

Rating: REDUCE | CMP: Rs1,430 | TP: Rs1,100

May 22, 2024

Q4FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

Rating	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Target Price	REDUCE	1,100	UNDER REVIEW	-
Sales (Rs. m)	44,456	57,088	41,975	52,274
% Chng.	5.9	9.2		
EBITDA (Rs. m)	5,246	7,964	4,919	6,351
% Chng.	6.6	25.4		
EPS (Rs.)	13.7	22.0	12.8	16.8
% Chng.	7.0	31.0		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	27,732	31,679	44,456	57,088
EBITDA (Rs. m)	1,016	3,190	5,246	7,964
Margin (%)	3.7	10.1	11.8	14.0
PAT (Rs. m)	(21)	1,811	3,502	5,631
EPS (Rs.)	(0.1)	7.1	13.7	22.0
Gr. (%)	NA	NA	93.4	60.8
DPS (Rs.)	-	1.8	4.1	6.6
Yield (%)	-	0.1	0.3	0.5
RoE (%)	(0.2)	15.6	25.6	33.4
RoCE (%)	3.5	20.4	33.1	42.8
EV/Sales (x)	13.3	11.5	8.2	6.4
EV/EBITDA (x)	362.6	114.5	69.4	45.6
PE (x)	NA	202.3	104.6	65.0
P/BV (x)	34.1	29.5	24.6	19.5

Key Data	GETD.BO GETD IN
52-W High / Low	Rs.1,430 / Rs.177
Sensex / Nifty	74,221 / 22,598
Market Cap	Rs.366bn/ \$ 4,397m
Shares Outstanding	256m
3M Avg. Daily Value	Rs.140.91m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	1.20
Domestic Institution	15.84
Public & Others	7.96
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	44.8	253.6	551.1
Relative	43.7	214.6	443.6

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Strong quarter; domestic outlook remains robust

Quick Pointers:

- Exports revenue grew strongly by 42.3% YoY to Rs2.8bn.
- Q4FY24 order inflow was strong at Rs13.3bn (vs Rs8.7bn in Q4FY23), leading to a record high order book of Rs62.7bn (2.0x TTM revenue).

We revise our FY25/26E EPS estimates by +7.0%/+31.0% factoring in healthy demand outlook and robust order book. GE T&D India (GETD) reported robust quarterly performance with 29.9% YoY revenue growth and EBITDA margin improvement of 818bps YoY to 12.1%. Continued focus and investment in energy transition is expected to provide significant growth opportunities in both products and projects business of GETD. Implementation of STATCOMs across the transmission systems to cater to the planned RE energy capacity additions along with HVDC transformers (LCC & VSC) continue to remain growth drivers. Migration of grids from manual operations to modern architecture is expected to provide growth for company's digital offerings. Margins are expected to improve to mid-double digits owing to implementation of lean operating system to reduce lead times, increased execution and expansion in production output.

We believe 1) healthy order pipeline in power market, 2) robust order book (Rs62.7bn), and 3) management's focus on margin improvement augurs well for strong revenue & profit growth. The stock is trading at a P/E of 104.6x/65.0x FY25/26E. We roll forward to FY26 and assign 'Reduce' rating with a revised TP of Rs1,100 valuing the business at a P/E of 50x FY26E on account of strong business prospects.

Strong export sales and margin expansion drive healthy quarter: Revenue rose 29.9% YoY to Rs9.1bn (PLe: Rs8.6bn) driven by strong growth in both exports (up 42.3% YoY to Rs2.8bn) and domestic sales (up 25.1% YoY to 6.3bn). Gross margin expanded by 669bps YoY to 33.2% (PLe: 36.1%). EBITDA jumped to Rs1.1bn vs Rs279mn in Q4FY23 (PLe: Rs.1.2bn). EBITDA margin increased by 818bps YoY to 12.1% (PLe: 13.5%) led by gross margin expansion and operating leverage benefits. Adj. PBT jumped to Rs1.0bn vs Rs43mn in Q4FY23 (PLe: Rs1.2bn). Adj. PAT came in at Rs663mn in Q4FY24 vs a loss of Rs120mn in Q4FY23 (PLe: Rs764mn), driven by the strong operating performance and lower interest costs at Rs32mn (vs Rs127mn in Q4FY23).

Robust order book at record high of Rs62.7bn: Q4FY24 order inflow came in at Rs13.3bn (vs Rs8.7bn in Q4FY23), driven by robust inflows in domestic orders at Rs10.5bn (vs Rs5.2bn in Q4FY23) while export orders were down by 19.8% YoY to Rs2.8bn. Key orders bagged during the quarter include 1) orders from PGCIL for supply of 765 kV/400kV Shunt Reactors for various transmission system projects in India, 2) order from PGCIL to build a STAMC in Odisha, and 3) supply of 220kV/245kV GIS for Data Centers in state of Maharashtra and Andhra Pradesh. Order book stands strong at Rs62.7bn (2.0x TTM revenue) with a mix of Private/State Utilities/Central Utilities at ~63%/10%/27%.

Exhibit 1: Strong execution and better gross margin drive EBITDA margin expansion of 818bps YoY

Y/e March	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY gr. (%)	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Revenue	7,031	7,176	6,978	8,390	9,136	29.9	8.9	31,679	27,732	14.2
Total Revenues	7,031	7,176	6,978	8,390	9,136	29.9	8.9	31,679	27,732	14.2
Expenditure	6,751	6,668	6,371	7,424	8,026	18.9	8.1	28,489	26,716	6.6
as % of sales	96.0	92.9	91.3	88.5	87.9			89.9	96.3	
Consumption of RM	5,168	4,901	4,425	5,347	6,105	18.1	14.2	20,779	19,698	5.5
as % of sales	73.5	68.3	63.4	63.7	66.8			65.6	71.0	
Employee Cost	765	863	991	940	944	23.4	0.4	3,738	3,538	5.7
as % of sales	10.9	12.0	14.2	11.2	10.3			11.8	12.8	
Other expenditure	819	903	955	1,137	978	19.4	(14.0)	3,973	3,480	14.1
as % of sales	11.6	12.6	13.7	13.6	10.7			12.5	12.5	
EBITDA	279	508	606	965	1,110	297.6	14.9	3,190	1,016	214.0
Depreciation	146	128	126	124	123	(15.4)	(0.5)	502	554	(9.4)
EBIT	133	380	480	842	986	638.9	17.2	2,688	462	481.7
Other Income	37	120	91	(43)	57	-	-	226	339	(33.5)
Interest	127	113	69	70	32	(75.1)	(54.4)	283	420	(32.6)
Extra ordinary items	(45)	-	-	-	-	-	-	-	(114)	-
PBT	(1)	386	503	730	1,012	-	-	38.7	2,631	267
Total Tax	152	104	131	236	349	129.1	47.8	820	282	190.4
Reported PAT	(154)	282	372	493	663	-	-	34.3	1,811	(15)
Adj PAT	(120)	282	372	493	663	-	-	34.3	1,811	70
Adjusted EPS	(0.5)	1.1	1.5	1.9	2.6	-	-	34.3	7.1	0.3
Margins (%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	bps	bps	FY24	FY23	bps
Gross	26.5	31.7	36.6	36.3	33.2	669	(309)	34.4	29.0	544
EBITDA	4.0	7.1	8.7	11.5	12.1	818	64	10.1	3.7	641
EBIT	1.9	5.3	6.9	10.0	10.8	890	76	8.5	1.7	682
EBT	(0.0)	5.4	7.2	8.7	11.1	1,109	238	8.3	1.0	734
PAT	(1.7)	3.9	5.3	5.9	7.3	896	137	5.7	0.3	546
Effective Tax rate	-	26.9	26.1	32.4	34.5	-	212	31.2	105.6	21.6

Source: Company, PL

Conference Call Highlights

- **Domestic order intake grew 102.6% YoY to Rs10.5bn**, driven by robust demand for products with key orders from PGCIL to supply 765kV/400kV Shunt Reactors and to build a STAMC in Odisha along with several orders from EPCs for supply of CRP SAS in 765/400kV substations.
- With an aim of maintaining double digit margins in the long term with the help of implementation of lean operating system to reduce lead times, increased execution and expansion in production output. Management is focused on possible expansion in gross margin.
- **STATCOM continues to remain a growth opportunity**, with 15 to 20 STATCOMs to be set up in the next 2-3 years each costing in the range of Rs2500-5000mn depending on the projects and specifications.
- **Spin off of GE Vernova from global entity**, to provide more operational efficiencies with time as the new entity is solely focused on power sector and implementation of lean operating and other initiatives to boost profitability.
- Company's current capacity is operating at a very high utilization. Although there are no capacity expansion plans on the book, company might incur some capex on debottlenecking and other efficiency activities.
- Key execution in Q4FY24:
 - **Renew Koppal Phase 2:**
 - Commissioning of 400/220KV AIS including of 2nos ICT 500MVA,4 nos 400KV bays,8 nos 220KV bays and associated equipment.
 - It is the **largest inter-state connection for southern part of India**.
 - **220KV GIS Adani Kutch Copper Ltd:**
 - Commissioning of 5 bays 220 KV GIS including of ICT 100MVA & 150MVA-2 nos each (customer supply), 33KV -29 nos panels and 11KV (23nos) switchgear panels.
 - The execution of the project was done in a record time. It is part of the setup of one of the largest single point copper manufacturing facility.
 - **Opportunities for highly differentiated software products like Grid OS**, are driven by migration of grids from manual operation to modern architecture which provides ability to see the entire grid and orchestrate for variabilities.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	27,732	31,679	44,456	57,088
YoY gr. (%)	(9.5)	14.2	40.3	28.4
Cost of Goods Sold	19,698	20,779	28,674	36,251
Gross Profit	8,034	10,901	15,782	20,837
Margin (%)	29.0	34.4	35.5	36.5
Employee Cost	3,538	3,738	4,357	5,081
Other Expenses	1,809	3,973	2,890	3,539
EBITDA	1,016	3,190	5,246	7,964
YoY gr. (%)	(193.3)	214.0	64.5	51.8
Margin (%)	3.7	10.1	11.8	14.0
Depreciation and Amortization	554	502	585	617
EBIT	462	2,688	4,661	7,347
Margin (%)	1.7	8.5	10.5	12.9
Net Interest	420	283	74	49
Other Income	339	226	489	657
Profit Before Tax	267	2,631	5,076	7,954
Margin (%)	1.0	8.3	11.4	13.9
Total Tax	282	820	1,573	2,323
Effective tax rate (%)	105.6	31.2	31.0	29.2
Profit after tax	(15)	1,811	3,502	5,631
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(21)	1,811	3,502	5,631
YoY gr. (%)	NA	NA	93.4	60.8
Margin (%)	NA	5.7	7.9	9.9
Extra Ord. Income / (Exp)	6	-	-	-
Reported PAT	(15)	1,811	3,502	5,631
YoY gr. (%)	NA	NA	93.4	60.8
Margin (%)	NA	5.7	7.9	9.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(15)	1,811	3,502	5,631
Equity Shares O/s (m)	256	256	256	256
EPS (Rs)	(0.1)	7.1	13.7	22.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	7,570	7,872	8,472	9,072
Tangibles	7,570	7,872	8,472	9,072
Intangibles	-	-	-	-
Acc: Dep / Amortization	3,440	3,942	4,526	5,143
Tangibles	3,440	3,942	4,526	5,143
Intangibles	-	-	-	-
Net fixed assets	4,130	3,930	3,945	3,929
Tangibles	4,130	3,930	3,945	3,929
Intangibles	-	-	-	-
Capital Work In Progress	93	111	112	113
Goodwill	-	-	-	-
Non-Current Investments	86	84	-	-
Net Deferred tax assets	1,340	-	-	-
Other Non-Current Assets	4,414	5,301	5,512	6,394
Current Assets				
Investments	76	76	79	83
Inventories	6,439	5,892	8,160	10,479
Trade receivables	15,510	14,375	22,411	28,622
Cash & Bank Balance	468	1,341	2,482	3,038
Other Current Assets	3,863	3,159	4,801	5,538
Total Assets	35,454	35,844	48,081	58,938
Equity				
Equity Share Capital	512	512	512	512
Other Equity	10,215	11,917	14,369	18,311
Total Networth	10,727	12,429	14,881	18,823
Non-Current Liabilities				
Long Term borrowings	2,322	120	110	110
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	412	299	299	99
Trade payables	10,607	8,856	16,686	21,428
Other current liabilities	12,728	14,140	16,106	18,479
Total Equity & Liabilities	35,455	35,844	48,081	58,938

Source: Company Data, PL Research

Cash Flow (Rs m)					Key Financial Metrics				
Y/e Mar	FY23	FY24	FY25E	FY26E	Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	268	2,631	5,076	7,954	Per Share(Rs)				
Add. Depreciation	554	502	585	617	EPS	(0.1)	7.1	13.7	22.0
Add. Interest	420	283	74	49	CEPS	2.1	9.0	16.0	24.4
Less Financial Other Income	339	226	489	657	BVPS	41.9	48.5	58.1	73.5
Add. Other	(72)	1,032	-	-	FCF	(1.5)	14.7	14.7	9.9
Op. profit before WC changes	1,169	4,447	5,735	8,620	DPS	-	1.8	4.1	6.6
Net Changes-WC	(1,258)	946	(406)	(3,754)	Return Ratio(%)				
Direct tax	(285)	(209)	(1,573)	(2,323)	RoCE	3.5	20.4	33.1	42.8
Net cash from Op. activities	(373)	5,184	3,756	2,544	ROIC	NA	15.8	27.9	37.1
Capital expenditures	(63)	(1,720)	(4)	(4)	RoE	NA	15.6	25.6	33.4
Interest / Dividend Income	2	0	-	-	Balance Sheet				
Others	91	(4)	(601)	(601)	Net Debt : Equity (x)	0.2	(0.1)	(0.1)	(0.2)
Net Cash from Invt. activities	30	(1,724)	(605)	(605)	Net Working Capital (Days)	149	131	114	113
Issue of share cap. / premium	-	-	-	-	Valuation(x)				
Debt changes	564	-	(885)	356	PER	NA	202.3	104.6	65.0
Dividend paid	(172)	(155)	(1,051)	(1,689)	P/B	34.1	29.5	24.6	19.5
Interest paid	(306)	(238)	(74)	(49)	P/CEPS	687.6	158.4	89.6	58.6
Others	-	-	-	-	EV/EBITDA	362.6	114.5	69.4	45.6
Net cash from Fin. activities	86	-	(2,010)	(1,383)	EV/Sales	13.3	11.5	8.2	6.4
Net change in cash	(258)	-	1,141	556	Dividend Yield (%)	-	0.1	0.3	0.5
Free Cash Flow	(373)	3,756	3,756	2,544					

Source: Company Data, PL Research

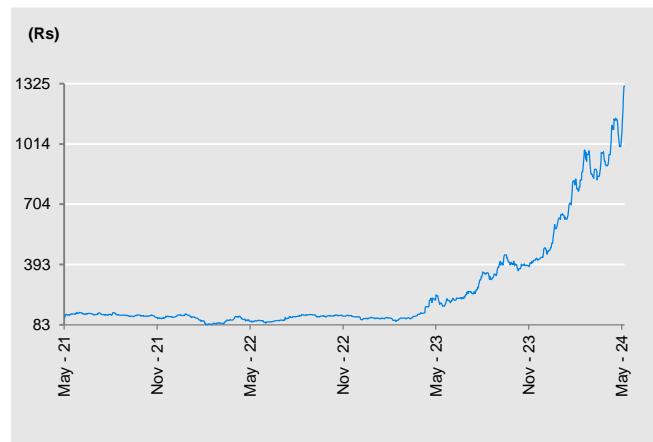
Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	7,176	6,978	8,390	9,136
YoY gr. (%)	21.0	(0.4)	8.0	29.9
Raw Material Expenses	4,901	4,425	5,347	6,105
Gross Profit	2,274	2,552	3,043	3,031
Margin (%)	31.7	36.6	36.3	33.2
EBITDA	508	606	965	1,110
YoY gr. (%)	126.9	1,014.7	110.6	297.6
Margin (%)	7.1	8.7	11.5	12.1
Depreciation / Depletion	128	126	124	123
EBIT	380	480	842	986
Margin (%)	5.3	6.9	10.0	10.8
Net Interest	113	69	70	32
Other Income	120	91	(43)	57
Profit before Tax	386	503	730	1,012
Margin (%)	5.4	7.2	8.7	11.1
Total Tax	104	131	236	349
Effective tax rate (%)	26.9	26.1	32.4	34.5
Profit after Tax	282	372	493	663
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	282	372	493	663
YoY gr. (%)	344.0	469.5	854.6	(708.7)
Margin (%)	3.9	5.3	5.9	7.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	282	372	493	663
YoY gr. (%)	344.0	1,246.7	941.1	(531.9)
Margin (%)	3.9	5.3	5.9	7.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	282	372	493	663
Avg. Shares O/s (m)	256	256	256	256
EPS (Rs)	1.1	1.5	1.9	2.6

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-24	UR	-	930
2	07-Feb-24	Reduce	631	736
3	09-Jan-24	UR	-	585
4	09-Nov-23	Hold	367	386
5	05-Oct-23	Hold	260	413
6	09-Aug-23	Hold	260	273
7	06-Jul-23	Hold	184	216
8	26-May-23	Hold	184	188

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,400	7,984
2	Apar Industries	Accumulate	8,877	8,340
3	BEML	Accumulate	4,004	3,803
4	Bharat Electronics	Hold	182	229
5	BHEL	UR	-	263
6	Carborundum Universal	Accumulate	1,631	1,516
7	Cummins India	Hold	2,480	3,001
8	Engineers India	Hold	257	223
9	GE T&D India	UR	-	930
10	Grindwell Norton	Accumulate	2,512	2,196
11	Harsha Engineers International	Hold	436	438
12	Hindustan Aeronautics	Hold	4,515	4,715
13	Kalpataru Projects International	Hold	1,211	1,188
14	KEC International	Hold	750	737
15	Larsen & Toubro	BUY	4,047	3,487
16	Praj Industries	BUY	636	520
17	Siemens	Accumulate	7,030	6,660
18	Thermax	Reduce	3,923	4,609
19	Triveni Turbine	Hold	653	631
20	Voltamp Transformers	Hold	10,018	9,985

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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