

November 11, 2024

Q2FY25 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY17E	FY18E
Rating	ACCUMULATE		HOLD	
Target Price	1,946		1,601	
Sales (Rs.m)	61,594	76,887	57,094	74,908
% Chng.	7.9	2.6		
EBITDA (Rs.m)	11,241	14,670	10,534	14,480
% Chng.	6.7	1.3		
EPS (Rs.)	30.4	40.4	29.1	40.5
% Chng.	4.4	(0.3)		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	31,679	44,294	61,594	76,887
EBITDA (Rs. m)	3,190	7,663	11,241	14,670
Margin (%)	10.1	17.3	18.3	19.1
PAT (Rs. m)	1,811	5,170	7,781	10,336
EPS (Rs.)	7.1	20.2	30.4	40.4
Gr. (%)	NA	185.5	50.5	32.8
DPS (Rs.)	1.8	6.1	9.1	12.1
Yield (%)	0.1	0.4	0.5	0.7
RoE (%)	15.6	36.3	41.4	41.2
RoCE (%)	20.4	48.9	55.7	55.4
EV/Sales (x)	13.6	9.8	7.0	5.6
EV/EBITDA (x)	135.6	56.4	38.4	29.3
PE (x)	239.4	83.8	55.7	41.9
P/BV (x)	34.9	27.0	20.2	15.1

Key Data

GETD.BO | GVTD IN

52-W High / Low	Rs.1,984 / Rs.370
Sensex / Nifty	79,486 / 24,148
Market Cap	Rs.433bn/ \$ 5,136m
Shares Outstanding	256m
3M Avg. Daily Value	Rs.663.57m

Shareholding Pattern (%)

Promoter's	59.38
Foreign	6.92
Domestic Institution	25.61
Public & Others	8.09
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.3	62.0	337.7
Relative	3.0	49.8	257.8

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Strong order intake; prospects remain robust

Quick Pointers:

- Robust domestic and export demand led to order intake of Rs46.8bn.
- Order book stands strong at Rs98.4bn with ~40% export mix.

We revise our FY25/26E EPS estimates by +7.5%/+4.4% factoring in the healthy margin profile owing to operating leverage, and upgrade the rating to 'Accumulate' from 'Hold' with a revised TP of Rs1,946 (Rs1,601 earlier). GE Vernova T&D India (GVTD) reported robust quarterly performance with 58.8% YoY revenue growth and EBITDA margin improvement of 979bps YoY to 18.5%. The recently finalized National Electricity Plan's (NEP) goal of transmitting 500GW of renewable energy by 2030 is expected to lead to strong demand for GVTD's grid integration and automation solutions. This energy transition will also drive sustainable demand for products such as transformers and STATCOMs. The NEP's planned 9 HVDC lines, with a combined capacity of 33.25GW, offer a potential market of USD1-2bn per project for GVTD. With a focus on high-margin selective order booking and cost controls, the company is well-positioned for improved margins and growth in emerging sectors such as data centers.

We believe 1) a healthy order pipeline in the power market, 2) a robust order book (Rs98.4bn), and 3) the management's focus on margin improvement augur well for strong revenue & profit growth. The stock is trading at a P/E of 83.8x/55.7x/41.9 FY25/26/27E. We roll forward to Sep'26E and value the business at a PE of 55x Sep'26E (55x FY26E earlier). Upgrade to 'Accumulate'.

Operating leverage aided continued margin expansion: Revenue rose 58.8% YoY to Rs11.1bn (PL: Rs10.5bn) driven by strong growth in domestic (up 58.7% YoY to Rs7.9bn) and export sales (up 58.9% YoY to Rs3.2bn). Gross margin expanded by 464bps YoY to 41.2% (PL: 38.5%). EBITDA jumped to Rs2.1bn vs Rs606mn in Q2FY24 (PL: Rs1.8bn). EBITDA margin increased by 979bps YoY to 18.5% (PL: 17.4%) led by gross margin expansion and employee cost leverage (down 336bps YoY as % of sales). Adj PBT jumped to Rs1.9bn vs Rs503mn in Q2FY24 (PL: Rs1.8mn). Adj PAT came in at Rs1.5bn vs Rs372mn (PL: Rs1.3bn), driven by strong operating performance, lower interest costs at Rs28mn (vs Rs69mn) and lower effective tax rate of 25.4% (vs 26.1%).

Robust order book at record high of Rs98.4bn (2.6x TTM revenue): Q2FY25 order inflow came in at Rs46.8bn (vs Rs10.8bn), driven by 165.4% YoY growth in domestic order intake of Rs22.0bn, while export orders were up by 878.2% YoY to Rs24.9bn. Order book stands strong at Rs98.4bn (2.6x TTM revenue) with a mix of private/state/central utilities at ~62%/6%/32%. Key orders bagged during the quarter include 1) supply of 765kV power transformer and shunt reactor from PGCIL, 2) 765kV power transformer from an EPC player in Madhya Pradesh, 3) supply of 420/245kV GIS from an EC player in West Bengal, and 4) supply and construction of 300MW 400kV captive switchyard/PSS from Tata Power.

Exhibit 1: Robust financial performance boosts adj PAT to Rs1.4bn vs Rs372mn in Q2FY24

Y/e March (Rs mn)	Q2FY25	Q2FY24	YoY gr.	Q2FY25E	% Var.	Q1FY25	QoQ gr.	H1FY25	H1FY24	YoY gr.
Revenue	11,078	6,978	58.8%	10,467	5.8%	9,583	15.6%	20,661	14,153	46.0%
Gross Profit	4,567	2,552	78.9%	4,030	13.3%	3,862	18.3%	8,428	4,827	74.6%
Margin (%)	41.2	36.6	464	38.5	272.2	40.3	93	40.8	34.1	669
Employee Cost	1,202	991	21.2%	973	23.4%	902	33.2%	2,103	1,854	13.4%
as % of sales	10.8	14.2	(336)	9.3	154.6	9.4	144	10.2	13.1	(292)
Other expenditure	1,318	955	38.1%	1,235	6.7%	1,138	15.9%	2,456	1,858	32.2%
as % of sales	11.9	13.7	(178)	11.8	10.0	11.9	3	11.9	13.1	(124)
EBITDA	2,047	606	237.5%	1,821	12.4%	1,822	12.3%	3,869	1,115	247.1%
Margin (%)	18.5	8.7	979	17.4	107.6	19.0	(54)	18.7	7.9	1,085
Depreciation	121	126	-4.4%	130	-7.3%	121	-0.2%	241	255	-5.2%
EBIT	1,926	480	301.0%	1,691	13.9%	1,701	13.2%	3,628	860	321.8%
Margin (%)	17.4	6.9	1,050	16.2	123.0	17.8	(37)	17.6	6.1	1,148
Other Income	39	91	-57.5%	120	-67.7%	118	-67.1%	157	211	-25.7%
Interest	28	69	-60.0%	18	52.8%	20	35.5%	48	182	-73.7%
PBT (ex. Extra-ordinaries)	1,938	503	285.2%	1,793	8.0%	1,799	7.7%	3,737	889	320.2%
Margin (%)	17.5	7.2	1,028	17.1	35.8	18.8	(128)	18.1	6.3	1,180
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	1,938	503	285.2%	1,793	8.0%	1,799	7.7%	3,737	889	320.2%
Total Tax	491	131	274.2%	502	-	454	8.3%	945	235	301.8%
Effective Tax Rate (%)	25.4	26.1	-	28.0	-	25.2	-	25.3	26.4	-
Reported PAT	1,446	372	289.1%	1,291	12.0%	1,345	7.5%	2,792	654	326.8%
Adj. PAT	1,446	372	289.1%	1,291	12.0%	1,345	7.5%	2,792	654	326.8%
Margin (%)	13.1	5.3	773	12.3	72.0	14.0	(98)	13.5	4.6	889
Adj. EPS	5.6	1.5	289.1%	5.0	12.0%	5.3	7.5%	10.9	2.6	326.8%

Source: Company, PL

Conference Call Highlights

- **EBITDA margin expansion of 979bps to 18.5%**, driven by cost control measures, lean manufacturing, higher contribution of export sales, better execution and management's approach of selective order booking. Gross margin was positively impacted by better pricing, while the management strives to achieve further margin expansion in H2FY25.
- **Order intake up 332.9% YoY to Rs46.8bn**, driven by strong demand from both domestic and export markets. The management believes the annual sustainable order intake run rate is Rs55-60bn with additional potential for ~Rs30bn worth of large exceptional orders. Furthermore, any significant materialization from HVDC space will aid order intake growth.
- **Order book at record high of Rs98.4bn**: 60-70% of the total orders have an execution timeline of 18-24 months, while other orders have a timeline of 3-5 years. Of the total order book, export orders account for ~40%.
- **Capex**: The company anticipates investing \$8-10mn in total capital expenditure over the next 12 months. Additionally, no significant capital expenditure requirements are expected for potential HVDC transformer orders. The company is further supported by its global parent organizations, ensuring robust capacity for the execution of any large HVDC transformer orders that may arise.
- **HVDC**: GVTD, with its advanced technological capabilities in both VSC and LCC technologies, is strategically focused on securing HVDC orders in India. The company is already in talks with developers for multiple projects with Kheveda tendering expected within the next 3 months. Each HVDC project is anticipated to offer a potential addressable market worth USD1-2bn to GVTD.
- **Industry segment**: Data centers remain the biggest opportunity in the industry segment with multiple opportunities being discussed by data center developers. Additionally, increasing demand for captive consumption of power from industries such as steel is aiding industry segment growth.
- **Key executions during the quarter**:
 - Commissioned 20kV gas station for HINDALCO within 12 months of award
 - Commissioned GADAS substation, which is vital for strengthening of southern grid of India
 - Commissioned 200kV GIS base for GETCO, WBC, BCN and BVC

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	31,679	44,294	61,594	76,887
YoY gr. (%)	14.2	39.8	39.1	24.8
Cost of Goods Sold	20,779	26,975	37,881	47,286
Gross Profit	10,901	17,319	23,714	29,602
Margin (%)	34.4	39.1	38.5	38.5
Employee Cost	3,738	4,297	4,681	5,151
Other Expenses	2,253	2,170	3,326	4,190
EBITDA	3,190	7,663	11,241	14,670
YoY gr. (%)	214.0	140.2	46.7	30.5
Margin (%)	10.1	17.3	18.3	19.1
Depreciation and Amortization	502	505	612	701
EBIT	2,688	7,158	10,629	13,969
Margin (%)	8.5	16.2	17.3	18.2
Net Interest	283	74	49	21
Other Income	226	354	616	923
Profit Before Tax	2,631	7,438	11,195	14,871
Margin (%)	8.3	16.8	18.2	19.3
Total Tax	820	2,269	3,415	4,536
Effective tax rate (%)	31.2	30.5	30.5	30.5
Profit after tax	1,811	5,170	7,781	10,336
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,811	5,170	7,781	10,336
YoY gr. (%)	(8,624.5)	185.5	50.5	32.8
Margin (%)	5.7	11.7	12.6	13.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,811	5,170	7,781	10,336
YoY gr. (%)	(12,251.0)	185.5	50.5	32.8
Margin (%)	5.7	11.7	12.6	13.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,811	5,170	7,781	10,336
Equity Shares O/s (m)	256	256	256	256
EPS (Rs)	7.1	20.2	30.4	40.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	7,809	8,409	9,009	10,009
Tangibles	7,809	8,409	9,009	10,009
Intangibles	-	-	-	-
Acc: Dep / Amortization	3,879	4,383	4,996	5,696
Tangibles	3,879	4,383	4,996	5,696
Intangibles	-	-	-	-
Net fixed assets	3,930	4,025	4,013	4,313
Tangibles	3,930	4,025	4,013	4,313
Intangibles	-	-	-	-
Capital Work In Progress	111	112	113	114
Goodwill	-	-	-	-
Non-Current Investments	84	-	-	-
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	5,301	5,492	6,899	8,611
Current Assets				
Investments	76	79	83	88
Inventories	5,892	8,131	11,306	14,114
Trade receivables	14,375	19,417	26,832	33,493
Cash & Bank Balance	1,341	1,607	2,104	3,404
Other Current Assets	3,159	4,784	5,975	7,458
Total Assets	35,844	45,651	59,554	74,022
Equity				
Equity Share Capital	512	512	512	512
Other Equity	11,917	15,536	20,982	28,217
Total Networth	12,429	16,048	21,495	28,730
Non-Current Liabilities				
Long Term borrowings	120	110	110	110
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	299	299	99	(101)
Trade payables	8,856	12,499	17,381	21,486
Other current liabilities	14,140	16,695	20,469	23,797
Total Equity & Liabilities	35,844	45,651	59,554	74,022

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	2,631	7,438	11,195	14,871
Add. Depreciation	502	505	612	701
Add. Interest	283	74	49	21
Less Financial Other Income	226	354	616	923
Add. Other	1,032	-	-	-
Op. profit before WC changes	4,447	8,017	11,857	15,593
Net Changes-WC	946	(2,986)	(5,909)	(7,051)
Direct tax	(209)	(2,269)	(3,415)	(4,536)
Net cash from Op. activities	5,184	2,762	2,533	4,006
Capital expenditures	(1,720)	(601)	(601)	(1,001)
Interest / Dividend Income	0	-	-	-
Others	(4)	(4)	(4)	(4)
Net Cash from Invst. activities	(1,724)	(605)	(605)	(1,005)
Issue of share cap. / premium	-	-	-	-
Debt changes	(2,194)	(10)	(200)	(200)
Dividend paid	(155)	(1,551)	(2,334)	(3,101)
Interest paid	(238)	(74)	(49)	(21)
Others	-	(257)	1,153	1,620
Net cash from Fin. activities	(2,587)	(1,891)	(1,431)	(1,701)
Net change in cash	873	266	497	1,299
Free Cash Flow	3,756	2,762	2,533	4,006

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	7.1	20.2	30.4	40.4
CEPS	9.0	22.2	32.8	43.1
BVPS	48.5	62.7	83.9	112.2
FCF	14.7	10.8	9.9	15.6
DPS	1.8	6.1	9.1	12.1
Return Ratio(%)				
RoCE	20.4	48.9	55.7	55.4
ROIC	15.8	38.4	43.7	44.7
RoE	15.6	36.3	41.4	41.2
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	131	124	123	124
Valuation(x)				
PER	239.4	83.8	55.7	41.9
P/B	34.9	27.0	20.2	15.1
P/CEPS	187.4	76.4	51.6	39.3
EV/EBITDA	135.6	56.4	38.4	29.3
EV/Sales	13.6	9.8	7.0	5.6
Dividend Yield (%)	0.1	0.4	0.5	0.7

Source: Company Data, PL Research

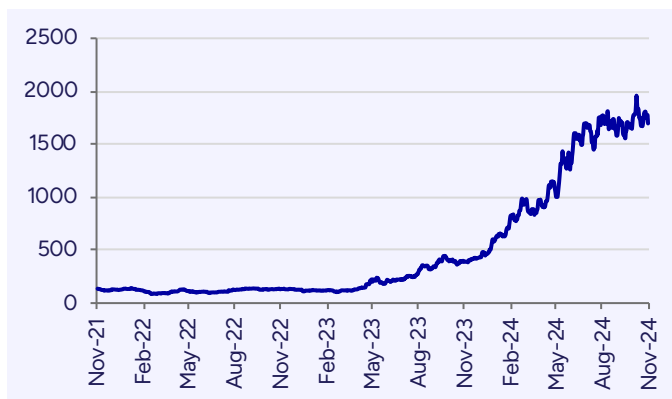
Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	8,390	9,136	9,583	11,078
YoY gr. (%)	8.0	29.9	33.6	58.8
Raw Material Expenses	5,347	6,105	5,722	6,511
Gross Profit	3,043	3,031	3,862	4,567
Margin (%)	36.3	33.2	40.3	41.2
EBITDA	965	1,110	1,822	2,047
YoY gr. (%)	110.6	297.6	258.5	237.5
Margin (%)	11.5	12.1	19.0	18.5
Depreciation / Depletion	124	123	121	121
EBIT	842	986	1,701	1,926
Margin (%)	10.0	10.8	17.8	17.4
Net Interest	70	32	20	28
Other Income	(43)	57	118	39
Profit before Tax	730	1,012	1,799	1,938
Margin (%)	8.7	11.1	18.8	17.5
Total Tax	236	349	454	491
Effective tax rate (%)	32.4	34.5	25.2	25.4
Profit after Tax	493	663	1,345	1,446
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	493	663	1,345	1,446
YoY gr. (%)	854.6	(708.7)	376.4	289.1
Margin (%)	5.9	7.3	14.0	13.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	493	663	1,345	1,446
YoY gr. (%)	941.1	(531.9)	376.4	289.1
Margin (%)	5.9	7.3	14.0	13.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	493	663	1,345	1,446
Avg. Shares O/s (m)	256	256	256	256
EPS (Rs)	1.9	2.6	5.3	5.6

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Hold	1,601	1,661
2	01-Aug-24	Hold	1,601	1,585
3	08-Jul-24	Reduce	1,100	1,690
4	22-May-24	Reduce	1,100	1,430
5	12-Apr-24	UR	-	930
6	07-Feb-24	Reduce	631	736
7	09-Jan-24	UR	-	585

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,133	7,133
2	Apar Industries	Accumulate	10,353	9,430
3	BEML	Accumulate	4,484	3,664
4	Bharat Electronics	BUY	341	270
5	BHEL	Accumulate	260	230
6	Carborundum Universal	Accumulate	1,601	1,401
7	Cummins India	Accumulate	4,081	3,624
8	Engineers India	BUY	247	187
9	GE Vernova T&D India	Hold	1,601	1,661
10	Grindwell Norton	BUY	2,528	2,151
11	Harsha Engineers International	Hold	566	502
12	Hindustan Aeronautics	Hold	4,515	4,257
13	Kalpataru Projects International	Accumulate	1,368	1,242
14	KEC International	Hold	997	949
15	Larsen & Toubro	BUY	4,088	3,408
16	Praj Industries	BUY	804	700
17	Siemens	Accumulate	7,374	7,247
18	Thermax	Reduce	4,186	5,193
19	Triveni Turbine	BUY	719	671
20	Voltamp Transformers	BUY	14,326	10,516

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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