

# Power equipment sector's order book charged up on transmission projects

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Power equipment suppliers are sitting on surplus order books for the next two financial years on the back of record-high tendering of large-scale power transmission projects.

Between April and December 2023, close to 35 transmission projects worth ₹60,000 crore were offered under tariff-based competitive bidding (TBCB). In 2022, projects worth ₹12,000 crore were offered.

Most of the projects are for connecting the green energy projects and zones with the national grid.

According to an analysis conducted by ICICI Securities, the total levelised tariff discovered in the bidding till November 2023 stood at ₹32,000 crore.

The analyst agency expects another ₹10,000 crore worth of projects to come up for bidding by the end of the current financial year.

"The uptick in transmission activity bodes well for transmission equipment players," it said.

In the projects awarded, state-owned Power Grid Corporation of India led the pack, followed by Sterlite Power, Tata Power and Adani Energy

Solutions, which won its maiden transmission tender.

## Raining orders

Pratik Agarwal, managing director of Sterlite Power said, the project bidding pace is expected to continue as the Centre plans transmission investment of about ₹2.44 trillion for evacuating 500 gigawatts (gw) of non-fossil-based energy by 2030.

"We will continue to bid for projects on a strategic basis and select projects that meet our complexity and return threshold. In the last few months, we have won 3 projects worth ₹6,000 crore. We aim to grow our asset base including under construction and operational projects to ₹50,000 crore in the next few years," Agarwal told this paper in an emailed response.

Sterlite also has a Global Products & Services (GPS) business, which manufactures high-voltage conductors, cables and optical ground wire used in the construction of transmission networks, and has seen a growth rate of 30 per cent in the calendar year 2023, Agarwal said.

"We have an open order book at ₹4,000-6,000 crore. We expect this momentum to continue with normalised year-on-year (Y-o-Y) growth of

## BOOSTING POWER IN THE NATIONAL GRID

- **35:** Projects offered under TBCB between April–December 2023
- **₹60,000 cr:** Estimated project cost according to industry calculations
- **₹30,000 cr:** Projects already awarded, say industry estimates
- **₹10,000 crore:** Worth of projects in tender pipeline till March 2024
- **Commodity market volatility, lack of players may have adverse impact**

25-30 per cent. We plan to double our manufacturing revenue to ₹12,000 crore in two years with a focus on expanding our product offerings including value-added high-margin products and global export," Agarwal explained.

Maulesh Desai, director for CareEdge Ratings said: "For the large EPC entities, the outstanding order book from the transmission sector is around ₹34,000 crore (70 per cent of this is overseas orders). Large order inflow of over ₹20,000 crore during the nine

months of the financial year ended 2023-24 to major players also bolstered revenue visibility."

"The current order book will take around two-and-a-half years for full execution. For the sector, we see a strong pipeline of ₹40,000-50,000 crore worth of orders from India and another ₹30,000 crore from West Asia," Desai said.

## Weathering the storm

Even though the sector is enthused



with the sudden order influx, the barrage of large-size orders and record-high tenders have overwhelmed the sector majors.

Vimal Kejriwal, managing director and chief executive officer (CEO) for KEC International in an investor call in November last year, said: "All of a sudden, the business just turned around and is galloping. So everyone, including us, the suppliers have been caught napping."

KEC had an outstanding order book of ₹15033.6 crore in the T&D segment (a mix of domestic and international) as of September 2023. KEC International won new orders worth ₹5,400 crore in T&D in the September 2023 quarter, as against the ₹3767.4 crore in September 2022. A company spokesperson was unable to provide an updated comment.

According to Desai of CareEdge, there are two possible challenges in the spurt of orders for the transmission segment. First, pertains to supply-chain concerns. "Commodity price volatility, mainly steel and supply chain disruptions due to geopolitical reasons are some of the prominent challenges for timely project execution. For Indian transmission orders, the availability of the right of way also remains a chal-

lenge," Desai said.

This concern was reiterated in investor calls with companies operating in the transmission-related engineering, procurement and construction (EPC) segment.

Manish Mohnot, managing director and chief executive officer for Kalpataru Projects International, in a call with investors in November, said: "On the transmission side, as far as the supply chain is concerned we have not seen many issues as of now but we want to be cautious about it given the geopolitical situation, where if again freight issues come up that is something which we need to be worried about."

The concerned spokesperson for the company was unavailable to comment.

"We may witness limited contractor bandwidth, which could lead to new entrants in this transmission EPC space, a trend which we saw play out in the road sector," was also Desai's concern.

Mohnot also agreed. "Historically whenever there is a tender driven process unnecessarily competition comes in and we want to beware of that but we will not be building the order book by compromising on profitability in any form," he added.

