



“Techno Electric & Engineering Company Limited  
Q4 FY2019 Earnings Conference Call”

May 31, 2019



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**Moderator:** Good day ladies and gentlemen and welcome to the Q4 FY2019 Results Conference Call of Techno Electric & Engineering Limited hosted by Asian Market Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I will now hand the conference over to Mr. Amber Singhania from Asian Market Securities. Thank you and over to you Sir!

**Amber Singhania:** Thank you Margareth. Good afternoon everyone. On behalf of Asian Market Securities, I welcome you all to the Q4 FY2019 Earnings Conference Call for Techno Electric & Engineering Company Limited. We have with us today Mr. P.P. Gupta, Chairman and Managing Director of the company, Mr. Ankit Saraiya, Director of the company along with the team representing the company. I now request Mr. Gupta to take us through the quarterly results and the outlook for the company as well as for the industry and then we shall begin with the Q&A session. Over to you Sir!

**P.P. Gupta:** Thank you and welcome to all of you very good afternoon to all the participants and I welcome you to discuss Techno Electric’s Financial results for the quarter ended March 31, 2019 as well as for the full year ending 2018-2019. Anything said on this call, which reflects our outlook for the future or that could be construed, as a forward-looking statement must be reviewed in conjunction with the risk that the company faces. As we informed earlier that current year is a year of consolidation and our focus was to strengthen the balance sheet with liquid assets and debt-free more or less, the current outstanding debt of Rs.40 Crores as of March end also stands liquidated by now.

So, we have more ability in our books to borrow and carryout more investments. We would like to inform you that we have completed the process of amalgamation of erstwhile Techno with wholly owned subsidiary namely Simran Wind Project Limited. The merger is effective from April 1, 2017. Consequent to the amalgamation of the erstwhile Techno Electric with its subsidiary has a larger balance sheet size, which will enhance our qualification criteria for bidding higher value projects. Pursuant to the implementation of the amalgamation scheme as notified, the shares have been re-listed December 4, 2018 after de-listing in August 2018.

Let me quickly highlight our performance. Firstly we take up the whole year. Revenue in the current year that is 2018-19 stands at Rs.988.64 Crores, revenue from EPC is at Rs.879 Crores, revenues of the company used to be booked inclusive of taxes in the pre-GST regimen, which now booked net of taxes. Due to this financial year FY2019 revenues are impacted to some extent. Revenue from wind segment stands at Rs.109 Crores compared to Rs.121 Crores last year. Revenue from wind segments are down because of the following reasons namely last year in the month in the quarter ending December, we had got some regulatory relief, which benefited us by about Rs.12 Crores.



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GBI benefit has exhausted for 72-mega watt as the revenue got impacted by around Rs.9 Crores. The balance GBI available in the current year is only for Rs.10.5 Crores and is eligible for this current year only. There was some loss of generation due to lower wind flow in the first quarter as discussed and thereafter due to failure of a 100 MVA transformers at wind farm in the second quarter. The impact of this loss of power due to non-evacuation was about Rs.10.5 Crores. Now the new transformer has been provided to ensure for evacuation this year. Wind cycle already this year is better than last year. The power produced in last two months that is April and May is already around 31 million units compared to 8 million units last year. So, we will be able to better the performance of the year 2017-18 that is 250 million units plus.

The EBITDA for the company stood at Rs.249.08 Crores compared to Rs.294 Crores last year. Other income has grown quite large to Rs.70 Crores before tax at Rs.43 Crores post tax compared to Rs.36.96 Crores last year. Thus the EBITDA including other income is at Rs.320 Crores compared to Rs.330 Crores last year. The other income is likely to continue more or less at the same level or better in the current and next two years. Operating profit for the EPC segment stands at Rs.154 Crores and the margin is 17.49% as the operating profit margin compared to 15.62% in the previous year, so we have improved by almost about 180 bps.

Operating profit for wind segment was now to Rs.95.41 Crores compared to Rs.110.82 Crores. Operating profit margin for this segment is at 87% compared to 92% last year. Our interest cost has almost halved over last year to Rs.12 Crores only as most of the debts stands repaid and as of today we are debt-free. The PBT for the year was maintained at the same level as that of last year at Rs.265 Crores. Despite PBT being at the same level the tax outflow is higher by around 15% and this primarily because of the other income, the higher tax is on other income. Last year the other income comprised of dividends and capital gains, which were tax free whereas this year this is fully taxable.

The consolidated profit after tax is at 193 Crores, which is more or less closer to Rs.200 Crores plus achieved last year. EPS is at 17.20 and our current cash investments is at around Rs.600 Crores plus. Coming to the Q4 performance of the current year, the revenue at Q4 2019 stands at Rs.187 Crores, which includes revenue from EPC business at Rs.172 Crores. This could have been higher by at least Rs.70 to 80 Crores more, but due to two reasons it could not be. First, the Nagaland project, the land acquisition got delayed because no private party can buy the land and it has to be allocated by the government. Currently, we had executed the project to the extent of Rs.40 to 50 Crores, but did not book the revenue as it would have created huge GST liability and this will be booked during the current year.

Presently, the project is in peak execution and will be commissioned in time. There was a delay in the start of project we bagged at Afghanistan are mainly due to the finalization of the location. The location being hilltop with a slope of more than 14%, we did not get the clearance from the client, which we have now got it and this year it will be executed in the full swing. The revenue for the wind segment in this quarter stands at Rs.15.5 Crores mainly on an account of higher



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realization of REC prices despite floor price being 1000 per REC that showed realization is Rs.1500 and the impact of this is considered now. We are confident that this trend will continue for this year also and the realization of the REC shall be better than last year.

EBITDA for the company stood at Rs.33.58 Crores. Operating profit of the EPC segment is at Rs.21.85 Crores, operating profit margin for the EPC segment is a little lower, but annually it is better than last year. Other income is at Rs.22 Crores compared to Rs.13 Crores last year. Our interest cost is down by 50% to Rs.2.7 Crores as most of the debt stands repaid. The profit before tax is higher by 8% at Rs.42.42 Crores compared to Rs.39 Crores last year and as mentioned earlier, our tax outgo was higher mainly due to the higher other income and the profit after tax for the quarter grew by 18% year-on-year at Rs.30.83 Crores. The EPS stands for this quarter at 2.74.

I will again repeat the other income in the company is not for this year only, it is likely to be same or better for the next two years and we are exiting our Haryana asset, which will bring capital gain other than our income and similarly the Nagaland project will also bring the capital gain in the year 2021. Outlook, the most exciting development of the year is exciting, the successful mandate to the Modi Government. In the center now with more than stable government having two-third majority in parliament with the continuity of the minister, we are very upbeat and are confident that power sector reforms will continue in full swing.

In the last government, the government mainly utilized experience to put the basic framework in place and also to ensure power for all and particularly the last mile delivery of power to the underprivileged section of the society. We are confident that this time will be utilized to improve the efficiency, cost economy and financial health of the sector. We also anticipate more centralized control in the power sector of the government. The market in the T&D segment has already started looking up. The unexecuted order book with us is at around Rs.1500 Crores.

The impact in the P&D segment has started looking up and the government has set a target of implementation of 175 gigawatt of renewable generation capacity by 2022 out of which 60 gigawatt has already been auctioned and another 60 gigawatt will be auctioned and implemented, which is expected to be completed by 2022. This will create huge opportunity for transmission capacity for giving productivity to the generators over next four to five years. Out of this program, the government has already floating tenders for 30 gigawatt connectivity for the value of Rs.12500 Crores.

The scope of Rs.3000 Crores has been allocated to power grid under the compressed schedule program and the balance Rs.9 Crores has been announced under TBCB programs. The price bid for the above package is now due by end of this month and we will be finalized positively by July end with target commissioning date of December 2020. Similar matching program of another Rs.12500 Crores will be announced by December this year with the target completion of



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March 2022. We expect this program to carry on during the entire term of the new government till the very committee of 175 gigawatt gets implemented.

Apart from this, the transmission work will continue at the state levels, DISCOM levels for strengthening of sub transmission networks. In the meantime, we have been L1 in business worth Rs.600 Crores and have seen a breakthrough in FGD business as well as in smart metering business. We have been declared the lowest bidder in the post reverse auction for setting up the FGD plant for 500 mega watt Bokaro Thermal Plant project of DVC for value of around Rs.376 Crores. Similarly we have emerged L1 in new business of smart metering works in the state of J&K through REC bidding for the orders worth Rs.205 Crores.

This is an extremely exciting development as most of these orders are in new areas and we will be able to grow our business apart from traditional businesses. Coming back to T&D business, the business involves setting up of six numbers of substations of 5 gigawatt each and 765 kV level in which your company is having the highest market share. It has been to strongly participate in the DVC tenders and may compromise margins at the bidding stage if need be, which we will try to makeup by financial liquidity management, leveraging the financial liquidity and also improving executional efficiency.

In the meantime, we have invested good efforts in securing business in overseas markets and projects quoted in Afghanistan and Kenya is on track. In the meantime, we have also quoted for another tender in Afghanistan for almost \$250 million to setup variable source converter solutions in HVDC mode. Now with the stable government in this sector centers we expect the continuity with the same power ministers being in place, the reforms will happen even at a stronger pace. Either we are very confident what had been talking that the electricity reforms through the electricity government should happen soon or there may be a center power distribution company shortly to regulate payments to the power generators. But definitely the power sector will get more centralized, centrally controlled now than left to the very states, but as usual we will continue to concentrate on our core competencies in the EPC and triple P business.

The company buy-back, the company has successfully completed the buy-back of Rs.110 Crores at a price of Rs.410 per share in which promoters did not participate. We hope to carry out this program next year as and when we become eligible. With this I will request, all of you are welcome for your queries on our results or on my informations.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Harsis Kampani from JM Financial. Please go ahead.

**Harsis Kampani:** Thank you for the opportunity. Sir, my first question is for the EPC revenues, how much would be in-house and from external customers?

**P.P. Gupta:** I could not get you. In-house means out of TBCB mode?



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- Harsis Kampani:** Yes.
- P.P. Gupta:** You can say in the current year it is likely to be about 30:70, 30 will be in-house and 70 will be from outside.
- Harsis Kampani:** From more on the orders front, I think on the ordering from the Green corridor, I think you mentioned that we could see some kind of order finalization in the next three to six months, so if you could elaborate more as to what size of orders can probably we get or what our market share could be in Rs.12500 Crores of ordering that is expected, I would be quite useful?
- P.P. Gupta:** As I highlighted, this total business is Rs.12500 Crores, but most exciting for us is six number stations of 5 gigawatt each out of which four are in the TBCB mode and two are given to power grid. Power grid has completed the tendering process, but pricing and award is yet to happen, which we hope maybe completed by July yet, so at least some business from power grid one package we should expect from here worth about Rs.250 Crores. Out of TBCB, we will definitely like to win no less than two tenders, one in partnership with Kalpataru and one of our own, but at least one we definitely want to be aggressive and win, which is largely centered on substation only like Patran. So our chances are good, so the package value will be around Rs.400 Crores each in TBCB. So altogether in this as all projects had to be completed by December 2020, so this will be already fast track execution, so we expect at least a business of Rs.1000 Crores out of this other than business happening in the regular mode in the states or through our new diversifications like FGD, we expect one more breakthrough in FGD at least for Rs.400 to 500 Crores. So during the year we are very confident that we would like to book a business of no less than Rs.2500 Crores and this year will be a stabilizing year, but 2021 will be growth year and so will be 2021-22 as I have been always mentioning you.
- Harsis Kampani:** That was helpful Sir. On the FGD front, the orders that we booked right now in which we were L1, what was the size of that order?
- P.P. Gupta:** It is Rs.375 Crores.
- Harsis Kampani:** Sir, what are the margins that one can expect in the FGD space?
- P.P. Gupta:** That is a very large question you are asking. We hope to maintain the same efficiency of execution as maintained in other packages, but definitely we have to go through the experience. We would like to make EBITDA of around 15% or more, but in no way it should be less than 12% to my mind.
- Harsis Kampani:** Okay. Fine. Thank you so much. I will come back in the queue for more questions.
- Moderator:** Thank you. The next question is from the line of Venkat Subramanian from Organic Capital. Please go ahead.



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- Venkat Subramanian:** Thanks for taking my question. In 2019-20, even if we grow at something like about 20% odd we will just about actually come back to our revenue numbers of 2017-18, where do we think we will get that both on revenue and profitability?
- P.P. Gupta:** We should be around Rs.1300 Crores in EPC business as against Rs.900 Crores this year. That is our target of the year, but most of it will happen in the second half of the year in the accelerated execution, but wind power and other income will contribute handsomely to the bottom line, but I am very confident that bottom line will be no less than Rs.225 Crores and topline maybe around Rs.1500 Crores this year, but next we will see a major jump post order acquisition over the year's about Rs.2500 Crores, which we are targeting.
- Venkat Subramanian:** In your opening remarks, you alluded to actually your keenness to get into some specific segment if necessary at lower margins, can you elaborate on that and at what quantum and what kind of compromise you are willing to take because you have never done that in the past?
- P.P. Gupta:** Absolutely, you see these are projects bidded through TBCB and they are strongly our domain level knowledge in developing these projects and out of nine, two packages are basically belonging around substation content of more than 90%. People expect there may be a strong competition from other bidders also, so I only wanted to give my strong statement of determination that we will not merely give up seeing the completion from the others. If need be we are open also to fight to the end and still make decent money out of it by improving on addition...
- Venkat Subramanian:** This is our sweet point is not it Sir meaning this is the place where we probably should be making superior margins than others because you are better equipped Sir, right?
- P.P. Gupta:** Absolutely. You are right Sir. So, I only wanted to get a statement of commitment to the investor community in our company Sir. That was my objective of saying so.
- Venkat Subramanian:** Understood and in one of your previous conference call, you had said there are some fast track tenders that are coming through and in areas where we are strong in geographies that we are strong, which would also probably guide us towards probably higher margin kind of order winds, can you elaborate on that as well Sir?
- P.P. Gupta:** Yes, I have been only meaning this connectivity of renewable power happening in the state of Rajasthan and Gujarat, where we are strongly placed, whether it is through power grid or TBCB mode both we will be better placed in the competition. Definitely we will be able to make better margin than the competitors, because this opportunity is happening after almost loss of a year in the industry, so competition maybe hot. So that is what we only wanted to reiterate our resolution that these are our core competency areas. We understand this business the best and we will be able to deliver in the most efficient way and definitely our liquidity available in the company will be handy to have cost economics in place.



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**Venkat Subramanian:** These you had indicated in the previous call that will have some penalties attached to delayed execution, etc., and that should typically dissuade the cutthroat competition right?

**P.P. Gupta:** Yes, it is always difficult to say cutthroat competition among sometime even two competitors are good Venkat to cut each other throats, there need not be 8, 10 bidders. So the issue is you have to stay fit and strong on your legs and compete whether competitor is one or four. That does not make any difference, so we have to ultimately succeed in the game and continue to lead in the game. That is important. So we will maintain our outperformance status in this segment of business.

**Venkat Subramanian:** And lastly if may just squeeze in one more, you had indicated that we have been in discussions with partners who have strategic interest in participating with our company, what direction is it taking and how long is it going to take?

**P.P. Gupta:** It is on, probably now it will get more accelerated with the new stable government in place. Last year probably people were waiting in the wait and watch game to my mind. Like ABB is already with Hitachi now and Mitsubishi is also scouting for some company in India I am told, maybe CG Power Assets in Mumbai, so we are very hopeful that it should materialize now in this year. What I am saying is that could you hear my last line Sir?

**Venkat Subramanian:** Yes, you indicated about ABB now.

**P.P. Gupta:** Mitsubishi with the CG power maybe.

**Venkat Subramanian:** Is that done dealt you think Sir Mitsubishi scouting for CG power?

**P.P. Gupta:** Yes, not done deal I will say, but actively pursued. So we are confident that lot of money should flow in from Japan, Korea in India and maybe from China also, but this power business is largely Asian business now, it is no more European business Sir, which will definitely move out of Europe globally and India is a potential market, lot work has to be done in India, China is mostly done I would say. So we are confident that foreigners will now have interest in India with the present stable government and the same minister continuing who is making sense for the last one year slowly, but more critically, but I am sure now it will be more business like.

**Venkat Subramanian:** I will be back in the queue, I have few more questions. Thanks.

**Moderator:** Thank you. The next question is from the line of Abhineet Anand from SBICAP Securities. Please go ahead.

**Abhineet Anand:** Thanks for the opportunity Sir. Firstly, on FGD, I just wanted to understand NTPC has been one of the developers, which has been putting, so I just wanted to understand first from market perspective, how much of ordering do you expect in 2020 and what will be your share in that?



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**P.P. Gupta:** Going forward, we do not see that NTPC is going to be one of the major companies to make orders in FGD. I think most of the orders will come from other center utility such as DVC or Neyveli Lignite and most of the state utilities like UP, Jharkhand, West Bengal, Rajasthan, and Odisha. So there are quite a few orders already in pipeline. Almost if I am not wrong then I can say around 15000 to 20000 mega watt to be bid by December itself by the state utilities and we are concentrating on at least if not less at least to bid for at least 5000 to 6000 mega watt of them and see success in at least one or two. We would like to have order book of around 2 gigawatt this year and we have already book one order 500 mega watt more or less, so may be one or two more orders around 1.5 gigawatt for the Rs.1000 Crores business all put together. What I am saying is that this business will continue to be there next three, four years.

**Abhineet Anand:** That is my next question that this 15 to 20 gigawatt, next three years, and two years what do you see that this size continuing for the next few years' right?

**P.P. Gupta:** We have a total capacity in India of plus or minus 200 gigawatt, say even if we considered 50 gigawatt can be scrapped out or ruled out, which has acquitted life of 20 to 30 years or more still 150 gigawatt has to be retrofitted with this kind of, so on an average you can easily take 25 to 30 mega watt per year spread over five years.

**Abhineet Anand:** But till 2019 any rough figure what has been auctioned till 2019?

**P.P. Gupta:** I think by now to my mind around 10 gigawatt stands auctioned or may be little more.

**Abhineet Anand:** So, you see this business where you are targeting around Rs.1000 Crores business for the next three to four years is recurring business, right?

**P.P. Gupta:** Yes absolutely and similarly smart metering business, we are very hopeful, almost about 20 million smart meters are to be installed in the country and it is very initial stage now, this is next intelligent level of solution in the power distribution and ensuring containment of power losses, which the government has been stressing a lot. So we do anticipate this business also to be strong for the next four to five years. So this will bring some growth to Techno apart from traditional businesses in T&D and all other power-related industries.

**Moderator:** Thank you. The next question is from the line of Ayush B from Equitas Investment. Please go ahead.

**Ayush B:** Good afternoon Sir. Sir, can you give me the breakup of the Rs.70 Crores other income?

**P.P. Gupta:** This is largely treasury income in the company and it also includes around Rs.25 Crores income from sale of Patran project to Sterlite, capital gain out of it, so 45 plus 25 you can say, Rs.45 Crores is a treasury income out of cash or surplus is applied in the bond market that is improvement and another Rs.25 Crores as a capital gain.



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- Ayush B:** Right because you mentioned that at this level at least continue at this level minimum for the next two years?
- P.P. Gupta:** Right absolutely, because this year also we are now hiving of four Haryana asset which will again give us a capital gain of Rs.30 Crores already we signed the form with CLP on that aspect, which is now on the due diligence with exclusivity and next year it will be Kohima project, which will again bring a capital gain of around same value and treasury income will continue.
- Ayush B:** And Sir, one more item on the balance sheet, on the asset side, there is an item of Rs.100 Crores loans, so what would that be, like has been given loans to any entry?
- P.P. Gupta:** We had deployed loan of 100 Crores as ICD to an AA rated company, which has been received back now.
- Ayush B:** Which has been received back?
- P.P. Gupta:** Yes. In the Q1 it will not be seen. It was given last September, which we received back now.
- Ayush B:** Sir, why had we given this and for what purpose exactly?
- P.P. Gupta:** This was for the purpose of other income only, AA secured ICD.
- Ayush B:** So, how much other income will be earned on this Rs.100 Crores?
- P.P. Gupta:** We have gained about Rs.8.7 Crores as interest income.
- Ayush B:** And next thing would be on smart meters, so is this the first time we are getting orders in smart meter?
- P.P. Gupta:** Yes, first time.
- Ayush B:** So, you mentioned we got an order for around Rs.200 Crores right?
- P.P. Gupta:** Yes, you are right, Rs.205 Crores.
- Ayush B:** Right and so Techno is now eligible for all kinds of smart meters or is there any specific type where we are getting these orders?
- P.P. Gupta:** No, we are now eligible for all type of solutions in smart meters.
- Ayush B:** Sir, you mentioned some 20 million smart meters to be instilled in India?
- P.P. Gupta:** Yes, over the next five, seven year.



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- Ayush B:** So, this Rs. 205 Crores is for how many meters?
- P.P. Gupta:** This is 2 lakh meters you can say.
- Ayush B:** Two lakh meters?
- P.P. Gupta:** Yes.
- Ayush B:** So, what revenue can I expect from this segment like what order inflows can we expect from this segment going ahead, I wanted to understand how strong are we compared to other players in the smart meter segment?
- P.P. Gupta:** No, I would not like to say we are stronger than others, but we made our presence, we are good in field work, delivering of projects, so time will prove as we have outperformed in other segments of T&D, this being a very related segment to that, we are confident to perform at least than other players like L&T or others, or improve on them in days to come.
- Ayush B:** Correct, and lastly Sir so you mentioned to another participant I guess he discussed this with you and you are saying that now you are ready to bid for projects with comparably lower margins, which you have never done before?
- P.P. Gupta:** I never wanted to give an impression of lower margin, what I mean to say that we will go strongly competitive and will not easily give up in a competition, which we sometime do in EPC business no doubt, but in TBCB we will not drop that, so competition in TBCB is different than competition in EPC. In EPC, you are doing a project for somebody else, so there are more opportunities with the same customers or different customers, but TBCB opportunities are always limited and regulated, so I want to convey this only to TBCB mode Sir.
- Ayush B:** Okay, not much margin pressure...the margins would not reduce substantially in FY2020, it will be on similar levels?
- P.P. Gupta:** Yes, absolutely, it will always be 15% plus.
- Ayush B:** 50% plus right and Sir last question would be on our FGD business, so where are we doing this FGD plant?
- P.P. Gupta:** In Bokaro in Bengal, in Jharkhand next to Bengal based organization, so we are looking for opportunity in and around Kolkata only Sir to have more efficiency and leveraging our team set.
- Ayush B:** Perfect and here you mentioned that you expect, you have already got in the Rs.376 Crores and for the entire year you expect orders about Rs.1000 Crores, right?



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- P.P. Gupta:** Yes, absolutely, another business was 500 Crores to 600 Crores in this segment; we will be looking for rest of the 10 counts.
- Ayush B:** Perfect. Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Ashutosh Mehta from Edelweiss. Please go ahead.
- Ashutosh Mehta:** Good afternoon Sir. Thank you for the opportunity. Sir, just one bookkeeping question, what was the order inflow in Q4 and for the full year FY2019?
- P.P. Gupta:** During FY2019, last quarter it is only Rs.25 Crores, but we are L1 in Rs.600 Crores, which due to election could not be finalized, which will be over in June now, but for the whole year our order book is about Rs.600 Crores over the last year.
- Ashutosh Mehta:** Order inflow number Sir, if you can help with that exact number then?
- P.P. Gupta:** Order inflow I am saying Rs.600 Crores. So, last year was the most challenging year Sir.
- Ashutosh Mehta:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Venkat Subramanian from Organic Capital. Please go ahead.
- Venkat Subramanian:** Thanks for the opportunity again. Smart meter is probably just an indication of things to come, so this is an area where we said we are trying so you also kind of indicated that you are looking at some niche opportunities for inorganic growth and positioning actually in segments like this, can you elaborate, has there been some progress there?
- P.P. Gupta:** Yes, we are now L1 in smart metering tenders with government of J&K, but tendering process was carried out by REC and it is funded by REC, so that is a good beginning. We have learnt this subject over last six months and the duration-ships with the vendors like L&T and MDM vendors and communication vendors, one telecommunication site, radio frequency site, so we think this business may happen going forward not purely as capex, but may be as opex also or part of it maybe 50:50 or 30:70, so all this means company is having good liquidity, good balance sheet. We will be strongly able to deliver this business compare to others, and it is very related our T&D business, customers are same, locations are same, pockets are same, consumers are same and again we are already doing this work on APDRP or Sowbhagya Scheme or even the rural electrification, which are coming to nearly close may be another year or two left out areas, so this will be a natural extension of capability and business in this segment.



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- Venkat Subramanian:** You had also hinted Sir last time around that there could be some specific skill sets that we may want to acquire to achieve, which you may want to look at a small inorganic acquisition, etc., is that something that you are still thinking about, has there been some progress there, more for skill set for any emerging opportunity?
- P.P. Gupta:** No progress so far in that regard. What I am saying is there is no progress in that?
- Venkat Subramanian:** Fair enough Sir. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Priya Mehta from Anand Rathi. Please go ahead.
- Priya Mehta:** Good afternoon. Congratulations. Sir, I actually joined late could you please help me out with the green energy corridor what is the total order you expect from them in the current year?
- P.P. Gupta:** What I am trying to say is this 25 gigawatt connectivity is all Green Corridor and this will extent ultimately in the states also, out of this 25 gigawatts some scope is given to power grid and some is coming through the TBCB mode in the market, so which we will be part of both the segments through TBCB as well as through power grid and definitely in the last four to five years we have been the lead company in giving solutions in green corridor like Bikaner, Ajmer, Chittorgarh, Tirunelveli all these projects we have successfully done, Jodhpur, Jaisalmer, all these projects are focused around bush, Bhuj we have done and we have done with concrete, all these are part of the green corridor only madam. So green corridor we have so many...
- Priya Mehta:** And your order timeline of this for the 45 gigawatt?
- P.P. Gupta:** This 45 gigawatt, the timeline is two years, maximum.
- Priya Mehta:** And what will be the value approximately?
- P.P. Gupta:** The opportunity is Rs.12500 Crores in which we will target around no more than 1000 Crores for us.
- Priya Mehta:** And also for this smart meter segment I would like to ask are we going to sign up for the eSM project or only from the state utility?
- P.P. Gupta:** So, this smart metering so far is done by eSM as well as state utilities both, but we are more okay with states having done related projects for them and they are additionally funded by REC, so payments are lot more secured and easy to receive, so eSM process we are not sure, but we will find out more about it.



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- Priya Mehta:** Okay, because recently there has been talks about a lot of Chinese player coming into the smart metering industry and the realization have been cut down, so just wondering what could be our venture into this new product line?
- P.P. Gupta:** We are a solution company, whenever we take up of a project it is all inclusive as a solution, which includes the end-to-end solution starting from meters, installation, to the communication, to the MDM process and up to the billing of the consumer and then hand holding for five years of the customers, so this is a very complete solution not meter supplying only. I am not a meter manufacturer, I am a solution company, so our role and scope is different than supply of meters.
- Priya Mehta:** Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Harsis Kampani from JM Financial. Please go ahead.
- Harsis Kampani:** Thank you. Sir, what is our stake now in Patran?
- P.P. Gupta:** Our stake in Patran is only 26% now.
- Harsis Kampani:** How much stake are you selling the Jhajjar product?
- P.P. Gupta:** We own 49%, so we exit fully by 49%.
- Harsis Kampani:** Fine, sure. Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Market Securities Pvt. Ltd. Please go ahead.
- Amber Singhania:** Sir, just clarification Patran we have sold entirely or we still hold stake in that?
- P.P. Gupta:** No, we have sold entirely as an agreement, but we cannot transfer 26% till the project has completed five years. There is a schedule of exit of the promoters when these TBCB projects are awarded. You can liquidate up to 49% to begin with and another 25% in the next two years, which we have completed and entirely in five years.
- Amber Singhania:** Sir, in this how much we have already received money and how much is the total consideration and when do we get the remaining portion?
- P.P. Gupta:** No, money we have got full, but balance money is lying as advance with us you may treat when transfer happens, but management and commercial control is entirely transferred to the buyers.
- Amber Singhania:** And in this we have made around Rs.25 Crore profit?



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- P.P. Gupta:** Yes, absolutely.
- Amber Singhania:** Secondly, when I see your consolidated and standalone numbers, I find other income on consolidation is around Rs.70 Crores and standalone at Rs.59 Crores, so this Rs.11 Crores is in to which subsidiary and where exactly it is Sir?
- P.P. Gupta:** We have only one subsidiary called Techno Power Grid, it was invested in Patran, Techno and Techno Power Grid were jointly holding this asset on 50:50 basis, so that is how the profit came to Techno Power Grid also by exit of Patran.
- Amber Singhania:** And Techno Power Grid would be having how much cash in its book now and how do we plan to bring it to the main company, Sir?
- P.P. Gupta:** Sir, we have about Rs.35 Crores, but that money is now stand invested in Kohima project, a Northeast project, they have become shareholder in the fresh development of Kohima project along with Techno, again similarly on 50:50 basis, our total involvement in Kohima is Rs.75 Crores as equity and we hold shares on 50:50 basis between Techno and Techno Power Grid.
- Amber Singhania:** So, Kohima total will be 75 Crores including us and Techno Power Grid?
- P.P. Gupta:** As far as Techno is concerned, rest is by Kalpataru. The paid up capital will be about Rs.350 Crores in which we own 26%.
- Amber Singhania:** Sir, how much revenue we have booked in Kohima so far and how is the progress there now?
- P.P. Gupta:** Progress is excellent, we have booked revenue only Rs.8 Crores last year and balance will happen this year only, therefore the total project value is Rs.275 Crores.
- Amber Singhania:** So another Rs.260 Crores plus will come in this year?
- P.P. Gupta:** Absolutely, right.
- Amber Singhania:** Sir, secondly PGCIL mentioned about there are around Rs.9500 Crore TBCB bidding, which you also mentioned and also there are Rs.9500 Crores plus interstate TBCB bidding, which is coming including states of Jharkhand and all, so just wanted to understand, how many projects we are planning to bid or what size of total projects we are planning to bid in the next six to eight months of this, out of these total Rs.19000 Crores, Rs.20000 Crores kind of TBCB bidding including SEBs and PGCIL and then I will come to the second part, which is the direct bidding from the PGICL apart from TBCB?
- P.P. Gupta:** We intend participating in no more than Rs.2000 Crores directly either of our own or in partnership with Kalpataru number one, just we would like to go through one of the developers like today power grid they take a pre-TBCB tenders from us and before they participate in TBCB



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then finalize a partner generally, on station scope, light scope they go that way. This time, we have been approached by Sterlite also, Adani also, so because of the specialty involved in this solutions, where Techno has an upper end or excel as they appreciate delivery of solutions, so we are sure whoever wins Techno will have some space in this market either two of its own or one of the developers.

**Amber Singhania:** As an owner, we would be targeting around Rs.2000 Crores of TBCB projects whereas for other projects we are tying up with people who are bidding for it as the pre-bid tie-up kind of things?

**P.P. Gupta:** Right other developers, absolutely.

**Amber Singhania:** Secondly Sir, apart from TBCB I believe there has been a huge pipeline from PGCIL to the tune of around Rs.35000 to 40000 Crores in the next two years, am I correct on that part or if you can give some color on the sizes and what kind of timeline we can see these tenders coming in?

**P.P. Gupta:** As of today no, there seems to be some garbled information, but definitely with the stable government now in place and same minister being there, I am sure they will acquire some program in the next three to six months definitely. So power grid will be back in business in asset building, but before that to my mind power grid may have to go through some restructuring, so that they can borrow more, invest more and create more assets, so all those processes are pending, but power grid is a very strong entity, every successful entity and they are one of the very strong customers to us, so their growth plan will obviously be good for Techno.

**Amber Singhania:** Sir, on the FGD side, is there any tenders already on the submission stage or we have already submitted which we expecting in a month to open up?

**P.P. Gupta:** Yes, we are constantly scouting the opportunities talking to the customers and we have participated in three, four tenders out of which at least one should mature more.

**Amber Singhania:** That will be all similar sizes of Rs.300 to Rs.400 Crores each?

**P.P. Gupta:** Yes, generally like that, Rs.200 Crores to Rs.500 Crores.

**Amber Singhania:** Fine, secondly Sir, if you can just help us understand what is the status of Afghanistan and Kenya and when can we expect the revenue to start or the orders to start fitting in our order book from there?

**P.P. Gupta:** See, Afghanistan order this year will be the execution, basically it was stuck due to finalization of location or the challenge of the location, this project may be one of its own kind in the world, which is being built now on a 14-degree slope, generally we do not go beyond 7 to 8 degree, even your national highways are build on slopes like 7% to 8% only gradient, so this customer was debating for last one year rather to bring it down to 7% to 8% or go at 14%. So ultimately we



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have decided to go ahead with it, so we will be completing that project this year. It will be in execution this year.

**Amber Singhania:** Sir, the entire Rs.200 Crores will get executed this year?

**P.P. Gupta:** Absolutely without fail.

**Amber Singhania:** And then we have also bided for more projects there?

**P.P. Gupta:** Right, which may also be finalized by end of this year or by December maximum, they are bit slow in the decision making, but simultaneously I will say that maybe certain decisions are because new government is to be formed there also, which US is in debate with the Taliban in or out. So some little developments are happening, I think much more acquire a direction it will go very fast and at the moment we are now back to India with such a strong government, with such a strong mandate, and the same government is still in place who is there for last one year. I am very upbeat Sir, lot of things will happen in power sector now, which did not happen for last two decades.

**Amber Singhania:** We all hope for that. That is all from my side. Margaret we can go for the next question.

**Moderator:** Thank you. The next question is from the line of Mehul Mehta from SPA Securities. Please go ahead.

**Mehul Mehta:** Good afternoon gentlemen. My question is with regards to the smart meter project, who would be supplier of these meters to us, can you share the name of the company?

**P.P. Gupta:** It will be definitely one of the large suppliers.

**Mehul Mehta:** Domestic?

**P.P. Gupta:** Yes, domestic Sir, like may be L&T or somebody like that.

**Mehul Mehta:** Can you share something when you go for this sort of tie-up for meter supply, would it be like even foreign players would be considered or are there any restrictions on that?

**P.P. Gupta:** I am not sure because firstly what we participate is not a meter supply tender, what we provide is a meter solution, smart meter solution, which includes installation of meters, connectivity to the communication networks, then to the connectivity to the management networks, which goes right up to consumer billing, then hand holding for five years thereafter, so they provide a wholesome package.



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- Mehul Mehta:** I get that, what I want to ask is when you select a partner, I mean like you select your supplier is it like you can select even from domestic as well as foreign or is that like that even you have select only from domestic that is what my question?
- P.P. Gupta:** We can select any partners meeting qualification criteria because it involves guarantee and warranties of five years, it will always good idea to have a local partners who can stand with you if any kind of modification or customization is required for that particular pocket.
- Mehul Mehta:** Got it Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Priya Mehta from Anand Rathi. Please go ahead.
- Priya Mehta:** I would like to ask a brief industry outlook on the wind segment?
- P.P. Gupta:** Right.
- Priya Mehta:** Could you just elaborate how do we see the market to look at say for the next one or two years because in the recent budget which had come, the allocation for the wind project was less, so how do we see it going forward and what are the opportunities do you see?
- P.P. Gupta:** Look renewable power is a power solution going forward and most of the countries in including India will have a larger green power component in the whole energy solutions. So in green power obviously other than hydro, wind and solar has a dominant place. Presently we have an operating capacity of about 60 to 65 gigawatt, which includes 35 gigawatt of wind power only largely I will say, but definitely this business have been limited mostly in the states or the way this business is being executed in India it carries certain uncertainties and challenges, it is not still seamless, there is no renewable energy, there is no amendment in the electricity act, but through the tariff policy and other measures, government has been empowering this business time to time in its own pleasure, which I am sure now with the present minister and present government, it will go more strongly than last regime we have a huge target of 175 gigawatt so obviously the investors has to feel comfortable and secured in this business.
- Priya Mehta:** 135 gigawatt targets are for what period?
- P.P. Gupta:** Pardon?
- Priya Mehta:** This 135 gigawatt target is for what period?
- P.P. Gupta:** It is up to 2022, but my carry takeaway is it will happen by 2024 that is the standard of the present government.
- Priya Mehta:** Okay. Thank you.



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**Moderator:** Thank you. Ladies and gentlemen, that was the last question, I will now hand the conference over to Mr. Amber Singhaniea for closing comments.

**Amber Singhaniea:** Thank you Margaret. On behalf of Asian Markets, I thank everyone for joining this call and a special thanks to the management for taking out time and sharing views about the company's performance and the industry outlook and also we thank the management to give us the opportunity to host this call. That is all from my side, Sir would you like to add any closing comments.

**P.P. Gupta:** I would like to thank all the participants and for asking very insight into the business, industry and our company questions on all that. Still I will request if any of the participants has any query on our performance or our nature anything you want to understand about our business, you are welcome to write or e-mail us and we will be happy to reply and we will also request that whenever you on the side of India please drop in our office to see how we work and how we try to be different than the other participants in this market and how we would like to outperform. With this I would like to close the conference and thank everybody for joining.

**Moderator:** Thank you. On behalf of Asian Markets Securities Private Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.