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Q3FY23 result review,  
earnings and target price  
revision

## Capital Goods

Target price: Rs172

### Earnings revision

(%)	FY23E	FY24E	FY25E
Sales	↓ 5.5	↑ 0.1	↑ 0.9
EBITDA	↑ 2.7	↑ 7.0	↑ 7.7
EPS	↑ 12.4	↑ 13.8	↑ 12.7

Target price revision  
Rs172 from Rs153

### Shareholding pattern

	Jun '22	Sep '22	Dec '22
Promoters	75.0	75.0	75.0
Institutional investors	16.0	16.0	16.0
MFs and other	14.3	14.4	14.5
Insurance Co.	1.4	1.3	1.2
FII	0.3	0.3	0.3
Others	9.0	9.0	9.0

Source: BSE

### ESG disclosure score

Year	2020	2021	Chg
ESG score	39.1	37.9	(1.2)
Environment	9.2	9.5	0.3
Social	24.2	25.3	1.0
Governance	83.6	78.6	(5.0)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

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## INDIA



## GE T&D India

**BUY**

Maintained

Weak performance; transmission ordering likely to pick pace in H1FY24

**Rs117**

GE T&D India's (GETD) revenues declined 15% YoY to Rs7.8bn in Q3FY23 as lower orderbook led to muted execution. However, EBITDA jumped 57% YoY to Rs458mn as EBITDA margin expanded 270bps YoY, mainly led by 1,200bps YoY gross margin expansion. Net debt during the quarter decreased by Rs1.5bn to Rs2.1bn on account of improved cashflow from operations. Order inflow grew 53% YoY to Rs7.7bn. Current orderbook stands at Rs34.8bn (1.3x TTM sales). We expect ordering to gather momentum aided by resolution of the GIB issues in Rajasthan, lower commodity prices and government's increased focus on renewable power evacuation. We expect FY24E to see strong ordering on the back of HVDC orders, especially Leh-Ladakh and Badla-Fatehpur under the TBCB mode. We expect execution pick pace toward the end of FY24E. Gross margin is likely to gradually improve with lower commodity prices and favourable mix. Factoring-in improvement in the gross margin, we raise our estimates for FY23E/FY24E/FY25E and maintain our **BUY** rating with a target price of Rs172 (earlier: Rs153) based on 25x FY25E EPS.

► **Muted execution, profitability improves:** GETD witnessed muted execution due to restrained order inflow in the recent past and order backlog. However, EBITDA jumped 57% YoY to Rs458mn as EBITDA margin expanded 270bps YoY, mainly led by 1,200bps YoY gross margin expansion. Management believes EBITDA margin is set for further improvement on account of gross margins sustaining at higher levels and increasing volumes. We expect EBITDA margin of 4% / 6.6% / 7.6% in FY23E / FY24E / FY25E.

► **Order intake expected to improve in FY24E given the strong ordering pipeline:** Of the current orderbook of Rs34.8bn (1.3x TTM sales), 66% / 17% / 17% is from the private sector / Central utilities & PSUs / state utilities, respectively. Q3FY23 order inflow grew 53% YoY to Rs7.8bn. Going ahead, the pipeline is strong with Rs250bn of TBCB tender pipeline and HVDC projects. We expect at least two orders, viz. Leh-Ladakh and Badla-Fatehpur, to get awarded in FY24E.

► **Maintain BUY on prospects of order inflow revival and compelling valuations:** Government recently announced a massive Rs2.44trn transmission plan to evacuate 537GW of renewable power capacity by CY30, mainly through the TBCB route. Government has announced viability gap funding of ~Rs80bn for evacuation of renewable power from Ladakh. This boosts the overall ordering environment. We expect order intake for GETD to be back-ended in FY24E, hence execution to ramp up in FY25E. Further, we expect profitability to improve on the back of better execution and gross margin expansion driven by fall in commodity prices. We have raised our estimates for FY23E/FY24E/FY25E and maintain our **BUY** rating on the stock with a target price of Rs172, based on 25x FY25E EPS.

Market Cap	Rs30.1bn/US\$364mn
Reuters/Bloomberg	GETD.BO/GETD IN
Shares Outstanding (mn)	256.0
52-week Range (Rs)	137/83
Free Float (%)	25.0
FII (%)	0.3
Daily Volume (US\$'000)	104
Absolute Return 3m (%)	(10.2)
Absolute Return 12m (%)	9.7
Sensex Return 3m (%)	(2.1)
Sensex Return 12m (%)	5.3

Year to Mar	FY22	FY23E	FY24E	FY25E
Revenue (Rs mn)	30,660	28,415	33,856	38,950
Adjusted NI (Rs mn)	(1,322)	435	1,232	1,764
DEPS (Rs)	(5.2)	1.7	4.8	6.9
% Chg YoY	-	-	183.4	43.1
P/E (x)	-	68.9	24.3	17.0
CEPS (Rs)	-	3.8	7.1	9.2
EV/E (x)	-	26.7	13.6	10.0
Dividend Yield	0.8	1.7	1.7	1.7
RoCE (%)	(7.8)	5.6	11.4	15.0
RoE (%)	(12.0)	4.1	11.3	15.0

Please refer to important disclosures at the end of this report

## Valuation and outlook

For 9MFY23, a limited number of projects were finalised, hence order inflow was muted. However, going forward, we expect order activity to improve in FY24E as there is a systemic pipeline for the next few quarters.

With improved outlook on margins, order intake and thereby execution from FY24 onwards, we raise our EPS estimates for FY23E / FY24E / FY25E by 12% / 14% / 13%, respectively.

We have assigned a P/E multiple of 25x FY25E EPS. We maintain our **BUY** rating with a revised target price of Rs172 (previously: Rs153).

**Key risks:** Any further commodity price increase and delay in order bidding might adversely impact our earnings estimates.

**Table 1: Earnings revision (consolidated)**

Rs mn	FY23E			FY24E			FY25E		
	Earlier	Revised	Change (%)	Earlier	Revised	Change (%)	Earlier	Revised	Change (%)
Revenue	30,055	28,415	(5.5)	33,811	33,856	0.1	38,601	38,950	0.9
EBITDA	1,113	1,143	2.7	2,077	2,222	7.0	2,735	2,945	7.7
PAT	387	435	12.4	1,083	1,232	13.8	1,565	1,764	12.7

Source: Company data, I-Sec research

**Table 2: Quarterly financial highlights**

(Rs mn)	Q3FY23	Q3FY22	YoY(%)	Q2FY23	QoQ(%)	FY22	FY21	YoY(%)
<b>Net Sales</b>	<b>7,766</b>	<b>9,141</b>	<b>(15.0)</b>	<b>7,006</b>	<b>10.9</b>	<b>30,660</b>	<b>34,524</b>	<b>(11.2)</b>
EBITDA	458	292	56.7	54	742.5	(1,089)	1,452	-
<i>Margin</i>	5.9	3.2	270bps	0.8	512bps	(3.6)	4.2	-
Depreciation	139	162	(14.3)	139	(0.4)	579	657	(12.0)
Finance Cost	118	140	(15.9)	97	21.0	594	682	(12.9)
Other Income	(67)	14	-	283	-	257	658	(60.9)
<b>PBT</b>	<b>123</b>	<b>4</b>	<b>2,838.1</b>	<b>43</b>	<b>190.4</b>	<b>(695)</b>	<b>893</b>	-
Tax	76	5	1,363.5	15	410.7	(199)	290	-
Tax rate	25.0	123.8	-9881bps	35.1	-1006bps	(0.6)	0.8	-
<b>Reported PAT</b>	<b>47</b>	<b>(1)</b>	-	<b>28</b>	<b>71</b>	<b>(496)</b>	<b>603</b>	-
Adjusted PAT	56	(1)	-	71	(22)	(1,322)	577	-
<i>Margin(%)</i>	0.7	(0.0)	-	1.0	-30bps	(4.3)	1.7	-
<b>EPS (Rs)</b>	<b>0.2</b>	<b>(0.0)</b>	-	<b>0.3</b>	<b>(21.7)</b>	<b>2.3</b>	<b>(9.7)</b>	-

Source: Company data, I-Sec research

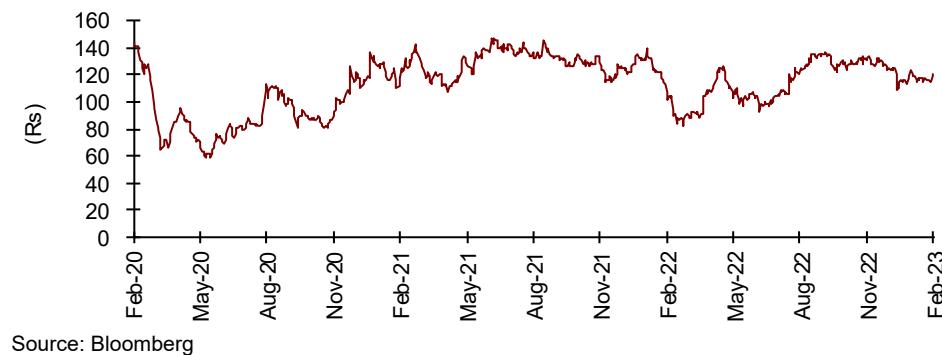
## Concall highlights

- Order intake in Q3FY23 grew 53% YoY / 58% QoQ to Rs7.8bn. Apart from base business orders, the company won orders from refinery and data centres.
- Orders won during Q3FY23 are a mix of AIS and GIS equipment supply, automation solutions and maintenance contracts.
- Gross margin in Q3FY23 expanded 1,200bps YoY / 500bps QoQ to 30% mainly due to better execution mix and internal cost efficiency improvement.
- **Net debt during the quarter decreased to Rs2.1bn** as of Dec'22 as against Rs3.6bn Sep'22 and Rs0.8bn Mar'22 on account of improved cash collection.
- **Cash and bank balances as of Dec'22 was at Rs580mn** against Rs375mn as of Sep'22 and Rs824mn Mar'22.
- The recently announced FY24 Union Budget has re-emphasized the country's ambition towards building net-zero carbon emission by CY70. Towards the clean energy target, government has allocated of Rs350bn towards priority captive investment. Additionally, in the Budget announcement, Rs83bn from the Central fund has been allocated towards Rs200bn worth of projects for building interstate transmission system for evacuation of 12GW of renewable energy from Ladakh. This reaffirms government's commitment towards harnessing renewable energy from the planned mega solar-wind hybrid plant at Leh.
- Additionally, management expects reforms in the EV and other manufacturing sectors to boost transmission investment in the country.
- Management guided that order pipeline has improved over FY22 from both state and Central players across TBCB and HVDC and order intake is likely to be better in coming years as visibility on investment in the transmission infra has improved.
- Rajasthan TBCB project and Khavda transmission project were stuck due to GIB-related issues and delayed clearances, respectively. As per the management, these issues have now been resolved and awarding is likely to happen during Q4FY23.
- Additionally, private capex visibility is also robust with good amount of investment planned in solar-wind hybrid projects. Furthermore, private capex in green hydrogen is picking up, which will require renewable energy to feed the hydrogen plant and will further require transmission infra to get strengthened. Investment in industrial sectors like metals and oil & gas is also likely to boost investment in transmission infra.
- Government of India plans to increase its installed renewable capacity from the current 167GW to 537GW by CY30. There are three HVDC projects in pipeline for enable the same apart from the Leh Ladakh project. These three projects are of 6GW-800KV each, namely: Badla-Fatehpur, Balmer-Jabalpur and Khavda-Aurangabad.
- Management expects Badla-Fatehpur transmission line to get announced by the Central government during Q4FY23. Estimated cost of the project is >Rs125bn and GETD's addressable market will be higher than 50%.

- Management has guided for an annual domestic HVDC order pipeline of Rs250bn for coming 3-4 years as it expects **one HVDC project to get awarded every 12-18 months.**
- Management is focusing on improving margins further by better price negotiation while bidding for projects and continued efforts towards internal cost rationalisation. With capacity addition, management is hopeful of better price realisation in the market. Furthermore, awarding of HVDC projects will help gain operating leverage.

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### Price chart



Source: Bloomberg

## Financial summary

**Table 3: Profit and Loss statement**

(Rs mn, year ending Mar 31)

	FY22	FY23E	FY24E	FY25E
<b>Total Income</b>	<b>30,660</b>	<b>28,415</b>	<b>33,856</b>	<b>38,950</b>
<b>Operating Expenses</b>	<b>31,748</b>	<b>27,272</b>	<b>31,634</b>	<b>36,005</b>
<b>EBITDA</b>	<b>(1,089)</b>	<b>1,143</b>	<b>2,222</b>	<b>2,945</b>
% margins	(3.6)	4.0	6.6	7.6
Depreciation & Amortisation	579	549	574	587
<b>EBIT</b>	<b>(1,667)</b>	<b>594</b>	<b>1,648</b>	<b>2,359</b>
Gross Interest	387	394	406	426
Other Income	257	386	405	426
<b>PBT before exceptionals</b>	<b>(1,797)</b>	<b>586</b>	<b>1,647</b>	<b>2,358</b>
Add:	1,102	69	-	-
Extraordinaries/Exceptional	-	-	-	-
Add: Share in associates	-	-	-	-
<b>PBT</b>	<b>(695)</b>	<b>655</b>	<b>1,647</b>	<b>2,358</b>
Less: Taxes	(199)	134	415	594
Less: Minority Interests	-	-	-	-
<b>Net Income (Reported)</b>	<b>(496)</b>	<b>383</b>	<b>1,232</b>	<b>1,764</b>
<b>Adjusted Net Income</b>	<b>(1,322)</b>	<b>435</b>	<b>1,232</b>	<b>1,764</b>

Source: Company data, I-Sec research

**Table 4: Balance sheet**

(Rs mn, year ending Mar 31)

	FY22	FY23E	FY24E	FY25E
<b>Assets</b>				
Total Current Assets	27,261	28,700	32,682	36,830
of which cash & cash eqv.	824	2,319	2,054	2,253
Total Current Liabilities & Provisions	24,725	24,094	27,404	30,523
<b>Net Current Assets</b>	<b>1,712</b>	<b>2,287</b>	<b>3,224</b>	<b>4,055</b>
Investments	77	-	-	-
Other Non-Current Assets	5,244	4,669	4,536	4,536
<b>Net Fixed Assets</b>	<b>3,981</b>	<b>3,591</b>	<b>3,221</b>	<b>2,839</b>
Goodwill	599	539	485	485
<b>Total Assets</b>	<b>12,437</b>	<b>13,404</b>	<b>13,520</b>	<b>14,168</b>
<b>Liabilities</b>				
Borrowings	1,634	2,834	2,334	1,834
Deferred Tax Liability	-	-	-	-
Minority Interest	-	-	-	-
Equity Share Capital	512	512	512	512
Face Value per share (Rs)	2.00	2.00	2.00	2.00
Reserves & Surplus	10,291	10,058	10,674	11,822
<b>Net Worth</b>	<b>10,803</b>	<b>10,570</b>	<b>11,186</b>	<b>12,334</b>
<b>Total Liabilities</b>	<b>12,437</b>	<b>13,404</b>	<b>13,520</b>	<b>14,168</b>

Source: Company data, I-Sec research

**Table 5: Cashflow statement**

(Rs mn, year ending Mar 31)

	FY22	FY23E	FY24E	FY25E
<b>Operating Cashflow</b>	<b>(10)</b>	<b>1,087</b>	<b>1,939</b>	<b>2,351</b>
Working Capital Changes	1,692	(554)	(1,028)	(831)
Capital Commitments	(306)	(159)	(204)	(204)
<b>Free Cashflow</b>	<b>1,376</b>	<b>374</b>	<b>707</b>	<b>1,316</b>
<b>Cashflow from Investing Activities</b>	<b>108</b>	<b>892</b>	<b>405</b>	<b>426</b>
Issue of Share Capital	-	-	-	-
Buyback of shares	-	-	-	-
Inc (Dec) in Borrowings	(578)	1,200	(500)	(500)
Interest paid	(387)	(394)	(406)	(426)
Dividend paid	(256)	(512)	(512)	(512)
<b>Extraordinary Items/Others</b>	<b>(41)</b>	<b>(65)</b>	<b>41</b>	<b>(104)</b>
<b>Chg. in Cash &amp; Bank balance</b>	<b>222</b>	<b>1,495</b>	<b>(265)</b>	<b>199</b>

Source: Company data, I-Sec research

**Table 6: Key ratios**

(Year ending Mar 31)

	FY22	FY23E	FY24E	FY25E
<b>Per Share Data (in Rs)</b>				
Diluted adjusted EPS	-5.2	1.7	4.8	6.9
Recurring Cash EPS	-2.9	3.8	7.1	9.2
Dividend per share (DPS)	1.0	2.0	2.0	2.0
Book Value per share (BV)	42.2	41.3	43.7	48.2
<b>Growth Ratios (%)</b>				
Operating Income	(11.2)	(7.3)	19.1	15.0
EBITDA	-	-	94.4	32.6
Recurring Net Income	-	-	183.4	43.1
Diluted adjusted EPS	-	-	183.4	43.1
Diluted Recurring CEPS	-	-	83.6	30.1
<b>Valuation Ratios</b>				
P/E	-	68.9	24.3	17.0
P/CEPS	-	30.5	16.6	12.7
P/BV	3.1	2.8	2.7	2.4
EV / EBITDA	(31.3)	26.7	13.6	10.0
EV / Operating Income	1.1	1.1	0.9	0.8
EV / Operating FCF (pre -Capex)	20.3	57.2	33.2	19.4
<b>Operating Ratios</b>				
Raw Material/Sales (%)	77.4	70.0	69.0	69.0
SG&A/Sales (%)	12.7	13.0	13.0	13.0
Other Income / PBT (%)	(14.3)	65.9	24.6	18.1
Effective Tax Rate (%)	28.6	25.9	25.2	25.2
NWC / Total Assets (%)	7.3	8.7	10.4	11.4
Inventory Turnover (days)	74.1	85.0	83.0	81.0
Receivables (days)	186.0	190.0	189.0	188.0
Payables (days)	127.7	133.3	137.1	138.4
Net D/E Ratio (x)	0.1	0.0	0.0	(0.0)
<b>Return/Profitability Ratios (%)</b>				
Recurring Net Income Margins	(4.3)	1.5	3.6	4.5
RoCE	(7.8)	5.6	11.4	15.0
RoNW	(12.0)	4.1	11.3	15.0
Dividend Payout Ratio	(0.2)	1.2	0.4	0.3
Dividend Yield (%)	0.8	1.7	1.7	1.7
EBITDA Margins	(3.6)	4.0	6.6	7.6

Source: Company data, I-Sec research

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