

July 2, 2020

Q4FY20 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	HOLD		HOLD	
Target Price	71		91	
Sales (Rs. m)	31,048	37,194	33,078	37,621
% Chng.	(6.1)	(1.1)		
EBITDA (Rs. m)	1,642	2,529	2,481	2,822
% Chng.	(33.8)	(10.4)		
EPS (Rs.)	0.3	3.2	3.6	4.1
% Chng.	(92.0)	(21.5)		

Key Financials - Standalone

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	42,188	31,587	31,048	37,194
EBITDA (Rs. m)	4,259	(2,150)	1,642	2,529
Margin (%)	10.1	(6.8)	5.3	6.8
PAT (Rs. m)	2,127	(3,026)	75	830
EPS (Rs.)	8.3	(11.8)	0.3	3.2
Gr. (%)	1.9	(242.3)	(102.5)	1,011.4
DPS (Rs.)	1.8	-	0.1	0.7
Yield (%)	2.3	-	0.1	0.9
RoE (%)	16.2	(24.4)	0.7	7.6
RoCE (%)	24.5	(19.2)	2.5	7.9
EV/Sales (x)	0.5	0.8	0.7	0.5
EV/EBITDA (x)	4.7	(11.2)	13.7	8.0
PE (x)	9.3	(6.5)	263.7	23.7
P/BV (x)	1.4	1.9	1.9	1.8

Key Data

GETD.BO | GETD IN

52-W High / Low	Rs.247 / Rs.58
Sensex / Nifty	35,844 / 10,552
Market Cap	Rs.20bn/ \$ 263m
Shares Outstanding	256m
3M Avg. Daily Value	Rs.21.68m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	2.67
Domestic Institution	15.72
Public & Others	6.61
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	19.6	(49.5)	(67.5)
Relative	12.8	(41.3)	(63.9)

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Execution challenges continue

Quick Pointers:

- In 4Q revenues were impacted by ~Rs2bn on the account of a) declining HVDC (~Rs400mn), b) lockdown, c) global supply chain issues and d) delay in projects by customers.
- Order Inflow came in at ~Rs6.6bn in the quarter, down 33% YoY. Order book stood at Rs59bn providing revenue visibility for the next 1.5 years.

GE T&D (GETD) reported weak set of numbers for the quarter with a revenue de-growth of 26% YoY leading to loss at bottom-line. Sales during the quarter got impacted by Rs2bn owing to declining HVDC (~Rs400mn), lockdown impact, global supply chain issues and delay in projects by customers. Order inflows were down 33% YoY at Rs6.6bn owing to slowdown in commercial activities and deferment in bids & projects. L1 position orders worth ~Rs1.7bn were also delayed due to Covid-19 lockdown. Order book stood at Rs59bn, down 8% YoY providing revenue visibility for next 1.5 years. Management indicated that during lockdown there were no cancellation of orders but they noticed delay in decision making of projects. Also, company's goal of becoming debt free FY21E may be delayed due to unprecedented situation, nevertheless efforts will still continue. Going ahead focus will be placed on strengthening the order backlog, becoming cash rich and improving working capital.

We believe medium term challenges would continue on the execution and order inflow front due to the pandemic and overall challenging environment. We have cut our earnings estimates by 92%/22% YoY for FY21E/22E owing to weak FY20E and cautious outlook. We maintain Hold with TP of Rs71.

4Q impacted by weak execution: Sales came in at ~Rs6.6bn (down 26% YoY) vs (PLe ~Rs8.8bn) due to delay in execution. EBITDA de-grew by 406% YoY to loss of Rs2.4mn (PLe ~Rs2.7bn) with EBITDA margin of -6.8% vs 8.6% in 4QFY19 due to higher employee cost (up, 25% YoY) and other expenses (up,96% YoY). PBT loss of 2.3bn (PLe ~Rs2.3bn) declined by 684% YoY on back of lower operating performance. The bottom line is that the company reported loss of Rs1.9bn (PLe ~Rs2.5bn) due to overall weak performance.

Healthy order book provides revenue visibility GETD's order inflow during the quarter fell by 33%YoY to Rs6.6bn owing to slowdown in commercial activities which led to delay in bidding of projects. L1 position orders of Rs1.7bn were also delayed due to Covid-19 lockdown. Order backlog stands at Rs59bn, down 8% YoY. Of the total OB 40% comes from private, 30-35% SEB's and 25% from central utility/PSU/exports. Management indicated that none of the orders have currently got cancelled but delay in decision marking of projects have been noticed. Projects in southern region are expected to be delayed by 6-8months. In Bangladesh, Chinese players are currently dominating the market. Going ahead management expects execution to be impacted for near-term owing to challenging environment.

Exhibit 1: Weak performance on all fronts (Rs mn)

Y/e March	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY gr. (%)	QoQ gr. (%)	FY20	FY19	YoY gr. (%)
Revenue	8,953	7,337	8,211	9,398	6,642	(25.8)	(29.3)	31,587	42,188	(25.1)
Total Revenues	8,953	7,337	8,211	9,398	6,642	(25.8)	(29.3)	31,587	42,188	(25.1)
Expenditure	8,183	6,913	8,172	9,654	8,999	10.0	(6.8)	33,737	37,929	(11.1)
<i>as % of sales</i>	<i>91.4</i>	<i>94.2</i>	<i>99.5</i>	<i>102.7</i>	<i>135.5</i>			<i>106.8</i>	<i>89.9</i>	
Consumption of RM	5,844	4,788	5,908	7,095	5,016	(14.2)	(29.3)	22,807	27,984	(18.5)
<i>as % of sales</i>	<i>65.3</i>	<i>65.3</i>	<i>72.0</i>	<i>75.5</i>	<i>75.5</i>			<i>72.2</i>	<i>66.3</i>	
Employee Cost	836	973	1,123	1,064	1,045	25.0	(1.7)	4,205	3,829	9.8
<i>as % of sales</i>	<i>9.3</i>	<i>13.3</i>	<i>13.7</i>	<i>11.3</i>	<i>15.7</i>			<i>13.3</i>	<i>9.1</i>	
Other expenditure	1,503	1,152	1,141	1,494	2,938	95.5	96.6	6,726	6,116	10.0
<i>as % of sales</i>	<i>16.8</i>	<i>15.7</i>	<i>13.9</i>	<i>15.9</i>	<i>44.2</i>			<i>21.3</i>	<i>14.5</i>	
EBITDA	770	424	39	(256)	(2,357)	(406.2)	822.7	(2,150)	4,259	(150.5)
Depreciation	198	220	211	179	175	(11.9)	(2.3)	784	832	(5.8)
EBIT	572	205	(172)	(434)	(2,532)	(542.9)	482.9	(2,934)	3,427	(185.6)
Other Income	56	18	111	123	343	511.4	178.6	595	583	2.1
Interest	226	163	175	187	158	(30.3)	(15.6)	682	664	2.6
PBT	402	60	(237)	(498)	(2,347)	(684.4)	371.2	(3,021)	3,346	(190.3)
Total Tax	141	27	39	21	(476)	(438.0)	(2,322.0)	(531)	1,219	(143.6)
Adjusted PAT	261	34	(275)	(520)	(1,871)	(817.2)	260.2	(2,490)	2,127	(217.1)
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
PAT after MI	261	34	(275)	(520)	(1,871)	(817.2)	260.2	(2,490)	2,127	(217.1)
Extra ordinary items	-	-	(536)	-	-	-	-	(536)	-	-
Reported PAT	261	34	(811)	(520)	(1,871)	(817.2)	260.2	(3,026)	2,127	(242.3)
Adjusted EPS	1.0	0.1	(3.2)	(1.5)	(7.3)	(817.2)	396.0	(11.8)	8.3	(242.3)
Margins (%)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	bps	bps	FY20	FY19	bps
EBIDTA	8.6	5.8	0.5	(2.7)	(35.5)	(4,409)	(3,278)	(6.8)	10.1	(1,690)
EBIT	6.4	2.8	(2.1)	(4.6)	(38.1)	(4,451)	(3,350)	(9.3)	8.1	(1,741)
EBT	4.5	0.8	(2.9)	(5.3)	(35.3)	(3,982)	(3,003)	(9.6)	7.9	(1,749)
PAT	2.9	0.5	(9.9)	(5.5)	(28.2)	(3,109)	(2,265)	(9.6)	5.0	(1,462)
Effective Tax rate	35.0	44.2	(16.3)	(4.3)	20.3	(1,477)	2,456	17.6	36.4	(1,886)

Source: Company, PL

Key orders executed during 4QFY20:

- Commissioned 5 X 220 kV GIS at 245kV substation for TATA Power at Versova, Mumbai.
- Commissioned 14 bays of 400 kV GIS & 11 bays 220 kV GIS along with 2 X 500 MVA, 400/220/33 kV Transformer & 1 X 125 MVAR, 400 kV Reactor for Sterlite at Sohna Road.
- Commissioned 7 bays 132 kV, 9 bays 33 kV GIS along with 2 X 40 MVA, 132/33 kV Transformer for OPTCL at Mancheswar.
- Charged 6 bays each of 400 kV & 220 kV AIS along with 1 X 400 kV, 50 MVAR Reactor, 1 X 315 MVA, 400/220/33 kV Transformer at 400/220/33 kV AIS Substation for CSPTCL at Dhamteri.
- Commissioned 7 bays 132 kV, 18 bays 33 kV, 17 bays 11 kV along with 2 X 80 MVA, 132/33 kV Transformer & 3 X 10MVA, 33/11 kV Transformer for WBSETCL at Salt Lake.

- Commissioning of 500 MVA transformer at 400kV PGCIL Pusauli Tr-01 Substation & 501 MVA transformer at Essar E-BOP for 2x 500MW NLC Package.
- Charged successfully 125MVA Reactor at 400/132 KV PGCIL, Patna SS03 Package & Commissioned 160MVA Auto Transformer at 220/132kV for PGCIL at Balipara, Assam.

Conference Call Highlights

- **Current Operation post-lockdown-** Activities have gradually started to pick-up. One manufacturing Unit in Chennai has again shut down from 19th June to 5th July.
- During 4QFY20 revenue was impacted by declining HVDC (of Rs400mn), Covid-19 Lockdown (amounting Rs1.6bn), delay in projects by customers and global supply chain issues.
- The company had to incur extra expenses related to Covid-19. During FY20 Rs1.32bn was incurred towards warranty charge, Rs300mn for Bad debts provision and Rs300-350mn towards LD provisioning.
- **In FY20 48-50% revenue was contributed from Product, 45% from Projects and 5% from services business. Exports contributed 17-18% to the total revenue in FY20.**
- Profit for 4QFY20 was impacted by lower Revenue, Covid 19 Disruptions, exceptional Items and one off warranty provisions.
- **Company currently has order book of Rs59bn providing revenue visibility for next 2 years. Of the total OB 40% comes from private, 30-35% SEB's and 25% from central utility/PSU/exports.** None of the orders currently have got cancelled but there has been delay in decision making process for projects.
- Order Inflow during 4QFY20 declined by 33% YoY owing to slowdown in commercial activities which impacted many bids and many projects also got deferred. L1 position orders of Rs1.7bn were delayed due to Covid-19 lockdown.
- Net Borrowings as on FY20 stood at Rs4.3bn vs Rs202mn in FY19 largely due to increase in working capital in H1FY20.
- Southern region projects are expected to be delayed by 6-8months. In Bangladesh, Chinese players are currently dominating the market.
- **Management indicated that they have potential to execute Rs30bn of revenue in FY21E. Sustainable gross margins according to the management would be 30-31%.**
- **Company has 20% of import from China.**
- Company's goal of becoming debt free FY21E would be delayed due to unprecedented situation nevertheless efforts will still continue.
- Of the total ILFS provision of Rs250mn, Rs190mn has been provided for now.

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	42,188	31,587	31,048	37,194
YoY gr. (%)	(2.6)	(25.1)	(1.7)	19.8
Cost of Goods Sold	27,984	22,807	21,733	26,036
Gross Profit	14,205	8,780	9,314	11,158
Margin (%)	33.7	27.8	30.0	30.0
Employee Cost	3,829	4,205	4,347	4,649
Other Expenses	2,761	4,152	1,242	1,488
EBITDA	4,259	(2,150)	1,642	2,529
YoY gr. (%)	65.8	(150.5)	(176.4)	54.0
Margin (%)	10.1	(6.8)	5.3	6.8
Depreciation and Amortization	832	784	1,262	1,338
EBIT	3,427	(2,934)	381	1,191
Margin (%)	8.1	(9.3)	1.2	3.2
Net Interest	664	682	591	453
Other Income	583	595	310	372
Profit Before Tax	3,346	(3,021)	100	1,110
Margin (%)	7.9	(9.6)	0.3	3.0
Total Tax	1,219	(531)	25	280
Effective tax rate (%)	36.4	17.6	25.2	25.2
Profit after tax	2,127	(2,490)	75	830
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,127	(3,026)	75	830
YoY gr. (%)	1.9	(242.3)	(102.5)	1,011.4
Margin (%)	5.0	(9.6)	0.2	2.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,127	(3,026)	75	830
YoY gr. (%)	1.9	(242.3)	(102.5)	1,011.4
Margin (%)	5.0	(9.6)	0.2	2.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,127	(3,026)	75	830
Equity Shares O/s (m)	256	256	256	256
EPS (Rs)	8.3	(11.8)	0.3	3.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	8,413	9,453	10,028	10,603
Tangibles	8,413	9,453	10,028	10,603
Intangibles	-	-	-	-
Acc: Dep / Amortization	3,306	4,090	5,351	6,689
Tangibles	3,306	4,090	5,351	6,689
Intangibles	-	-	-	-
Net fixed assets	5,107	5,364	4,677	3,914
Tangibles	5,107	5,364	4,677	3,914
Intangibles	-	-	-	-
Capital Work In Progress	70	135	136	137
Goodwill	-	-	-	-
Non-Current Investments	85	115	109	130
Net Deferred tax assets	854	1,502	1,502	1,502
Other Non-Current Assets	3,415	3,835	3,726	3,719
Current Assets				
Investments	0	0	0	0
Inventories	6,343	6,495	6,380	7,643
Trade receivables	20,203	18,988	18,714	19,361
Cash & Bank Balance	602	595	1,680	3,306
Other Current Assets	5,072	4,373	4,036	3,719
Total Assets	41,110	40,034	39,736	42,264
Equity				
Equity Share Capital	512	512	512	512
Other Equity	13,768	10,003	10,061	10,710
Total Network	14,280	10,515	10,573	11,222
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	805	4,897	4,397	3,897
Trade payables	11,549	9,957	10,207	12,228
Other current liabilities	15,330	16,167	16,061	16,419
Total Equity & Liabilities	41,110	40,034	39,736	42,264

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	3,346	(3,557)	100	1,110
Add. Depreciation	832	784	1,262	1,338
Add. Interest	664	682	591	453
Less Financial Other Income	583	595	310	372
Add. Other	140	903	-	-
Op. profit before WC changes	4,983	(1,188)	1,952	2,901
Net Changes-WC	(7,305)	(740)	841	715
Direct tax	(1,227)	(668)	(25)	(280)
Net cash from Op. activities	(3,549)	(2,596)	2,768	3,336
Capital expenditures	(66)	(319)	0	0
Interest / Dividend Income	40	8	-	-
Others	2,894	5	(576)	(576)
Net Cash from Inv. activities	2,869	(306)	(576)	(576)
Issue of share cap. / premium	-	-	-	-
Debt changes	(195)	3,968	(500)	(500)
Dividend paid	(555)	(556)	(16)	(182)
Interest paid	(395)	(514)	(591)	(453)
Others	-	-	-	-
Net cash from Fin. activities	(1,145)	2,899	(1,107)	(1,135)
Net change in cash	(1,825)	(3)	1,085	1,625
Free Cash Flow	(3,549)	(2,596)	2,768	3,336

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	8.3	(11.8)	0.3	3.2
CEPS	11.6	(8.8)	5.2	8.5
BVPS	55.8	41.1	41.3	43.8
FCF	(13.9)	(10.1)	10.8	13.0
DPS	1.8	-	0.1	0.7
Return Ratio(%)				
RoCE	24.5	(19.2)	2.5	7.9
ROIC	16.3	(16.5)	2.1	7.6
RoE	16.2	(24.4)	0.7	7.6
Balance Sheet				
Net Debt : Equity (x)	0.0	0.4	0.3	0.1
Net Working Capital (Days)	130	179	175	145
Valuation(x)				
PER	9.3	(6.5)	263.7	23.7
P/B	1.4	1.9	1.9	1.8
P/CEPS	6.7	(8.8)	14.7	9.1
EV/EBITDA	4.7	(11.2)	13.7	8.0
EV/Sales	0.5	0.8	0.7	0.5
Dividend Yield (%)	2.3	-	0.1	0.9

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	7,337	8,211	9,398	6,642
YoY gr. (%)	(36.9)	(17.3)	(19.5)	(25.8)
Raw Material Expenses	4,788	5,908	7,095	5,016
Gross Profit	2,549	2,302	2,303	1,626
Margin (%)	34.7	28.0	24.5	24.5
EBITDA	424	39	(256)	(2,357)
YoY gr. (%)	(70.6)	(95.8)	(122.7)	(406.2)
Margin (%)	5.8	0.5	(2.7)	(35.5)
Depreciation / Depletion	220	211	179	175
EBIT	205	(172)	(434)	(2,532)
Margin (%)	2.8	(2.1)	(4.6)	(38.1)
Net Interest	163	175	187	158
Other Income	18	111	123	343
Profit before Tax	60	(772)	(498)	(2,347)
Margin (%)	0.8	(9.4)	(5.3)	(35.3)
Total Tax	27	39	(121)	(476)
Effective tax rate (%)	44.2	(5.0)	24.3	20.3
Profit after Tax	34	(811)	(377)	(1,871)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	34	(275)	(377)	(1,871)
YoY gr. (%)	(95.9)	(153.5)	(171.1)	(817.2)
Margin (%)	0.5	(3.4)	(4.0)	(28.2)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	34	(275)	(377)	(1,871)
YoY gr. (%)	(95.9)	(153.5)	(171.1)	(817.2)
Margin (%)	0.5	(3.4)	(4.0)	(28.2)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	34	(275)	(377)	(1,871)
Avg. Shares O/s (m)	256	256	256	256
EPS (Rs)	0.1	(1.1)	(1.5)	(7.3)

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	16-Apr-20	Hold	91	86
2	11-Feb-20	Reduce	134	157
3	03-Jan-20	Reduce	150	157
4	11-Nov-19	Reduce	150	167
5	03-Oct-19	Hold	202	184
6	29-Jul-19	Hold	179	175
7	04-Jul-19	Reduce	257	237

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	874	836
2	Ahluwalia Contracts (India)	Accumulate	264	142
3	Apar Industries	BUY	587	368
4	Ashoka Buildcon	BUY	147	56
5	Bharat Electronics	Hold	89	70
6	BHEL	Hold	34	31
7	Capacite's Infraprojects	BUY	162	114
8	Container Corporation of India	Accumulate	468	434
9	Cummins India	BUY	472	370
10	Engineers India	BUY	104	80
11	GE T&D India	Hold	91	86
12	H.G. Infra Engineering	BUY	259	201
13	IRB Infrastructure Developers	BUY	139	71
14	ITD Cementation India	BUY	67	50
15	J.Kumar Infraprojects	BUY	176	93
16	Kalpataru Power Transmission	BUY	261	193
17	KEC International	BUY	295	197
18	KNR Constructions	BUY	305	197
19	Larsen & Toubro	BUY	1,192	955
20	NCC	BUY	83	23
21	PNC Infratech	BUY	205	139
22	Power Grid Corporation of India	BUY	205	179
23	Sadbhav Engineering	BUY	128	25
24	Siemens	BUY	1,402	1,049
25	Thermax	Accumulate	798	752
26	Triveni Turbine	BUY	83	68
27	Voltamp Transformers	BUY	1,244	1,020

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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