



“Techno Electric & Engineering Company Limited  
Q3 FY2017 Earnings Conference Call”

February 13, 2017



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**Moderator:** Ladies and gentlemen good day and welcome to the Techno Electric and Engineering Company Limited Q3 FY2017 Earnings Conference Call 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amber Singhania for Asian Market Securities. Thank you and over to you Sir!

**Amber Singhania:** Thank you Janice. Good evening everyone. On behalf of Asian Market, I welcome you all to the Q3 FY2017 Earning Conference Call for Techno Electric & Engineering Company Limited. We have with us today Mr. P.P. Gupta, Chairman and Managing Director, Mr. Ankit Saraiya, Director of the company along with his finance and investor relation team. I now request Mr. Gupta to take us through the quarterly results and the outlook for the company as well as the industry then we shall begin with the Q&A session. Over to you Sir!

**P.P. Gupta:** Thank you Amber. Good evening gentlemen and colleagues. I would like to welcome everyone for joining us today to discuss financial results for the quarter end 31<sup>st</sup> December 2016. 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 industry or our company faces. We had begun our financial year 2016 - 2017 on a very strong footing in both the EPC and wind segment. During the quarter, we received orders from RRVPNL at Jodhpur for 400 KV substations and for 765 KV AIS extension packages for Jharsuguda, and other stations from PGCIL. Value of orders received during the quarter is close to Rs.250 Crores plus, unexecuted order book as on 31<sup>st</sup> December stands at about Rs.2300 Crores plus. We have participated in a BOOT, BOOM project along with Kalpataru for transmission project in North East and it comprise of 400 KV, 1000 MVA substation at New Kohima under TVCB mechanism the scheme called north eastern regional strengthening scheme six. We have won this package, we have received the LOA and we are in the process of acquiring SPV and the value of the substation involved is Rs.250 Crores plus. We are continuously participating in various tenders and are hopeful of good conversion in the current fiscal inline with our guidance given earlier; we have achieved a growth of 23% in EPC topline on nine month basis with an EBITDA of 15.3%. We are hopeful of achieving full year's growth on the same lines, prospects. We will discuss now as business segment wise.

Coming to the prospects of EPC business. In EPC business we are witnessing greater investment in this sector from PGCIL as well as from state utilities and within PGCIL we find more packages achieving transforming capex vis-à-vis line capex. Though the PGCIL budget for the year remains at the same level, but the ratio of investment between substations have undergone a significant change from 80:20 to 70:30. This has increased our addressable market. Focus on Danmik management of power shall continue to provide us opportunities. We expect states to play more dominant role towards the investment in transmission infrastructure compared to



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PGCIL in the next two years. Many states are facing transmission challenges due to historic infrastructure that needs immediate upgradation especially on account of increasing focus in renewable energy. They also need larger transmission ability to buy power on spot basis.

Wind industry: In wind segment, the challenges have eased and the business in current fiscal has been much better than our value on expectations. We are witnessing improvement in grid availability in the state of Tamil Nadu and the overall wind flow has been extremely positive. We expect to close the current financial year on almost double compared to last year's numbers on a like-to-like basis. The regulations have been positive for the industry and to name a few, the sugar mills or co-generation plants are no more eligible for RECs. Tamil Nadu high court has strictly directed the state not to curtail the grid and allow evacuation of complete power. Honorable Supreme Court has directly TANGEDCO go to pay interest on delayed payments. In January 2017 beginning of this new calendar year, we are successful in exiting 33 megawatt of wind power assets situated in the state of Tamil Nadu at an effective valuation of Rs.165.19 Crores. We are hopeful of better exit valuations for the balance wind power assets. To reward the investors, we have come out with the buyback of Rs.15 lakh equity shares at a price of Rs.400 per share under tender method mechanism. Buyback price represents a premium of around 7% to 10% to the prevailing market prices, promoters of the company are not participating in the buyback, thereby ensuring the very size of the buyback at significantly larger than Rs.60 Crores.

Prospects of Triple P business: Going forward we would like to concentrate on our EPC and Triple P business in transmission. On both Triple P projects in Haryana as well as at Patran is operating successfully with no major challenges. Let me quickly highlight our performance. For the quarter revenue from EPC grew by 4% from Rs.313 Crores to Rs.326 Crores. Our consolidated revenue for the quarter grew by 13% to Rs.356 Crores against Rs.317 Crores achieved during the same quarter of previous year. Operating profit for the EPC segment for the quarter stood at Rs.49.8 Crores as against Rs.37.6 Crores showing a jump of 32%. Operating profit margin for the quarter stood at 15.28% as against 12% showing a robust jump of 300bps plus.

Operating profit for the wind segment for the quarter stood at Rs.25.3 Crores against Rs.2.73 Crores last year showing a huge jump. Standalone PAT for the quarter stood at Rs.31.23 Crores against Rs.24.1 Crores showing a jump of 29.3%. Consolidated PAT similarly grew by 44% for the quarter at Rs.40.5 Crores against Rs.28 Crores in the previous year. In the consolidate results for nine months, the revenues from EPC business jumped by 23% and we have executed Rs.854 Crores as against Rs.693 Crores last year. Our consolidated revenue for nine months is Rs.995 Crores against Rs.770 Crores during the previous year showing a growth of 29%. The operating profit for the EPC segment for nine months is at Rs.131 Crores against Rs.97 Crores showing a jump of 34%. Operating profit margin for nine months is at 15.3% as against 14% showing a jump by 125 bps. Operating profit for the wind segment for the nine months is at Rs.127 Crores against Rs.74 Crores showing a robust jump of 73%.



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Standalone PAT for nine months stood at Rs.91 Crores approximately against Rs.68 Crores last year whereas the consolidated PAT is at Rs.159 Crores against Rs.111 Crores last year, thereby growing at 42%. Absolute consolidated EPS for the current quarter stood at 3.58 against 2.59 last year and on consolidated basis for nine months it is at 13.95 against 9.79 for last year. While revenue has grown our trade receivables remains healthy. Our focus remains to efficiently managed working capital while growing your company profitably. With this, I will like now participation from our esteemed investors.

**Moderator:** Can we begin with the question and answer session?

**P.P. Gupta:** Yes.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We will take the first question from the line of Utsav Mehta from Ambit Capital. Please go ahead.

**Utsav Mehta:** Good afternoon Sir. Thank you so much for taking my questions. My first question was on the PPP project that you highlighted that you are one in conjunction with Kalpataru, if you could just give us the total project size, how much stake will you hold in the project and what are the execution timelines?

**P.P. Gupta:** You see the total project is about Rs.1150 to Rs.1200 in which our share will be Rs.250 to Rs.300 Crores and as our understanding is we own equity in pro-rata basis so our ownership in this project will be 26% and 74% will be with Kalpataru. The schedule given for execution of the project is three-and-a-half years from the zero date and zero date may take around four to five months to click.

**Utsav Mehta:** How much equity would we be investing in this and also if you could just give some clarity in terms of what the holding structure would this again go through via Simran wind or would this be held by the standalone entity directly?

**P.P. Gupta:** We have already explained last time; the problem in this country is that the SEBI wants consolidated results. The Companies Act under Ind-AS wants consolidated results, but we are not permitted to file consolidated income tax returns. So this creates the challenges. So we often in the initial four, five years of such projects, the bottom lines are not very healthy, so we want to retain the associate status as against subsidiary status, but since in this case our involvement is only 26%, so it will remain an associate status and entire holding will be Techno Electro in this case.

**Utsav Mehta:** What is the total equity invested and if I may ask when we have discussed this the last time, you had said that all incremental PPP projects will be held through a particular special entity, Techno Power Grid was the name of that entity, why this shift now, why would this be held by Techno Electric standalone?



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- P.P. Gupta:** We have incorporated Techno Power Grid already number one and number two, we can consider even holding of this equity through Techno Power Grid, there is no grade challenge, but our aim is that unless we have significant earning ability in the assets and consolidate this into Techno Power Grid then only it make a business sense till then we want that it continued to be through the Techno Electric which in turn definitely is a investor in Techno Power Grid. So consolidation vehicle will be Techno Power Grid ultimately for Techno also, to create value for the investors going forward.
- Utsav Mehta:** What would be the equity required for this percent?
- P.P. Gupta:** Total equity is expected to be Rs.300 Crores and our share will be in this about Rs.80 Crores.
- Utsav Mehta:** My next set of question is on the order inflows I understand that the order inflow this year have not been as strong as you had initially guided for I think the inflow target was approximately Rs.1500 to Rs.2000 Crores, would we be able to achieve this number one and if not what would be the ballpark number we would be achieving?
- P.P. Gupta:** We are confident of achieving this number if not by March definitely by April or May end, because we have participated in tenders worth no less than Rs.3000 Crores and we are very, very hopeful of at least achieving order book additionally of no less than Rs.1000 Crores more. Of course during the year we have already taken orders as of now I will say is almost about Rs.1100 Crores by now during the current year and if April or May, we receive another Rs.1000 Crores, we will be well on that target or better.
- Utsav Mehta:** Okay. I understand. I will come back in the queue if I have more questions.
- Moderator:** Thank you. Next question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.
- Sandeep Tulsian:** Good afternoon Sir.
- P.P. Gupta:** Very good afternoon Tulsian, how are you?
- Sandeep Tulsian:** I am doing very well Sir, how are you?
- P.P. Gupta:** Good.
- Sandeep Tulsian:** Regarding this order inflows you mentioned that we have taken order worth Rs.1100 Crores. I was not able to tie it up with the numbers that we have declared I think we mentioned around Rs.350 Crores in Q1 and Rs.250 Crores in current quarter and Q2 I suppose there were no major inflows right?



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- P.P. Gupta:** No, you visit our website. In December, we had booked business worth about Rs.850 Crores somewhere looks like some slip here and there and this BOOT business of another Rs.250 Crores to Rs.300 Crores will make it Rs.1100 Crores now. That is what I am...
- Sandeep Tulsian:** Rs.1100 Crores and possibly for next year from this Rs.1500 Crores kind of annual inflow where you intend to move in the next year if you can broadly guide us?
- P.P. Gupta:** Pardon.
- Sandeep Tulsian:** For financial year 2018, where can we move forward in terms of order inflows?
- P.P. Gupta:** Firstly let me give you the order breakup of 850, we have booked already till December Rs.853.76 Crores, the major among them is Power Grid is Rs.413 Crores, NTPC small and then comes our AP TRANSCO is another 20, not this is I am saying order executed I said I am sorry. We have received orders of Rs.815 Crores from Power Grid during the year and Rs.12 Crores from Rajasthan Vidyut Prasaran Nigam and Bihar are the two major corporations from where we have got the business. The power grid has given us a good amount of business this year, but in coming years we expect more from state utilities. In 2018, we expect states to be stronger as I have always maintained now whereas Power Grid will continue to retain the baseline, because their capex will more or less be similar, but the capex on the substation side will be larger between that is the sense we carry with us. But nevertheless we see more traction in the states like Rajasthan, Madhya Pradesh, Tamil Nadu, Telangana, Andhra Pradesh as well as Jharkand. We see a lot of business happening, so we will definitely be a part of it, like even Jharkand has come out with Triple P projects now worth Rs.2000 Crores. So we see good transmission is a sector to be watched for the next at least three to five years in my view because that is where the value accretion is in power sector now.
- Sandeep Tulsian:** That was very helpful and Sir my second question is regarding the cash utilization, I think we will generate decent amount of cash now including the current sale, so the buyback amount is not very significant, so how do we plan to utilize the balance cash amount that we have?
- P.P. Gupta:** Firstly the cash we have got and tax outgrow of about Rs.35 Crores number one. Number two, we have repaid Rs.40 Crores of debt we had on these NCD in Techno, but otherwise also if you look on our December balance sheet, which is summary of course. We have repaid out short-term loans of almost about Rs.80 Crores.
- Sandeep Tulsian:** What is the current outstanding debt in the consolidated book now?
- P.P. Gupta:** Consolidate book, it will be about Rs.300 Crores and cash in hand also of almost same value.
- Sandeep Tulsian:** What is the next may be four or five...



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- P.P. Gupta:** And secondly let me explain you that Rs.60 Crores buyback is not a small number for the investor community because as promoters we opted to stay out, so Rs.60 Crores virtually becomes equivalent to Rs.150 Crores for the investor community, you just divide it by 0.4, because 60% is for motor holding in the company and investors are 40%. So if you just divide 60 x 0.4, it is equivalent to a reward of Rs.150 Crores as a buyback on a total company basis including promoters. So promoters are staying out, so entire Rs.60 Crores goes to the investing community and it is decent to my mind.
- Sandeep Tulsian:** Do we have like a four or five-year roadmap where we would gradually buyback ex-amount every year?
- P.P. Gupta:** Absolutely, we cannot there is a roadmap but by and large you can expect depending on the laws of the country, if buyback also starts getting taxed like dividend then probably it may not be a very attractive upfront, but as of now yes.
- Sandeep Tulsian:** Okay Sir, that is it from my side. Thank you so much for taking my question.
- Moderator:** Thank you. We will take the next question from the line of Pawan Parekh from HDFC Securities. Please go ahead.
- P.P. Gupta:** Hi Pawan, how are you.
- Pawan Parekh:** I am fine Sir. How are you? Most of the questions have been answered that is one thing this order book of Rs.23 Crores, does that any conclude any L1 orders?
- P.P. Gupta:** No, this is the order in hand.
- Pawan Parekh:** What would be the L1 status then?
- P.P. Gupta:** L1 status has had another about Rs.500 Crores you can take.
- Pawan Parekh:** Okay Sir and can you highlight what is the pipeline line for the kind of projects that we are targeting?
- P.P. Gupta:** Basically the way things are happening in the country, they are very slip and popped between you and me. So as much I may expect anymore else may expect the timelines are often confusing on these issues. The schemes are all announced by the government, they are constantly working on it. If you take my view, I will say PPP projects were Rs.25000 Crores should be in the market in next 12 months at least if not more which are already approved by CEA in some capacity or the other and similarly I see another PPP projects from the various states, no less than Rs.7000 Crores, but more than that I also see because spot buying has become so, so compelling and economical as a power purchase by the states as against PPS, this itself is a strong driver drive to



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create larger transmission capacity in their state and not limited only to what centre the allocation has been historically for those states. So there are multiple factors, which are working now in the country.

**Pawan Parekh:** For just a year timeframe with the order book that we have as of now do you see 15% to 20% kind of growth going ahead in FY2018-2019 as well?

**P.P. Gupta:** I will say if you will mess up the growth over 17 to 20-20, but if you measure quarter-to-quarter or year-to-year at times it may not be. In some year, it may happen to be 30% plus and in another year it maybe say 10% plus. So that is where uncertainty is, but medium-term yes I am very bullish, very fully with you, it maybe more than 25% also.

**Pawan Parekh:** Okay Sir. All the best and that are all from me.

**Moderator:** Thank you. Next question is from the line of Utsav Mehta from Ambit Capital. Please go ahead.

**Utsav Mehta:** Hi. Thanks for taking my question again. Sir just wanted to enquire an update on the Patran receivables whether those have been settled or not with the construction entity?

**P.P. Gupta:** Not yet, let me put it. Because in our country this regulatory issues are often a challenge, lately by the time, we commissioned our status, they had passed a order in case of that, that the very utility which delays the downstream is liable to pay the transmission charges. Now but the software and mechanisms to make these payments happen through the very utilities are not in place. So these utilities are undergoing a learning curve now and the very NLDC as well as Northern Power Committee hopefully by end of this week they will be telling us how they will be able to process the bills in the given software with them. But one thing is very clear as per the last order that payment has to come from the downstream utility, which is Punjab in our case.

**Utsav Mehta:** Sir just for my understanding you are saying that the revenue stream that was supposed to for Patran in terms of the annuity has still not come through?

**P.P. Gupta:** Yes, it has not started coming through, let me put it.

**Utsav Mehta:** So this is getting built up in receivables?

**P.P. Gupta:** Yes, absolutely right.

**Utsav Mehta:** Sir also Patran also had payables through the standalone construction entity as well, which you are delayed to save on the IDC. This was supposed to get settled in December if you recall you have said in the previous call?

**P.P. Gupta:** Yes, they have got settled say the previous week now because so much of disruption and all disruptions to the benefit of Patran at the end; we could raise our loans at sub 8%.





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- Utsav Mehta:** Sub 8%.
- P.P. Gupta:** Yes.
- Utsav Mehta:** Any international loan over there?
- P.P. Gupta:** No, all India, all rupee loans. Today rupee loans are cheaper than international loans.
- Utsav Mehta:** And Sir just to elaborate a bit on the state orders if you could just provide some contours in terms of what is the size that you are seeing of these orders, are the technology heavy in terms of, are they 400 kv plus and which states are you typically seeing more opportunity in terms of multilaterally funded projects?
- P.P. Gupta:** Yes, these are what we are talking in Techno is all 400kv plus number one and they are in the state of strong states with renewable power under green corridor mechanism like Rajasthan, Tamil Nadu, MP, Andhra Pradesh as I said and even Jharkhand let me share with you that all these states are going to be using the capex and to my mind capex in these states, four, five states alone in transmission will be no less than another Rs.25,000 Crores, which is the budget of the very power grid.
- Utsav Mehta:** Just these four or five states?
- P.P. Gupta:** Yes just four or five states absolutely.
- Utsav Mehta:** That does sound impressively high.
- P.P. Gupta:** When our states work, they pour.
- Utsav Mehta:** Sir what is the competitive intensity in these orders, are you see more than four or five participants that you typically see in Power Grid orders?
- P.P. Gupta:** No it is the same four or five or at best six to seven in 400kv and 765kv four to five, just like Power Grid you can take by and large.
- Utsav Mehta:** Any update on the reverse bidding that Power Grid has started a year ago, now that ample amount of time has passed since that process was initiated, any sense on, has it led to very sharp increase in sort of aggressive bidding or have things normalized now?
- P.P. Gupta:** I have always maintained my perspective that it is a retrograde step sometime bidding can be aggressive and stupid also in these issues, but so far I will say that it has been very reasonable among the domestic bidders by and large, but whenever Chinese or Korean entities are involved we find almost a bloodbath in terms of the competition. But in the long run it is definitely not a healthy issue in terms of performers and quality suppliers in the country.



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- Utsav Mehta:** Sir those were my questions. Thank you so much for your time.
- Moderator:** Thank you. We will take the next question from the line of Nitin Arora from Aviva Life. Please go ahead.
- Nitin Arora:** Hi Sir. Good afternoon. Sir you spoke about the capex from the states if you look at the numbers only in FY2016 somewhere since the CA data is about Rs.22,000 Crores this year might be ending around 22, 23,000 Crores only TLT, you stated a number from five states above Rs.25,000 Crores, is it pure of TLT you are talking about or it is more of substations, ideally it cannot be so..
- P.P. Gupta:** No, I am talking of TLT number one and secondly a lot of programs are being compressed in these states as decision-making has been pending for the current year. So they will all roll over to next year now.
- Nitin Arora:** True. How do you see that ratio of PPP versus cash contract in your numbers, in your assumptions?
- P.P. Gupta:** It may be different for different entities. For Techno, we still do not see PPP model output more than 10% in the top line going forward because the very tenure of PPP project is long. It does not kick off in the very year of award, a lot of preparation and ground acquisition, financial closures, many preparatory steps are involved and lines often take longer time than stations, so to optimize the IDC cost, we would like to match the terminal schedule between the two subjects, so by and large you can take our top line out of PPP projects, so far will not be more than 10%, but down two years I definitely see this 10% growing to 20%.
- Nitin Arora:** I was expecting that because next question pertains to that only Sir, I mean that is very well said by you that FY2020 three, four years perspective if you look at states going higher in terms of capex do you also your foray coming to TLT area rather than just taking to substations because if power grid any which ways are generation of our country's, any which way is very, very stagnated at this point and obviously going by that logic your capex is not going to pick up from power grid, but states we have seen some amount of spending already being done in FY2015, 2016, 2017 rather also, do you see yourself getting into the transmission line, not today I am saying, but going forward let us say in the two, three years time when you get more opportunity on a recurring basis from the states and if you can touch base on the balance sheets of the states because we believe that the advances are very much restricted now, given the devolution of funds is not great by the central government to the state side.
- P.P. Gupta:** No we do not see to be a part of transmission line business because we believe it is largely a commodity business and logistic business and does not involve much intelligence and lot more repetitive, but definitely we see some more icebreaking into areas like distribution, unfortunately in our country good things happen, very late like electricity act amendment or renewable energy



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the very act was proposed in 2014, we do not know where it is, similarly renewable energy act is yet to see the light of the day, so we see for power sector to look healthy, sustainable rewarding we need huge reforms in distribution, which cannot be the domain only of the states' utilities. Unless the sector technologically does better like we have done in telecom or achieves the last mile revenue realization no bad chain can operate smoothly and efficiently, so all these challenges are still very much a part of this sector, but no doubt things are happening, managerially they are happening better, but structurally and reliably we are a long way to go I will say, but I think the very situation we are in now as a power sector if you are tracking it constantly that with a generation capacity of 325 megawatt plus and load in this system no more than 160 gigawatt, a lot more exciting things are in the pipeline and around the corner, I will say and they will all be opportunities for Techno to harness, technologically and in a sustainable way. So we would like to keep our resources ready as and when these opportunities unfold.

**Nitin Arora:** Getting your point Sir. Thank you very much.

**Moderator:** Thank you. Next question is from the line of Mr. Amber Singhania. Please go ahead.

**Amber Singhania:** Hi Sir. Just a couple of clarifications, you mentioned L1 is around Rs.500 Crores; this includes this Rs.250 Crores of BOOT project.

**P.P. Gupta:** Yes, obviously because this fall in this quarter, I am only talking in reference to last quarter.

**Amber Singhania:** Okay, so that is there, apart from Sir Patran you mentioned that you have already drawn on that debt and receivables have been come down, so could you just give some number on that, how much debt we have raised in Patran and how much receivable has been come back to parent company?

**P.P. Gupta:** No, now there is no receivable between parent and Patran, it is 0, we were to receive about Rs.110 Crores, and we raised a loan of about Rs.100 Crores in Patran at a rate of only 7.9%.

**Amber Singhania:** Any further debt is yet to be drawn in Patran Sir?

**P.P. Gupta:** Yes, we will convert this loan into a bond issue down a year and that will be long-term post rating, generally the rating agencies look for a payment background of about six months, which we should achieve by June, July, and by December we are hopeful of completing our bond issue of Rs.150 Crores in Patran.

**Amber Singhania:** So Patran will have total Rs.260 Crores of debt in that case.

**P.P. Gupta:** Rs.150 Crores.

**Amber Singhania:** 150 bonds are who and 110 we have already drawn?



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- P.P. Gupta:** To be paid out, it goes out.
- Amber Singhanian:** Secondly Sir, last time you mentioned that the subsidiary Simran has a MAT credit and we will be reverse merging the company to avail that MAT credit into the parent company, any status on that and timeline you can share on that?
- P.P. Gupta:** Yes the Zero date for the merger is fixed at 1<sup>st</sup> April 2017 between the two companies and we hope to complete it by December or January 2018, December 2017 or January 2018 within the same arrear year.
- Amber Singhanian:** So FY2018 will continue to be under MAT on a consol basis and just in this Q3 and Q4, we will be higher tax outgo as we are seeing now?
- P.P. Gupta:** Yes absolutely Q4 will be seeing a higher tax outgo, but next year it will be one entity payment.
- Amber Singhanian:** How much MAT credit is lying there Sir?
- P.P. Gupta:** About Rs.30 Crores.
- Amber Singhanian:** Rs.30 Crores plus we will be generating every year...
- P.P. Gupta:** Right, but that will be good enough to take care of Techno's full tax liability, so it means the whole entity will remain under MAT for the next two, three years.
- Amber Singhanian:** Sir the consolidated debt, which you mentioned about Rs.300 Crores, is this after the repayment of Rs.60 Crores odd, which we do for wind every year or is it before that, that annual repayment, which we do for wind debt?
- P.P. Gupta:** Yes that is 300 is as of I am talking March 2017, both long-term, short-term as you may classify, the total debt in short-term, long-term Techno, Simran, all put together, whether working capital or wind assets or anything is no more than 300 Crores.
- Amber Singhanian:** And the cash will be also around Rs.300 Crores.
- P.P. Gupta:** Absolutely.
- Amber Singhanian:** Including the proceeds of the wind sale.
- P.P. Gupta:** Absolutely.
- Amber Singhanian:** One more thing Sir last time you mentioned that with High Court order about the tariff revision and the arrear payment there was roughly to the tune of around Rs.30 Crores of arrear, which we



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should be getting from the states, has that come or what is the status on that and will that flow through P&L will that straightly come to the balance sheet as such?

**P.P. Gupta:** Yes, we have not yet got the money because there is virtually no Government for last two months in Tamil Nadu post Jayalalitha's death you all know. So nothing is working out, we are hopeful that the stability may happen in this month and we should have everything in place by March. Obviously that will be adding to the top line, but it may spillover to next year, as it seems.

**Amber Singhania:** So it will route via the P&L only Sir.

**P.P. Gupta:** Yes, absolutely because that is not a part of the book as of now.

**Amber Singhania:** And that is roughly Rs.30 odd Crores Sir?

**P.P. Gupta:** Yes, Rs.30 odd Crores absolutely, 30, it maybe 40 now by end of this year, another Rs.10 Crore will get added for the current year.

**Amber Singhania:** So FY2018 we may see that money coming as such?

**P.P. Gupta:** Correct.

**Amber Singhania:** One more thing Sir as you mentioned about in a three-year block we can safely take around 25% CAGR growth on the top line, which is very right way to look into the sectors when we have a long restriction projects, but at the same time Sir, last time you mentioned FY2018 guidance also at around 25% growth, so are we tapering down instead of a year growth, two, three year block now or there any change in stance on that part?

**P.P. Gupta:** Amber you yourself are saying that is a right way to look on this sector, then you want to put words in my mouth Sir. Let us all hope for the best.

**Amber Singhania:** Fine, Sir just one more thing on the new area where I believe we are entering, which is FGD side, if you can throw some light as in like because that will be a new area for us compared to what we have been doing on the substation side, how do we see ourself there, what kind of competition is there in terms of players and also the client because I believe there are a lot of private clients will also be there, so margin profile, how do we see that particular space as a whole and how we see Techno playing a role in that?

**P.P. Gupta:** You see Techno basically is a electromechanical entity and we started in 1980 as a mechanical company and became electrical only post 1988 and it was all because of the encouragement of the very NTPC that Gupta Ji do something in electrical when they gave us first breakthrough for Switchyard Package in Cannanore, I can still remember distinctly, the Chairman was very happy to call us and say you do this package for us because there are few entities with us now. So that is



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how Techno has started, so we have huge experience in mechanical packages. EPC packages in mechanical auxiliaries I mean to say and we have been constantly doing the projects of the nature of FGD, but not packaged as FGD as a technology solution but the contents involved per se like structural fabrications, piping or integrations and operations through PLC mechanisms, they have all been done by Techno and even this year, we have executed a package of almost about Rs.125 Crores for Mitsubishi Chemical at Haldia, which is very similar in terms of the looks as well as contents and the major equipment came from Thermax there in terms of the boilers and we did the complete BOP successfully. So if you visit our website, you may some find photographs and all that. So FGD is not a new subject to the Techno that we share with you, in terms of the ability to do the projects, but definitely like we are doing now GIS or we are doing Stedcoms, so technology component has to come from a partner integrally, so that we make his solution perform, so we have a strong partner with us. As regards competition, I am not able to comment as of now because not many tenders have happened nor open, but I do not think there will be many players either between you and me, no more than 5, 6 to start with as we foresee.

**Amber Singhaniania:** Okay and in our current order book in L1 there are no FGD orders as of now?

**P.P. Gupta:** No, nothing.

**Amber Singhaniania:** Sir just last question, in solar side there were a lot of hopes earlier, which is now not panning out because of the macro situation, various bureaucratic issues and other things on that part, what is your take on solar side now, how things are looking and what is our strategy going forward.

**P.P. Gupta:** Sir I do not want to be blunter than I have often been. This country only talks big but we have not learned to do the business of renewable power. If all had gone good, why Techno should be selling wind power and all your community be rewarding me for selling it more than building it, so the challenge is that as a investor it is a very stupid business and it is not sustainable in the present model between you and me, but as a EPC it is good like NTPC now you can see all projects they have tendered in last one year stands correct now. I am sorry I should not have said it because it is a confidential information, otherwise not in public domain. So please do not record anywhere.

**Amber Singhaniania:** Fine Sir. That is all from my side. Janice, Is there any...

**Moderator:** Well there are no further questions over to you Mr. Amber.

**Amber Singhaniania:** Thank you everyone. On behalf of Asian Market, I thank everyone for joining this call and special thanks to the management for taking out time and sharing their views about the company's performance and the industry outlook. That is all from my side. Sir would you like to add any closing comment.



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**P.P. Gupta:**

Yes I would like to thank everybody who joined us today the conference call. In case you have any query related to our business, industry, performance, please drop a mail to us and whenever you happen to be in Kolkata because definitely we are not in the best of the place like Bombay or Delhi where most of you are located. You are welcome to visit us, our office, our way of doing things, you will be our esteemed guest, I promise you, each one of you, so with that I would like to close the conference and I once again thank everybody for joining here and very happy 2017.

**Moderator:**

Thank you. Ladies and gentlemen on behalf of Asian Market Securities that concludes this conference. Thank you for joining us, you may now disconnect your lines.