



Farsight

MORNING FARSIGHT

Thursday, July 26, 2018

GE T&D

CMP:RS 286

TRGT:RS 340

TIME HORIZON: 1 YEAR

GE T&D, a leading player in Power Transmission & Distribution business, with a product portfolio ranging from Medium Voltage to Ultra High Voltage (1,200 kV) for Power Generation, Utility, Industry and Infrastructure markets, is looking a good buy, due to good Q1FY19 earnings reported by the company, wherein PAT has risen to Rs 82 cr from Rs 28 cr QoQ and Rs 62 cr YoY, a growth of 192% QoQ and 32% YoY, leading to an EPS of Rs 3.2 for Q1FY19 alone, which was at Rs 8.2 in FY18. Moreover, the company has a healthy order backlog of Rs 7,500 crore (1.7x of FY18 revenue) which provides revenue visibility for more than 6 quarters. Further, market has failed to note that considerable recovery of receivables and retention money with completion of some ongoing projects, and funding support from customer advances have resulted in considerable reduction in reliance on external debt (Rs 100 crore as on March 31, 2018 against Rs 518 cr as on March 31, 2017 cr) and improvement in debt protection metrics in FY18. GE T&D's liquidity, supported by sizeable customer advances, high creditor levels and non-debt repayment liability has strengthened further with reduction in working capital intensity and accretion to the free cash reserves of the company in FY18 (Rs 532 cr as on March 31, 2018 against Rs 72 cr as on March 31, 2017, resulting in Net Cash of Rs 430 cr on balance-sheet / cash per share of Rs 17). Going ahead, a shift in the overall industry with respect to increasing transmission requirements arising out of renewable energy sector (especially from the State Electricity Boards) along with a feasible policy environment is likely to boost growth opportunities for companies in this space. With these imminent developments in place, GE T&D is poised to deliver steady revenue growth on the back of its improved offerings of higher voltage transformers, advanced automation solutions and asset management solutions. GE T&D India has a predominant presence in all stages of the power supply chain, with a wide range of products that include Power Transformers, Circuit Breakers, Gas Insulated Switchgears, Instrument Transformers, Substation Automation Equipment Digital Software Solutions, Turnkey Solutions for Sub station Engineering & Construction, Flexible AC Transmission Systems, High Voltage DC & Services suite of offerings. The company benefits from its strong parentage GE Group (took over as the parent in November 2015), which provides significant technical and financial support to GE T&D and holds entire promoter holding of 75% stake. Due to its integrated manufacturing set up, strong technical capabilities, its diversified product profile and access to technical and business support from the ultimate parent - GE, company enjoys regular order inflow from both public and private sector clients, which includes reputed names such as Power Grid, Larsen & Toubro and Sterlite Power Transmission. Share ruling at Rs 284 has corrected from levels of Rs 472 seen on 1st January and is likely to attract strong buying action, with stock having moved to virtually 52 week low, offering very attractive risk reward. Share ruling at Rs 286 can move to Rs 340 in 1 year. Buy as an investor.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.