our next question from the line of Manmeet Singh, an individual investor. Please go ahead.

Manmeet Singh:

A couple of questions from my side. What was our order book as on 31st March 2024, if you can share the split of hydro, gas, and the business which we are carrying right now? And what is the percentage term, order book, revenue and operating margin in percentage term in these three segments?

Prashant Jain:

You want to know the order backlog, right, as of 31st March?

Yogesh Gupta:

No, 2024 order book.

Prashant Jain:

Or 31st March 2024?

Manmeet Singh:

Correct. The split order book, the two segments which we have divested right now, the gas and hydro, versus the business which we are carrying.

Prashant Jain:

Yes, I think we just clarified this earlier, if you have to say about 1,000 crores is coming from the remaining business with us.

Manmeet Singh:

No sir, you have order book of approximately 3,000 something. What was the split of order book?



Yogesh Gupta: So, the order backlog is 1,500 crores plus, almost 1,600. And this is what is the business that is

continuing as of the backlog that we had now, 31st March 2024.

Manmeet Singh: Just one follow-up question quickly please.

Moderator: Please go ahead.

Manmeet Singh: What was the order book attributable towards Hydro and Gas as on 31st March 2024?

Prashant Jain: You want to know the order backlog, right?

Manmeet Singh: Yes.

Prashant Jain: Are you saying backlog or are you saying booking?

Manmeet Singh: Yes, the backlog.

Prashant Jain: Backlog.

Manmeet Singh: As on 31st March 2024.

Yogesh Gupta: And in Gas, we don't have any backlog because this is a related party business. So, we don't do

this backlog. And in the Hydro business, it was in the range of about 1,600 odd crores.

Manmeet Singh: Just one small question. You had a 18,000 crores total global market size. What is our target

within that market size?

Prashant Jain: Yes, you are referring to the page where I said 18,000 crores is the market...

Manmeet Singh: Yes, page number nine. Your PPT page number nine.

Prashant Jain: Yes, thank you. Yes, that's right. So, that page, if you have to see, we will be in the range of 7%

to 8% market share and get better. That's the range. 7% to 8% is a sustainable share. But if I have a large upgrade project, then in that year, you will see an anomaly that slightly going up. But our target is to keep an average of about 7%, 8% is the average that we would say. And if I have explained earlier, the main challenge that the company has been facing is the choppiness quarter-on-quarter. And therefore, we want to focus on ensuring that there is a quarter-on-quarter stable revenue for the company. And then if you have a potential upside with a large upgrade, then that should be on top. So, the sustainable number that you see from these whole markets is

what we are targeting in the range of 7 to 8%

Moderator: Thank you. Next question is from the line of Ramakrishnan from Equity Intelligence. Please go

ahead.



Ramakrishnan: So, we had an employee cost of around 398 crores and the finance cost of 66 crores in this FY

'24. So, after this sell-off, what will be that? And what will be the debt and other liabilities will

be post sell-off?

Prashant Jain: Sorry, could you repeat the question you were asking about?

Ramakrishnan: The employee cost was 398 crores to 400 crores was the employee cost. So, when you sell these

two divisions, some of the employees also move out. So, what will be our employee cost? And the interest finance cost was around 66 crores. So, how much that will also come down? And

what will be the debt and other liabilities?

Prashant Jain: So, approximately 49% of the employees are tagged to hydro and gas. So, that is what I can give

you as the ballpark. 49% of the employees are coming from hydro and gas. That's one.

Ramakrishnan: Approximately, so, it will come down to 200 crores.

Prashant Jain: I would say we should not come to that estimate. We are still working on that. And I would say,

let's wait for the next, yes, one quarter. Post your support and approval for the transaction, we should come back to you. But yes, the objective is for sure to move towards a profitable organization. And the direction really, yes, that is our objective. That I can say. But the exact explain because if you see, for example, the Board, the management of the organization has been managing those businesses. So, there could be some ratios, but we are working on them at this

point in time.

Ramakrishnan: So, what about finance cost and what will be the net liabilities, debt, borrowing, and as well as

other liabilities will come down to?

Yogesh Gupta: The interest cost, which you mentioned correctly, is about 66, 67 crores as of last year. And this

is bound to go down when the transactions happen. And this will not go down in the current year itself. And so slowly the interest cost will go down. And as Prashant has already indicated, that we will be debt-free in two years. And our borrowings as of 31st March '24 were 102 crores. And this number will definitely go down as and when we receive the consideration and as we

move further on.

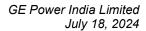
Ramakrishnan: And we have other liabilities, large other liabilities.

Yogesh Gupta: Yes, as we shared the numbers of the liabilities that we have

Ramakrishnan: This is around 1,122 crores or something like that, the other liabilities.

Yogesh Gupta: So, if we redraw the balance sheet as of 31st March '24 after assuming the carve-out has

happened, I have shared the components of assets and liabilities of the two businesses that we will be carving out and the net liability impact will be to the extent of coming from hydro of 214





crores and 38 crores coming from the gas business. So, these will be the two net liability impact, which is like net off gross assets, gross liability put together, net.

Ramakrishnan: So, you will have 800 crores liability will be other liability will be there?

Yogesh Gupta: Yes, the range of total liabilities moving out after this carveout will be 1000-1100 crores, if we

redraw the balance sheet.

Ramakrishnan: My last, I think, observation is seen, in the case of Siemens, what they did is they wanted to sell

off. Then most of the minority shareholders opposed and they made it as a separate division. So, here, instead of selling off, because the minority shareholders with the company for such a long period of time, you are up as well as the downside cycle. And so much of hydro people are talking about opportunities and as well as the gas, so you are not giving an opportunity to the

minority shareholder to participate. So, that is my...

Prashant Jain: See, I think what I would like to draw your light, I think you have to evaluate the unique situation

of your company. Your company is a unique situation today, where the net liability...

Ramakrishnan: No, I understand that, but what I am saying is you could have made a separate company.

Prashant Jain: Please allow me to complete and then I will offer you to ask one more follow-up question. Allow

me to please complete. What I am offering is the net liability. Let's assume theoretically, I do carve out these two as a demerger. The other side of the entity will be stranded with a minus 300-odd crores. And how would you be able to sustain that? It is a net liability. It is not a margin

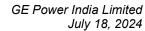
or a value in the other company. And therefore, it will just destroy value for the shareholders

than create value.

And therefore, the management considered that in our condition, two things, right? One, you mentioned hydro, there is tremendous potential. The issue is not with the potential of hydro. The issue is you put money today in a large hydro or a PSP project, the cash goes out and comes back with margin maybe after 10 years, but till that time, we are consuming cash and margin. And that is stressful for a small balance sheet. And you have seen our balance sheet, and what it has gone through. The ratio of EPC versus sustainable cash business has been bad because of that. And therefore, we are seeking your support to bring the ratio to meaningful quarter-on-quarter performance and take out the non-performing with a high liability, both of these units as

And other theory was that if you wait for two more quarters, the net worth of the company will become completely negative. And even if the net worth becomes completely negative, we will lose the BBB Negative credit rating to even worse. We are already finding it very difficult for banks to provide any kind of bank guarantee limits. We will not be able to win any more new orders in the company because for bidding also in India, you know, we need to provide bank

a slump sale. Therefore, that was what we mentioned.





guarantees, earnest money deposit on a bank guarantee, then you have to provide the advance bank guarantee to receive the advance. And that requires working capital limits on the banks.

And that is a big constraint, which is quite urgent. And any other process, if it is delayed, we will have a very serious risk also to be able to fund with the working capital of the company for existing backlogs and to be able to bring new business. And that is a really critical situation in the company. And that is why we had to take this decision.

And on the plus side, if you look at it today, with all the backlog contracts of hydro, which are sitting in our backlog for 13 plus years, some of the projects that I mentioned earlier in the call, plus additional three contracts that we might book, we might book in the next five years, plus a potential COF revenue, which is not there today, is what we have factored in the valuation in the contracts. And we have secured a positive consideration for those contracts assuming no further delay. And that we are able to realize on day one today, than to wait for the next four, five years. And unfortunately, because of the condition of the balance sheet, we had to act with high sense of urgency. And therefore we are seeking your understanding and support. And I hope I have clarified our position to you. If you have any questions, I will be very happy to clarify.

Ramakrishnan:

So, one last hypothetical question. So, you were saying that on the new thermal power project that new promoter whoever is coming, he will decide. So, assuming that if that happens, then how fast you can scale up for a big order, like are we have capability within the company to take up that kind of a big project?

Prashant Jain:

So, I think it's a hypothetical question. And maybe some other time over a cup of coffee, but I am sorry, we would. It's hypothetical today.

Ramakrishnan:

Because sometime this hiving off may be a precursor to your sell off.

Prashant Jain:

I would not speculate today in the best interest of yourself and myself, sir, that yes, for sure we will address or cross the bridge when it comes.

Moderator:

Thank you. The next question is from the line of Prathamesh Rane from Antique Stock Broking Limited. Please go ahead.

Prathamesh Rane:

Sir, I wanted to ask a question on the debt reduction part, like how would your balance sheets would span out post this slump sales? And the next one is that what is the associated cost of this thing, your slump sales?

Prashant Jain:

The associated cost of slump sales you mean?

Prathamesh Rane:

Yes.

Prashant Jain:

I will allow Yogesh to answer this.



Yogesh Gupta:

Basically, there are two or three elements of cost. I would just highlight, we are still exploring what all possible liabilities can come over. One is clearly, we will be having capital gains and will be exposed to capital gains tax. Plus, we have the valuation and the associated costs which isvery reasonable. We don't want to mention this on the call. Stamp duty charges, etc., if you do this transaction from Delhi, then it will be very low. So, this is what clearly we are looking at present.

Prathamesh Rane:

I think in short, not significantly material if I have to...

Yogesh Gupta:

Very true.

Moderator:

Thank you. Ladies and gentlemen, that was the last question. If you have further questions, please write to the company and they will respond to you over email.

Prashant Jain:

Thank you. I would like to summarize again, Yashashri. My request to all the shareholders is to help us improve the net worth of your company. This transaction has a direct impact on our ability to be able to bid for further tenders. And it has a direct impact on the credit rating of our company and the funds availability for both the bank guarantees that is working capital for funded and non-funded limits. Therefore, this transaction would immediately have a positive impact of about 296 crores excluding taxes of net worth boost to the company. And this is significant. And on top of that, we have a valuation of 44 crores of gas that puts on an additional 44. So, that is included, of course, in the 296 crores, which is included as a valuation.

And we are on a net liability of the hydro situation, we get 100 crores of premium for the transaction and the valuation has done with the fairness. And as I have explained earlier in the call, considering the contract of the company and future positive predictions of the company, and therefore, all this together would enable us to profitable, unrestricted free cash flow, generating better return on equity and a profitable company.

If you have any more questions, we are happy to answer. And you can email it to our secretarial team, and we will respond to them promptly. We have been transparent in all communications to you, and we will continue to do so in the future. We deeply appreciate your support and your patience. Thanking you and have a good evening. Thank you, my team.

Moderator:

Thank you, members of the management. On behalf of GE Power India Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.