



“Techno Electric Engineering Limited Q3 FY19
Earnings Conference Call”

February 11, 2019



**MANAGEMENT: MR. P. P. GUPTA - CHAIRMAN AND MANAGING
DIRECTOR, TECHNO ELECTRIC & ENGINEERING
COMPANY LIMITED
MR. ANKIT SARAIYA - DIRECTOR, TECHNO ELECTRIC
& ENGINEERING COMPANY LIMITED**

MODERATOR: MR. AMBER SINGHANIA - ASIAN MARKET SECURITIES



*Techno Electric Engineering Limited
February 11, 2019*

Moderator: Good day, ladies and gentlemen and a very warm welcome to the Techno Electric Engineering Limited Q3 FY19 Earnings Conference Call hosted by Asian Market Securities Limited. As a reminder, all participant lines will be in the listen-only mode. 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 now hand the conference over to Mr. Amber Singhania from Asian Market Securities. Thank you and over to you, sir!

Amber Singhania: Thank you Ali. Good afternoon everyone. On behalf of Asian Markets, I welcome you all to the Q3 FY19 earning 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: Very good afternoon and I welcome everyone to discuss our financial results for the quarter ended 31st December, 2018. 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 risks that the industry or our company faces. As we informed earlier that current year is a year of consolidation and our focus has been to strengthen the balance sheet and our operations by collecting as much retention money, closing of contracts, outstanding pending obligations and the repayment of suppliers and debts, etc. on our books. We would like to inform you that we have successfully completed the process of amalgamation of erstwhile Techno with its wholly owned subsidiary Simran Wind Projects Limited. This merger is effective from 1st April 2017. Consequent to amalgamation of Techno Electric with its wholly own subsidiary Simran Wind Projects Limited, now the company has a larger balance sheet size which enhances our qualification criteria as well as our reach to take large value contracts with stronger balancesheet. The balance sheet of March 18 is already available with all of you. Pursuant to the implementation of the amalgamation scheme as notified, the shares were delisted on 4th December 2018.

Let me quickly highlight our performance for the 9 months ending December 2018, that is financial year 2018-2019. Revenue stands at Rs. 801 crores. Revenue from EPC is 707 crores compared to 845 crores last year. Revenue for the company use to be booked inclusive of taxes in the pre GST regime which now gets booked net-off GST. Due to this the 9 months revenue are impacted to that extent and are not comparable. Revenue from Wind segment is at 93.91 crores compared to 122 crores last year. Revenue from Wind segment has been lower because of following reasons. During the last year due to the regulatory relief which we got applicable since year 2013-2014, the revenue bills were raised pertaining to last 3-4 years and the impact of this is around Rs. 12.5 crores. The GBI benefit which we are eligible is now getting exhausted and it is over for 72 megawatt this year. Thus the revenue got impacted by around 5.5 crores or



GBI account only compared to last year. Generally, the bid was lower by 10% during the year and also there was a failure of transformer and one of our stations namely of 50 MPA and the loss of generation has been on both these accounts is about 25 million units. The financial impact of those can be about 10 crores.

EBITDA for the company stands at 215.62 crores compared to 250 crores last year. EBITDA was impacted primarily due to the Wind segment, under performance as already highlighted. Operating profit for the EPC segment has been more or less maintained comparable to last year we stands at 132 crores compared to 138 crores by last year. Operating profit margin in EPC segment stands at 18.66% compare to 16.39% year-on-year. Operating profit for mid segment has dropped to 83.69 crores compared to 113 crores last year. The other income has significantly grown up to 37 crores compared to 25 crores over the last year. Our interest payments are down by almost 50% and is at 9.48 crores as most of the debt was repaid last year. Profit before tax for the 9 months stands at Rs. 212 crores compared to 226 crores last year despite PPT being lower the tax out go for the period is higher by around 17% primarily because of the lower tax free income due to wind business and also higher taxes of the other income being the new tax rules enforcing last year's budget on capital gains at dividends. Profit after tax stands at Rs. 115 crores, EPS is at 13.89 crores.

Coming specifically to the Q3 that is Q3 of year 2018-2019 the revenue is at 269 crores, the revenue from EPC business is at 259.82 crores compared to 275 crores last year. Revenue from Wind segment is at 10 crores compared to 26 crores last year. REC prices continue to raise that is a new Silverline for the wind business due to robust demand and limited availability. The RECs were traded at a price of Rs. 1,500 that is 50% above the floor price in the last month. In view of the limited supply we are confident that due to limited supply the realization from REC shall be better than last years. This has helped us to mitigate some of the losses of revenue from the wind power segment. EBITDA for the company stands at Rs. 48.32 crores in this quarter, operating profit for EPC segment is at 42.5 crores compared to 50 crores last year. Operating profit margin for the EPC segment is at 16.3% compared to 18% last year. Other income is at 13.97 crores compared to 1.73 crores last year. Our interest burden is only 1.38 crores as most of the debts are repaid. The profit before tax is at 51 crores compared to 61 crores last year. Profit after tax is at 31 crores nearly this quarter. EPS is at 2.72. Our total debt in our books is at 55 crores. The current cash and cash equivalents is at 500 crores plus.

Coming to the outlook of the business and the markets is, say the markets have started looking up and is changing towards positivity with very passing day. During this quarter we could book new orders worth Rs. 310 crores which is highest during this year and the unexecuted order book as on date is at 1,800 crores. In the meantime, the most promising development I am sharing with all of you now the pending transmission business give me productivity to the shaky bidders was spending for execution either by mandating to PGCIL as expected earlier or through TBC routes which now stands finalized during last week. The total scope is about 25,000 crores as



*Techno Electric Engineering Limited
February 11, 2019*

informed earlier. Out of this there is a clarity on 12,000 crores now. The 3,000 crores has been allocated to PGCIL at 9,000 crores what scope is under TBCB mode in 9 packages. The RFQ for the above package is closes own 18th February 2019. The balance for though approved by CAMO will be taken up as and when RE generator is seeking productivity of the same on readiness. This is an extremely exciting development for us as this involves setting up of our 6 numbers Greenfield substations of 5 gigawatt plus minus each at 765 kV level AIS mode in which your company is the front runners and as a market share of exceeding 50%. Simultaneously, we are also qualified to be part of TBCB bidding process and hopeful of winning 1 or 2 projects out of these 9 projects either in association with Kalpataru powers.

In the mean time we have invested good efforts and we are keeping you update it from time to time regarding overseas markets and other diversifications we pursued in the company. Our business of Kenya and Afghanistan is on track and we are hopeful of completing both these efforts by March end latest. We are qualified by yet, we are further pleased to share with you that now we stand qualified by NTPC for FGD business in DVC packages which are high win numbers and close to Kolkata. So, we are hopeful of wining seeing a breakthrough at least in one of the projects if not in 2. The central government is simultaneously as getting you must be reading in media is putting its best effort to discipline the power sectors in terms of its performance, capacity utilization, payment mechanism to generators, etc. A high-level committee has been constituted comprising of government officials and stake holders in the sector and the Chairmanship of CA. I will only say that the regulatory paralysis in this sector is all time low and only good can happen in the coming time. Going forward we would continue to concentrate on our EPC and PPP business as our core strength and forte. The board has announced the buyback of under 10 crores of shares at a price of 410 in which promoters will not participate. The process of buyback is underway and we are awaiting SEBI approvals shortly.

With this, I now request the floor to take over and available for any further clarifications or insight.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Karanjeet Shivram from ICICI securities. Please go ahead.

Renjith: I am Renjith, this side. So, if you can give some more color in terms of our order intake and revenue guidance for this year and if possible, can throw some clarity next year also?

P. P. Gupta: Sir, I say that the gloom is out. So, what we were expecting to happen in 2021 will now is substantial part will happen in 2019-2020 also. At least, we expect a growth of no less than 25% next year 2019-2020. This year we more or less like last year except for some impact of the accounting due to taxation impact which we are always highlighted that previous year numbers are not comparable with tax and without tax. But I will only say that suddenly we are lot of life is back in T&D segment particularly at the high-end. Earlier it looked as if only last mile work



is being focused by the government but to provide renewable powers evacuation the 765 kV networks now plant in Rajasthan and Gujarat is a huge opportunity to your company.

Renjith: And this 25,000 crores opportunity you told is, who will be ordering this? Will it be PGCIL or so how will that work, if you can throw some more light on that?

P. P. Gupta: Sir, out of this 12,000 crores is decided which 3,000 crores goes to Power Grid, which has a scope of about 1,000 crores of substations and another 2,000 crores of lines. The substation tenders are already announced yesterday by Power Grid in which obviously we hope to, these are all in Rajasthan, which is our strong forte. At least 80% of the stations in Rajasthan are done by Techno whether for RRVPNL or for PGCIL. In last 3 years we did Ajmer, Chittorgarh, Bikaner and for Rajasthan we did Jodhpur, Jaisalmer, Ramgarh, our presence is huge in that state that is all I can say. So, let us see how much we win but the interesting part is that due to delay in finalization of this approval the schedule in which the stations are to build is going to be a global short fall. The period given is only 15 months whereas, historically they have all being done in 3 to 4 years. So, that is a huge demand on the industry now to perform because the any such program carries huge penalty for the developer otherwise. They had deny the revenue and if it is delayed more than 60 days it has a multiple penalty additionally to. Simultaneously in TBCB also there are at least 4 Greenfield stations and expansion in all of them by 2 base, 4 base. So, we will be participating in all the packages along with Kalpataru and we are hopeful to win at least 2 good sessions through TBCB route also, additionally. So, both the business is of TBCB as well as EPC will be strongly visible in 2019-2020 to be executed through very vigorous space all time experience has to be deployed and your company is well experienced to deliver this station despite extremely challenging schedule I would say. So, let us hope for the best that is what I would say.

Renjith: So, the remaining 9,000 crores will be done through TBCB?

P. P. Gupta: Yes, absolutely 9 packages.

Renjith: There will be a 9 packages of TBCB worth 1,000 crores each and so there again we will be having a chance to participate as an EPC contractor for substations.

P. P. Gupta: EPC also and as a developer also, sir. We generally ...

Renjith: Yes, we will do, we will bid for developer along with Kalpataru but is that 15 months' time line for the TBCB portion also?

P. P. Gupta: Absolutely same time, right sir.

Renjith: So, then the bidding will not be that aggressive.



- P. P. Gupta:** Hopefully, yes. If people are sensible they should know their ability before bidding, I will say.
- Renjith:** And the remaining you have told total 25,000, so remaining 12,000 to 13,000 will be bid out after this.
- P. P. Gupta:** After 3 months you can say as and when generators nearly gets ready and seeks connectivity the more projects will get announced in TBCB immediately. So, all these projects had to be completed by Power Grid by September 2020 and by TBCB mode ranging from June 20 to December 20.
- Renjith:** So, this is a very recent development or what?
- P. P. Gupta:** Only a week back development, sir. Only 10 days back development.
- Renjith:** And apart from this anything else which is worth mentioning which can add up to our Q4 FY19 order intake?
- P. P. Gupta:** Sir, states are getting active like we could get 300 crores from MP or Bihar and renewable power people like SsangYong, Gamesa, Suzlon. So, things are getting quite activated although focus will be more visible post-election only at the moment. But I am sure this having got the renewable and power generation in place transmission networks are still a long way to go and they are the need in giving, making power these to every and any corner of India. So, good opportunities are coming up, sir.
- Renjith:** So, can we assume around 500 crores of order intake in Q4 assuming all these comes in or will it be largely Q1?
- P. P. Gupta:** Sir, it may be Q4/Q1 putting but why 500, you can put 1,000 crores by Q4 by Q1 that will be a better way to look on it.
- Renjith:** And for next year what kind of order intake in totality can we look at?
- P. P. Gupta:** We are definitely hopeful of 2,000 crores to 2,500 crores more as I said earlier 2021 will be the peak year of performance for us which is now truly seems to be happening by both conventional business and diversifications. Converging to weathers, through the foreign markets, FGD, these transmission links as well as last mile connectivity of the various projects we are doing. So, I think we are on track now, but we have been suggesting to our stake holders this is now nearly a reality, I would say.
- Renjith:** And regarding, lastly regarding this FGD, NTPC the second lot, what is the situation there? When are you expecting that orders and are we qualified in the second lot or we are yet to get, there is a second lot which is in tendered out of NTPC?



- P. P. Gupta:** Yes, we did not participate in second lot of NTPC, sir. But we may participate in lot 3 which is already out. But we are preferred to work around Calcutta with DVC in which NTPC is an approving authority and consultant. The processed employed is same, these are 5 projects of 1,000 to 1,500 megawatt each. So, that is more exciting to us, customer being Calcutta based and consultant and process of NTPC in place. So, we like to start with something of a nature of 400-500 crores doing successfully and then build on it.
- Renjith:** Do not you see any payment issues from DVC because they themselves are in a very bad financial position?
- P. P. Gupta:** No, this MGT money is being a pollution requirement as a statutory has been separately created in account by them. And they are assuring letter of credit as a payment of, mode of payment like NTPC because terms of NTPC are being used by them more or less.
- Moderator:** Thank you. The next question is from the line of Harsesh Kampani from JM Financial. Please go ahead.
- Harsesh Kampani:** My first question is pertaining to the Kenya order, if you could throw some light on that?
- P. P. Gupta:** Yes, it is in the final leg of approval with EXIM bank now. Preliminary approvals we have got the final, the detailed management approval is awaited, which is linked to their committee date any time, which we hope should be over by March and then a final agreement between the EXIM bank and treasury there. So, we are hopeful that after they acquire the land thereafter in 2-3 months we should be on ground by July onwards. The agreement is already in place as soon as the equipment is concerned.
- Harsesh Kampani:** And also on Afghanistan, are we likely to book any more orders from there? I think we already booked.
- P. P. Gupta:** Yes, the existing order itself is getting double now. And the single line order which they have making it double line and amendment should happen by next month end. So, this will become a \$40 million order to us now. And additionally, also we will be bidding for more tenders there
- Harsesh Kampani:** What would be the approximate size of the additional tenders, you are bidding for?
- P. P. Gupta:** At least you can take about \$100 million.
- Harsesh Kampani:** And my last question was generally, what is the typical order size in the third lot of the NTPC orders pertaining to FGDs?
- P. P. Gupta:** Gives you very big, sir. It is actually 1,000 crores each because no lot is less than 2,000 megawatt, 2 gigawatt each.



- Harsesh Kampani:** And how many are there, sir?
- P. P. Gupta:** There are 3, I have told, lot 3. 5 packages, sir, sorry. There are 5 packages of 2,000 megawatt plus each.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Sir, at present what is our order book? I mean, how many time we execute it?
- P. P. Gupta:** Sir, it is presently at 1,800 crores as unexecuted and our topline is around 1,100 crores. So, you can say about 1.5 years which is all time low at the moment. And by the end of the year or first quarter next year we will be back to 2-year status and maybe by next year end it will be again back to 3 years.
- Ravi Naredi:** And sir, what is the purpose of restructuring this company, subsidiary margin with this holding company?
- P. P. Gupta:** You see, purposes are multiple sir. Firstly, to create a stronger balance sheet, so that we can eligible to bid for large value orders and can also take more commercial lease. Number two, to enhance our commercial qualification in TBCB packages and of course, number three it is tax efficient. Because subsidiary business is mostly tax free and EPC business is fully taxed. So, now we are under one roof.
- Moderator:** Thank you. The next question is from the line of Venkat Subramanian from Organic Capital. Please go ahead.
- Venkat Subramanian:** One of our main purposes of diversification was because of anemic order inflows that were there previously. Now, in the context of last week's opportunity where we now are restoring at fairly large order books. Are we now spreading also it is little in terms of management bandwidth?
- P. P. Gupta:** Definitely not, Venkat. The purpose was to grow up, develop the size of the company by at least 2021 or 2022 as we have been talking which we were struggling to improve on the existing status itself in terms of the topline. So, we are well prepared for this growth and I have been building on it. So, the biggest advantage is that the growth is coming through multiple diversifications there by distributing the risk because these are handled by different groups in the company with different capabilities and backgrounds. So, we are those capabilities who was little underutilize lately being finding growth in one particular segment. So, now it is first time when we are finding growth in all these segments now happening, which I have been sharing in probably that seems 2021 will be the peak year which truly seems to be close by now as it reached.



Venkat Subramanian: Secondly sir, your views on bureaucratic delays in implementing Electricity Act are well known. Last week development you think we are a little closer of that getting implemented or you think they are in 2 different packages altogether?

P. P. Gupta: I think, we are getting closer to my mind. Everybody is getting little more desperate to catch up with them. Like you can see on shaky connectivity, in our country we get out to do, first we delay things abnormally and then we want to achieve impossible into possible. Like building a 765 kV stations worldwide, nowhere is done in less than 3 years, sir. But now the very regulator says you achieve in 6 months. So, that is how India is always where either it pours or it is a drought.

Venkat Subramanian: So, in the current context you think the shorter execution cycle do you think can be a very profitable opportunity for us, sir? Because it will, then may then may not be that kind of competitive bidding?

P. P. Gupta: Hopefully yes. Few people should come forward not only competition is low but even your times productivity gains are higher also in compression of the schedule of a project. Though, our all EPC profits are productivity based. So, let us hope for the best, sir seems we are heading again Achhe Din Aa Rahe Hai after long time.

Venkat Subramanian: On wind power, on our profitability that took a blip. When do you think it will go on mend and where do you think we can get?

P. P. Gupta: No, it should be alright next year, sir. Basically, it is a bit of a cyclical business plus minus 10%. So, last year wind was lower by 10%, additionally we were infected by failure of a transformer which we are taking steps in advance by installing a new transformer, that site. Although these roles need to be performed by the utility, they collect maintenance O&M charges from us. But no utility is accountable for this discipline that is the beauty in this country. So, we are learning burnt from last year experience. Now, we have taken on ourselves to take care of our interest not bothering utility anymore. So, I am sure next year will be okay, sir. There will not challenge, great challenge but yes revenue will definitely maybe a bit lower because of GBI is off the table as we have more or less exhausted. It was a defined benefit of 62.5 crores lakhs per megawatts, sir are the capacity installed. So, we are more or less got the entire money in last 5 years. So, that benefit will not be there but if REC markets remains strong like this year's more or less it will be made up for us. So, something good something bad but nevertheless we are holding only interest free assets. So, we have no costs. That is also a plus. So, overall bottomline will not be impacted even if topline may see some variation here and there by 5%-10%.

Venkat Subramanian: And lastly since some part of the benefits have exhausted. Would you put that asset back on the block? Could you consider not having that with you? Or is still are comfort with IRR that comes from there?



P. P. Gupta: No, we will now be keen to exit. As usual and I must although I do not know I can share with you even Kalpataru we have 2 more transmission assets where we are partners with Kalpataru. We have agreed to exit those asset also 2 perspective buyers. So, that may again doing a lot of capital gain to the company.

Moderator: Thank you. The next question is from the line of Vinod Chari from Dolat Capital. Please go ahead.

Vinod Chari: My question pertains to FGD. You just mentioned that in the third lot, you are looking at 2 gigawatts is a project side of 1,000 crores each. So, which kind of indicators are 50 lakhs per megawatt kind of an FGD pricing? In the past you used to mention FGD pricing is 20 lakh to 25 lakhs per megawatts. So, has the pricing improved or has the scope of work expanded from lot 1 to lot 3?

P. P. Gupta: No, I think these prices vary depending on the scope of job basically. If the whole and also it depends on the size of the unit itself. If unit is of 800 megawatts, 660 megawatt and with the complete scope the per megawatt cost maybe around 40 lakhs plus minus. But if you go to a smaller capacity units like 150 megawatt or 120 megawatt the cost maybe as high as 65 lakh to 70 lakhs for the same scope. But sometime the scope is lifted only to the treatment component of the plant then it may be 25 lakhs plus minus. But if material handling and other related scopes are kept with it then it is ranging from 40 lakhs to maybe 60 lakhs-65 lakhs depending on unit size.

Vinod Chari: So, does not mean that NTPC use to unbundle these projects a lot more in the first lot as compared to what they are doing now?

P. P. Gupta: Yes, they are unbundling now also. But in this lot 3, they have not. They are going with a full scope.

Vinod Chari: And lot 2, what kind of pricing do you expect?

P. P. Gupta: I have no idea, sir. We have not participated in that.

Moderator: Thank you. The next question is from the line of Surbhi Bomb Surbhi Bomb from Ambit Capital. Please go ahead.

Surbhi Bomb: Sir, can you just throw some light on the GBI benefit that has now been exhausted which has affected the wind revenues and profitability?

P. P. Gupta: Yes, you see it is a benefit which government extended in 2011-2012 in lieu of the tax breaks, income tax breaks. And it is used to be 50 paisa per unit limited to 62.5 lakh per megawatt of the capacity installed. So once, you have say, billed around, I do not know about how many



million units it may become on 50 paisa basis. Then there is no more eligibility to claim from the same machine even if it is still producing powers. So, generally depending on the pocket and plant load factor you are able to achieve in practice accordingly it may last from 4 to 7 years by enlarge in the industry. And since we were in a wind reach pockets, in our case it has happened in 5 to 5.5 years. So, we will be through by maximum September 2019 onward our eligibility will be zero. The last 5 crores-7 crores which we are more to get will be over by September 2019.

Surbhi Bomb: And sir my second question would be that what would be your EPC margin guidance for the next year?

P. P. Gupta: Yes, it will be same. Techno generates the operating margin of around 15% by enlarge. So, we will continue to maintain that. That because we believe below that threshold level it is not advisable to be in the business.

Moderator: Thank you. The next question is from the line of Ranjeet Shivaram from ICICI Securities. Please go ahead.

Ranjeet Shivaram: Just wanted to get some clarity like because now your order intake will be good and next year you are seeing such kind of growth. Will there be any additions in your employees or any CAPEX related to that?

P. P. Gupta: Sir, we are the asset light company as far as EPC is concerned. But definitely there will be addition of employees. Every year we add about 40-50 diplomas and few about 10 degree holders at the field level which we do not do for last one year. It will again restart the process obviously. The growth of manpower will definitely happen. At the moment we are at around 450 levels. We should see a growth to 650 levels in next 2 years.

Ranjeet Shivaram: And any major CAPEX which will be required or it is, is not ...

P. P. Gupta: No CAPEX as far as EPC business in concerned. It is very marginal mainly on IT processes and communications. Construction equipment we generally prefer to hire out because it is generally light construction as a way of light. But definitely there will be investment in TBCB projects if we happened to win one or two of them. That invest may be around 200 crores-250 crores.

Ranjeet Shivaram: And will there be any STATCOM GIS related packages in this or it will be largely the normal packages?

P. P. Gupta: These are all AIS packages. In 765 kV the country is not practicing GIS anymore.

Ranjeet Shivaram: But this comes under that green energy corridor opportunity?



- P. P. Gupta:** Absolutely. It is a green energy corridor and it is for connectivity of wind energy also.
- Moderator:** Thank you. The next question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.
- Ravi Swaminathan:** Would like to know the 9 months order inflow, sir, for this year?
- P. P. Gupta:** It is around 700 crores, sir with mainly last quarter where we got 300 crores, so far.
- Ravi Swaminathan:** And all of them were substation related orders or ...
- P. P. Gupta:** Yes, substation, amendment to the adjusting orders or distribution packages all kind of works.
- Ravi Swaminathan:** And 2,000 crores number which you mentioned, was it related to next year's revenues or order inflow or both?
- P. P. Gupta:** Order inflow, sir. The revenue will grow by 25%-30% as I said. Next year we may be crossing 1,500 crores for 2019-2020. But 2021 will be 2,000 plus.
- Ravi Swaminathan:** Revenue?
- P. P. Gupta:** Yes, revenue also and order also. So, order backlog will be 3,000 plus.
- Ravi Swaminathan:** And this order inflow would 2,000 crores of order inflow for next year that you had mentioned will it also include FGD orders or ...
- P. P. Gupta:** Yes, it will through the FGD overseas orders, as well as business from TBCB and EPC route.
- Ravi Swaminathan:** But sir, one thing is so basically FGD is very hard-fought competition is there. So, will we make the same 15% margins that we make in substation EPC and FGD also and including the overseas orders also? How is it?
- P. P. Gupta:** Overseas is always more rewarding around but FGD is definitely more competitive. We need to experience a contract to be specific on that point. But definitely we like to do our best and better than the industry that I can assure you.
- Ravi Swaminathan:** And how much is the Cash position now, currently?
- P. P. Gupta:** It is 500 crores plus, sir.
- Ravi Swaminathan:** And the sale of balance 129 megawatts of wind assets, any clarity on that? Is there any timeline?



P. P. Gupta: There is no timeline, sir because so far it produces a bottomline of 60 crores plus which is tax free in addition to generating a cash of 100 crores every year. So, it is a fairly rewarding asset to us but now with the TBCB opportunities coming back on the table we will be serious to exit it next year.

Ravi Swaminathan: And sir, regarding this technical tie-up which you had mentioned say about 6 months or 9 months ago it is an overseas investor, etc. is it on cards still? Or is it like with the market improving, so basically, we would revisit that?

P. P. Gupta: No, we are keen to have a partner or a strategic investor in the company. And we are still looking for it that is for a long-term purpose not for a year or 2. We will like that some Japanese company or some similar company with valid joints us who can give us technology in a more sustainable way than case-to-case basis.

Ravi Swaminathan: But will it be for the same transmission industry or is it like, is it for some other product, some other line like FGD or something of that sought.

P. P. Gupta: No, in power only. You see, transmission is improving now. Transmission is no more like what it used to be 10 years back. We are all moving towards power electronics now, sir. As a vary way of like as an industry. So, in future more and more things will be digital, on power electronics, remote controlled remote metered. So, everything world will start with smart. World is getting smart, sir. So, we cannot be un-smart to stay in this smart world.

Ravi Swaminathan: So, it is more like automation and scalar system such kind of ...

P. P. Gupta: Not only that sir even every equipment will be coming diligent which are used in this divisions. There will be no more electro mechanical equipment or rotating equipment. There will be lot more intelligent equipment's whose performance you can source from the remote do lot of preventive maintenance, create a man less stations. So, we are all moving towards betterment now, sir. Very little or low nearly zero maintenance requirements and man less operations, install a station and lock it. So, lot of improvements are happening and world is moving towards that. So, we have to stay time relevant to continue to reward our investors.

Ravi Swaminathan: And is it like we are in talking stage with them or with prospective investors? Or is it like we are in advance stage?

P. P. Gupta: No, we are in talking stage only at the moment.

Moderator: Thank you. The next question is from the line of Nikhil Jain, an individual investor. Please go ahead.

Nikhil Jain: I have one question related to the buyback, sir. So, any timelines on the same, sir?



- P. P. Gupta:** I think, it should be, basically some confusion happened with L&T buyback proposal which was running ahead of us. The guideline was earlier on a standalone accounts which became consolidated in L&T case first time as a SEBI approval. So, they have asked us to submit consolidated accounts which we have submitted them already. I think, either our buyback will be completed within March or at best in the first half of April maximum.
- Nikhil Jain:** And sir, do we have a dividend policy design for the company?
- P. P. Gupta:** Yes, we do have a policy on dividend, but we do consider buyback is another way of giving dividend which is more tax-free expedient reward to the investors. Because dividend has become very costly in tax terms EPS based tax, company base tax, government has created lot of complications. So, buyback is a more tax sufficient to my mind.
- Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.
- Amber Singhania:** Just couple of questions from my side on book keeping question. One is, if you can give us the breakup of order book, 1,800 crores order book is breaking into which segments as such or client?
- P. P. Gupta:** Yes, generation is about 65 crores, transmission is 1,400 crores and distribution is 350 crores.
- Amber Singhania:** How much is PGCIL, sir?
- P. P. Gupta:** PGCIL is about 500 crores now.
- Amber Singhania:** And NTPC?
- P. P. Gupta:** NTPC 65 crores, generation is all NTPC, sir.
- Amber Singhania:** Sir, secondly just an update on where exactly is our Kohima project moving how much is completed? How much EPC we have booked and what are the timelines on that?
- P. P. Gupta:** Sir, firstly no revenue is booked, number one. Site is acquired it is under leveling, dressing and earthing work has started at site. So, we should be ready with the buildings by April and the project is on track and on schedule. We have to commission this project by May 2020.
- Amber Singhania:** So, actually sir more than 200 crores of revenue will come from Kohima in FY20?
- P. P. Gupta:** Yes, 250 crores will come, sir.
- Amber Singhania:** And we are open to monetize this asset also, no?



- P. P. Gupta:** Yes, at this Kalpataru is on board who owns the majority.
- Amber Singhanian:** Secondly, just a clarification on the order inflows, sir. Sir, you mentioned 700 crores of order inflow for 9 months what I understand is till first half we had roughly around 200 crores of inflow and 2-3 we have got 300 crores. So, just wanted to reconcile that number on that part?
- P. P. Gupta:** No, some amendments have come to the existing orders which are fairly substantial. And that is another about 250 crores which we do not mention, we always talk about new orders. So, if you all put together the additional scope is around 700 crores what we talked to you, with 300 in this quarters.
- Amber Singhanian:** Secondly sir, this Damodar Valley project of FGD, we have already submitted tender, I believe. What are the timeline we have for this opening of the tender on this account?
- P. P. Gupta:** Sir, we have promised by the client is looking to finalize by March end. And we will also keen to disburse advance before that as per their internal guideline and they seems to be on track, sir so far.
- Amber Singhanian:** Sir, but do you think there will be any impact of code of conduct coming in February end on this kind of projects, election code of conduct?
- P. P. Gupta:** Generally not, sir because these are business in routine for these companies. So, it is to my mind nothing new but you never know it is very customer specific. We have not experience in the past with NTPC or Power Grid this impact of code of conduct in earlier elections also. But I cannot give you a last word on it.
- Moderator:** Thank you. As there are no further questions in queue, I now hand the conference over to Mr. Amber Singhanian for closing comments.
- Amber Singhanian:** Thank you, Ali. 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 comments.
- P. P. Gupta:** I would like to convey very special thanks to all of you, who have whole heartedly who have prime time to join the call and also participated whole heartedly. In case you still have any query related to our performance or any of our activities please drop a mail to us. And we also like to assure that if you happened to be this side of the city of the country please do drop in our office to have a view as to how we carry out ourselves. And with this I will like to close the conference and I thank once again everybody for joining.



Techno Electric Engineering Limited
February 11, 2019

Moderator:

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