

November 11, 2019

Q2FY20 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	REDUCE		HOLD	
Target Price	150		202	
Sales (Rs. m)	35,700	39,251	42,173	45,512
% Chng.	(15.3)	(13.8)		
EBITDA (Rs. m)	2,499	2,944	2,952	3,641
% Chng.	(15.3)	(19.1)		
EPS (Rs.)	3.5	4.4	5.5	8.1
% Chng.	(36.5)	(45.2)		

Key Financials - Standalone

Y/e Mar	FY19	FY20E	FY21E	FY22E
Sales (Rs. m)	42,188	35,700	39,251	42,311
EBITDA (Rs. m)	4,259	2,499	2,944	3,173
Margin (%)	10.1	7.0	7.5	7.5
PAT (Rs. m)	2,127	890	1,135	1,547
EPS (Rs.)	8.3	3.5	4.4	6.0
Gr. (%)	1.9	(58.2)	27.6	36.3
DPS (Rs.)	1.8	0.8	1.0	1.3
Yield (%)	1.1	0.5	0.6	0.8
RoE (%)	16.2	6.1	7.4	9.5
RoCE (%)	24.5	9.5	10.2	10.9
EV/Sales (x)	1.0	1.3	1.2	1.0
EV/EBITDA (x)	10.1	18.8	15.4	13.8
PE (x)	20.1	48.1	37.7	27.6
P/BV (x)	3.0	2.9	2.7	2.5

Key Data

GETD.BO | GETD IN

52-W High / Low	Rs.333 / Rs.124
Sensex / Nifty	40,324 / 11,908
Market Cap	Rs.43bn / \$ 600m
Shares Outstanding	256m
3M Avg. Daily Value	Rs.22.87m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	2.62
Domestic Institution	14.50
Public & Others	7.88
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.0)	(28.3)	(28.4)
Relative	(8.8)	(32.8)	(37.4)

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Big miss on estimates, order inflow may revive in 2HFY20

Quick Pointers:

- Raised short-term debt of ~Rs4 bn due to stretched working capital, repayment would be gradual.
- While GEC orders worth Rs60-70 bn may come in 2HFY20, Bangladesh HVDC has been put on hold.

GE T&D reported weak set of numbers for 2QFY19/1HFY20 on the back of lower opening order backlog (HVDC nearing completion), weak fresh order inflow, intense pricing pressure and delays by customers due to liquidity stress. Sales declined 17% YoY to Rs8.2bn, with EBITDA declining by 96% YoY to Rs39 mn. Company reported net adjusted loss of Rs205 mn during the quarter against PAT of Rs396 mn in 2QFY19. Order inflow during 2QFY20/1HFY20 was down 5%/17% YoY. While many Green Energy Corridor (GEC) orders were tendered out during the quarter, most of them are under final negotiations and expected to be awarded in 2HFY20. The Bangladesh HVDC project has been put on hold in order to ascertain measures to further reduce the project cost. With ongoing liquidity crisis, company raised debt during the quarter, indicating higher interest cost in the near to medium term. We have cut earnings estimates by 36%/45% for FY20/21E and introduce/rollover to FY22 estimates. We downgrade our rating to Reduce from Hold with revised TP of Rs150 (25x FY22E).

Weak performance during 2QFY20: GE T&D's 2QFY20 sales were down 17% YoY at Rs8.2 bn due to fall in HVDC sales, lower opening order backlog and weak order inflow. HVDC sales declined 68% YoY at Rs212 mn. EBITDA margin dipped by 880bps YoY at 0.5% mainly on account of higher raw material cost. Absolute EBITDA was down 96% YoY at Rs39 mn. Interest cost was up by 23% YoY at Rs175 mn. Other income fell 54% YoY at Rs111 mn due to higher base on account of write back in 2QFY19. Hence, company reported PBT loss of Rs237 mn against Profit of Rs801 mn in 2QFY19. Adj. Loss (for exceptional item of Rs536 mn on account of VRS and Rs70 mn on account provision towards investments in IL&FS bonds) for the quarter Rs 205 mn (PLe PAT of Rs187 mn).

Weak order backlog resulting lower revenue growth estimates for FY20/21E:

Order backlog available for execution remains weak (-7% YoY to Rs58 bn; 1.4x its FY19 revenue) for FY20. Although order inflow is likely to pick up in 2HFY20 on the back of awarding of GEC orders, it will enter the execution cycle only by end-FY20 or beginning of FY21. Also Bangladesh HVDC projects has been put on hold. Against this backdrop and weak 1HFY20, we expect negative 15% YoY revenue growth in FY20. Nevertheless, given the likelihood of order finalization and availability of orders for execution post FY20, we anticipate revenue growth to pick up to 10% YoY post FY21E.

Debt repayment would be gradual: With delay in execution due to lower demand and liquidity crisis, working capital days has stretched from 227 days at the end of 1HFY19 to 307 days at the end of 1HFY20. The company has also raised short debt of more than Rs4 bn during the quarter to fund the same. Management emphasized that the repayment of the debt would be gradual. Hence, we expected higher interest cost in the subsequent quarter.

Order inflow/backlog declines in 1HFY20, future order pipeline remains moderately positive: Order intake declined 17% YoY to Rs11bn in 1HFY20, given weak ordering in the industry. However, potential orders in the system remain healthy, considering (a) transmission infrastructure for 68GW of the renewable energy corridor are likely to be added over the next two years (expect pick-up in traction from 2HFY20), (b) USD2b substations are likely to be ordered out for the green energy corridor and (c) near-term ordering for 28GW renewable energy capacity is likely to be concluded in CY19.

Valuation and view: We cut our FY20/21 earnings estimates by 36%/45% given weak 1HFY20 earnings, declining HVDC sales and sedative execution going ahead. Muted capex from PGCIL over the near-to-medium term also adds an element of uncertainty. We, thus, downgrade our rating to Reduce on the stock from Hold. We value GETD at 25x FY22E EPS of Rs6 (in line with 10-year avg. P/E multiple) to arrive at a revised TP of Rs150.

Exhibit 1: Q2FY20 Result Overview (Rs mn)

Y/e March	Q2FY20	Q2FY19	YoY gr. (%)	Q1FY20	QoQ gr. (%)	H1FY20	H1FY19	YoY gr. (%)
Net Revenue	8,211	9,933	(17.3)	7,337	11.9	15,547	21,557	(27.9)
EBITDA	39	921	(95.8)	424	-91	463	2,363	(80.4)
<i>EBITDA Margin (%)</i>	<i>0.5</i>	<i>0.1</i>		<i>5.8</i>		<i>3.0</i>	<i>11.0</i>	
Other Income	111	238	(53.5)	18	NA	129	430	(70.0)
Depreciation	211	215	(2.0)	220	(4.0)	430	432	(0.4)
Interest	175	143	22.6	163	7.8	338	298	13.4
Exceptional items	(536)	180	NA	-		(536)	320	NA
Profit before Tax	(772)	880	NA	60	NA	(712)	2,064	NA
Tax	39	287	(86.5)	27	44.6	65	728	(91.0)
Reported PAT	(811)	515	NA	34	(2,506.2)	(777)	1,335	NA
Adjusted PAT	(205)	396	NA	34	(709.2)	(172)	1,124	NA
<i>Net Margin</i>	<i>(2.5)</i>	<i>0.0</i>		<i>0.5</i>		<i>(5.0)</i>	<i>6.2</i>	
Adjusted EPS	(0.8)	1.5		0.1		(0.7)	4.4	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Net Revenues	42,188	35,700	39,251	42,311
YoY gr. (%)	(2.6)	(15.4)	9.9	7.8
Cost of Goods Sold	27,984	24,276	26,691	28,771
Gross Profit	14,205	11,424	12,560	13,539
Margin (%)	33.7	32.0	32.0	32.0
Employee Cost	3,829	3,927	4,121	4,443
Other Expenses	6,116	4,998	5,495	5,923
EBITDA	4,259	2,499	2,944	3,173
YoY gr. (%)	65.8	(41.3)	17.8	7.8
Margin (%)	10.1	7.0	7.5	7.5
Depreciation and Amortization	832	815	891	967
EBIT	3,427	1,684	2,053	2,206
Margin (%)	8.1	4.7	5.2	5.2
Net Interest	664	796	689	529
Other Income	583	301	154	391
Profit Before Tax	3,346	1,190	1,518	2,068
Margin (%)	7.9	3.3	3.9	4.9
Total Tax	1,219	300	382	521
Effective tax rate (%)	36.4	25.2	25.2	25.2
Profit after tax	2,127	890	1,135	1,547
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,127	890	1,135	1,547
YoY gr. (%)	1.9	(58.2)	27.6	36.3
Margin (%)	5.0	2.5	2.9	3.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,127	890	1,135	1,547
YoY gr. (%)	1.9	(58.2)	27.6	36.3
Margin (%)	5.0	2.5	2.9	3.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,127	890	1,135	1,547
Equity Shares O/s (m)	256	256	256	256
EPS (Rs)	8.3	3.5	4.4	6.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Non-Current Assets				
Gross Block	8,432	9,748	11,140	12,608
Tangibles	8,413	9,728	11,119	12,586
Intangibles	19	20	21	22
Acc: Dep / Amortization	3,306	4,121	5,012	5,979
Tangibles	3,306	4,121	5,012	5,979
Intangibles	-	-	-	-
Net fixed assets	5,126	5,627	6,128	6,629
Tangibles	5,107	5,607	6,107	6,607
Intangibles	19	20	21	22
Capital Work In Progress	51	51	51	51
Goodwill	-	-	-	-
Non-Current Investments	1,174	1,232	1,294	1,359
Net Deferred tax assets	854	854	854	854
Other Non-Current Assets	2,326	2,442	2,565	2,693
Current Assets				
Investments	-	-	-	-
Inventories	6,343	6,541	7,192	7,752
Trade receivables	20,203	20,030	22,022	23,159
Cash & Bank Balance	603	1,025	1,776	2,219
Other Current Assets	4,983	4,216	4,636	4,997
Total Assets	41,964	44,064	47,681	49,802
Equity				
Equity Share Capital	512	512	512	512
Other Equity	13,768	14,425	15,265	16,408
Total Network	14,280	14,938	15,777	16,920
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	1,444	1,444	1,587	1,711
Other non current liabilities	-	1,050	950	850
Current Liabilities				
ST Debt / Current of LT Debt	805	5,305	4,305	3,305
Trade payables	11,549	9,577	11,605	12,510
Other current liabilities	13,886	11,751	13,457	14,506
Total Equity & Liabilities	41,964	44,064	47,682	49,803

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	3,346	1,190	1,518	2,068
Add. Depreciation	832	815	891	967
Add. Interest	664	796	689	529
Less Financial Other Income	583	301	154	391
Add. Other	140	(301)	(154)	(391)
Op. profit before WC changes	4,983	2,499	2,944	3,173
Net Changes-WC	(7,305)	(5,109)	1,697	1,094
Direct tax	(1,227)	(300)	(382)	(521)
Net cash from Op. activities	(3,549)	(2,910)	4,258	3,746
Capital expenditures	(66)	(1,316)	(1,392)	(1,468)
Interest / Dividend Income	40	301	154	391
Others	2,894	(175)	(184)	(193)
Net Cash from Invt. activities	2,869	(1,190)	(1,422)	(1,270)
Issue of share cap. / premium	-	-	-	-
Debt changes	(195)	5,550	(1,100)	(1,100)
Dividend paid	(555)	(232)	(296)	(404)
Interest paid	(395)	(796)	(689)	(529)
Others	-	-	-	-
Net cash from Fin. activities	(1,145)	4,522	(2,085)	(2,032)
Net change in cash	(1,825)	423	751	443
Free Cash Flow	(3,615)	(4,226)	2,866	2,278

Source: Company Data, PL Research

Key Financial Metrics

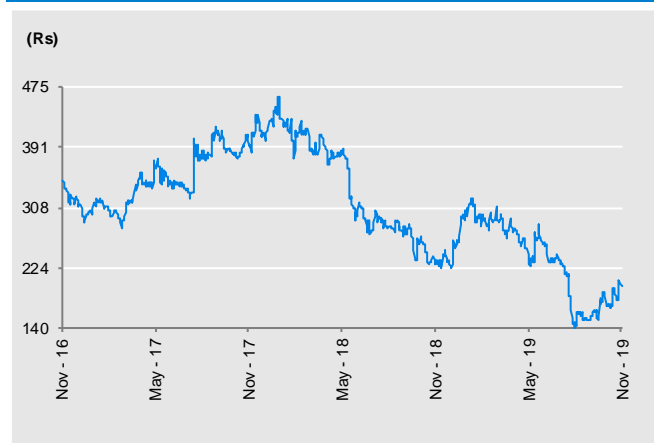
Y/e Mar	FY19	FY20E	FY21E	FY22E
Per Share(Rs)				
EPS	8.3	3.5	4.4	6.0
CEPS	11.6	6.7	7.9	9.8
BVPS	55.8	58.3	61.6	66.1
FCF	(14.1)	(16.5)	11.2	8.9
DPS	1.8	0.8	1.0	1.3
Return Ratio(%)				
RoCE	24.5	9.5	10.2	10.9
ROIC	16.3	7.6	8.4	9.2
RoE	16.2	6.1	7.4	9.5
Balance Sheet				
Net Debt : Equity (x)	0.0	0.3	0.2	0.1
Net Working Capital (Days)	130	174	164	159
Valuation(x)				
PER	20.1	48.1	37.7	27.6
P/B	3.0	2.9	2.7	2.5
P/CEPS	14.5	25.1	21.1	17.0
EV/EBITDA	10.1	18.8	15.4	13.8
EV/Sales	1.0	1.3	1.2	1.0
Dividend Yield (%)	1.1	0.5	0.6	0.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Net Revenue	11,678	8,953	7,337	8,211
YoY gr. (%)	(18.8)	10.0	(36.9)	(17.3)
Raw Material Expenses	7,859	5,844	4,788	5,908
Gross Profit	3,819	3,109	2,549	2,302
Margin (%)	32.7	34.7	34.7	28.0
EBITDA	1,126	770	424	39
YoY gr. (%)	123.5	548.1	(70.6)	(95.8)
Margin (%)	9.6	8.6	5.8	0.5
Depreciation / Depletion	202	198	220	211
EBIT	924	572	205	(172)
Margin (%)	7.9	6.4	2.8	(2.1)
Net Interest	141	226	163	175
Other Income	97	56	18	111
Profit before Tax	880	402	60	(237)
Margin (%)	7.5	4.5	0.8	(2.9)
Total Tax	350	141	27	39
Effective tax rate (%)	39.7	35.0	44.2	(16.3)
Profit after Tax	531	261	34	(275)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	531	261	34	(275)
YoY gr. (%)	(26.1)	(6.2)	(95.9)	(153.5)
Margin (%)	4.5	2.9	0.5	(3.4)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	531	261	34	(275)
YoY gr. (%)	(26.1)	(6.2)	(95.9)	(153.5)
Margin (%)	4.5	2.9	0.5	(3.4)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	531	261	34	(275)
Avg. Shares O/s (m)	256	256	256	256
EPS (Rs)	2.1	1.0	0.1	(1.1)

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	03-Oct-19	Hold	202	184
2	29-Jul-19	Hold	179	175
3	04-Jul-19	Reduce	257	237
4	26-May-19	Reduce	257	263
5	05-Apr-19	Reduce	278	278

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Reduce	1,442	1,461
2	Apar Industries	Accumulate	814	550
3	Bharat Electronics	Hold	118	113
4	BHEL	Hold	63	47
5	Cummins India	Hold	543	540
6	Engineers India	BUY	156	112
7	GE T&D India	Hold	202	184
8	Kalpataru Power Transmission	BUY	662	437
9	KEC International	BUY	352	271
10	Larsen & Toubro	BUY	1,800	1,432
11	Power Grid Corporation of India	BUY	224	199
12	Siemens	BUY	1,722	1,526
13	Thermax	Accumulate	1,300	1,153
14	Triveni Turbine	Accumulate	142	104
15	Voltamp Transformers	BUY	1,601	1,128

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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