

Techno Electric | BUY

Strong pipeline for Smart meter and Transmission segment

Techno Electric (TEEC) reported a healthy quarterly performance, with consol. revenue growing at 40.5% YoY to INR 4.4bn. EBITDA margins came in at 12.4%, led to PAT of INR 775mn for 4QFY24. Order inflow for FY24 came in strong at INR 70bn, driven by order win in transmission and smart meter segment. Order book stands healthy at INR 92bn (5.5x FY24 revenue). TEEC won concession from RailTel for setting up c.100 edge data centre on prominent railway stations and is currently waiting for LoA. Order pipeline continues to stand strong with orders expected from T&D segment and smart metering space. Flue-gas desulfurization (FGD) too is witnessing a traction, which was muted for last couple of quarter. Apart from Chennai data center, TEEC has been allotted land parcel in Kolkata to setup data centre, which is next to other big data centre (Adani Connex). Management maintained its revenue guidance of INR 25bn for FY25 and INR 35bn for FY26, with EBITDA margin to be at 13%. On EPS front management has revised upwards its guidance to INR 50+ from INR 45 earlier for FY26. We remain positive on stock in long run given strong order book, pipeline and expected revenue pickup from Data Centre.

- Continued execution of OB drives revenue:** Consol. revenue up 40.5% YoY to INR 4.4bn. EBITDA came in at INR 544mn vs INR 71mn YoY, with EBITDA margin coming in at 12.4% vs 2.3% YoY (low base). PAT came in at INR 775mn vs INR 51mn YoY. Standalone revenue grew 7% YoY to INR 4.8bn. EBITDA came in at INR 588mn up 51.7% YoY, with EBITDA margins coming in at 12.2% vs 8.6%. PAT up 91.6% YoY to INR 693mn.
- Strong order book position provides revenue visibility:** Order inflows for FY24 came in at INR 70bn, driven by smart meter and transmission. Won two TBCB projects with revenue potential of INR 28bn over its concession period. EPC value for these two contracts is INR 6.8bn. It is L1 for Feeder Meter project in Punjab for 1.86 lakh units worth INR 6.6bn. Order book of INR 92bn as on Mar'24 (5.5x FY24 EPC revenue), mainly comprising of Transmission (INR 50bn), FGD (INR 13bn). Overall company is L1 in orders worth INR 100bn as on date.
- Railtel - Data Centre order boost data centre capability confidence:** Won concession from RailTel for setting up 102 edge data centre in 23 states on prominent railway stations. These projects are on DBOT model with initial stage of five year would be construction of data centre followed with 20 years of maintenance.
- Maintain Buy with TP of INR 1,485:** We believe TEEC strong execution track record, technical capabilities, presence across power value chain and diversified sector, augurs well for company to capitalise on upcoming opportunity in T&D, FGD, smart metering and Data Centre. We expect standalone revenue/earnings CAGR of 44%/34% over FY24 to FY26E. We maintain Buy rating on stock with SoTP of INR 1,485, valuing EPC business at 27x FY26E. **Key Risk:** Delay in ordering activity in T&D, increased competition in smart metering and arising BS risk due to asset heavy model (smart meters and data centre).



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,485
Upside/(Downside)	32.2%
Previous Price Target	930
Change	59.7%

Key Data – TECHNOE IN

Current Market Price	INR1,123
Market cap (bn)	INR120.9/US\$1.5
Free Float	38%
Shares in issue (mn)	107.6
Diluted share (mn)	107.6
3-mon avg daily val (mn)	INR423.3/US\$5.1
52-week range	1,193/343
Sensex/Nifty	74,503/22,705
INR/US\$	83.3

Price Performance

%	1M	6M	12M
Absolute	10.2	57.4	177.2
Relative*	10.2	41.5	134.2

* To the BSE Sensex

Financial Summary

Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	9,991	9,666	16,809	25,130	35,084
Sales Growth (%)	0.0	-3.3	73.9	49.5	39.6
EBITDA	1,582	1,184	2,269	3,464	4,916
EBITDA Margin (%)	15.8	12.3	13.5	13.8	14.0
Adjusted Net Profit	2,395	1,281	2,723	3,667	4,905
Diluted EPS (INR)	21.8	11.9	25.3	34.1	45.6
Diluted EPS Growth (%)	0.0	-45.3	112.5	34.7	33.8
ROIC (%)	32.9	13.5	26.7	27.0	29.7
ROE (%)	26.1	6.8	13.1	15.7	18.5
P/E (x)	51.6	94.3	44.4	33.0	24.6
P/B (x)	6.7	6.2	5.5	4.9	4.3
EV/EBITDA (x)	76.4	101.2	52.9	34.6	24.3
Dividend Yield (%)	0.2	0.5	0.6	0.8	1.0

Source: Company data, JM Financial. Note: Valuations as of 29/May/2024

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Exhibit 1. Quarterly performance

Y/E March (INR mn)	4QFY23	4QFY24	% YoY	3QFY24	QoQ (%)
Net Sales	4,501	4,827	7.2	3,657	32.0
Expenditure	4,113	4,238	3.0	3,207	32.2
EBITDA	388	588	51.7	449	30.9
EBITDA (%)	8.6	12.2	360bps	12.3	-10bps
Other income	221	309	39.4	416	-25.9
Depreciation	19	19	0.9	19	0.0
EBIT	590	878	48.7	847	3.7
Interest	63	43	-32.4	40	7.7
PBT before Eol	528	836	58.4	807	3.5
Extraordinary item	0	0		0	
PBT after Eol	528	836	58.4	807	3.5
Tax	165	142	-14.4	31	354.7
Tax rate (%)	31.3	16.9		3.9	
Adjusted PAT	362	694	91.6	776	-10.6
Adjusted EPS (INR)	3.3	6.4	95.8	7.2	-10.6

Source: Company, JM Financial

Exhibit 2. Cost Breakup

Y/E March (INR mn)	4QFY23	4QFY24	% YoY	3QFY24	QoQ (%)
COGS	3,635	3,795	4.4	2,921	29.9
as a % of sales	80.8	78.6	-210bps	79.9	130bps
Staff Cost	138	127	-8.1	112	12.9
as a % of sales	3.1	2.6	-40bps	3.1	40bps
Other Expenditure	340	317	-6.9	174	82.4
as a % of sales	7.6	6.6	-100bps	4.7	-180bps

Source: Company, JM Financial

Exhibit 3. SoTP Valuation

Business	Valuation basis	PAT/BV (INRmn)	No: of shares (mn)	Value/sh (INR)
EPC segment	27x Mar'26E PAT	4,905	107.6	1,231
Data Centre	1.2x P/B	13,280	107.6	148
Cash+invst	1xMar'24	11,641	107.6	108
Target Price				1,485

Source: Company, JM Financial

Conference call Highlights

- **Guidance:** Expects revenue of INR 25bn for FY25 and INR 35bn for FY26, with EBITDA margins of 13%. EPS to be INR 35 and INR 50 for FY25 and FY26 respectively.
- **Order inflows:** Bagged orders worth INR 70bn in FY24.
 - Won two TBCB projects which entitle revenue of INR 28bn over its concession period. EPC value for these two contracts is INR 6.8bn.
 - Won Substation orders worth INR 43bn in FY24.
- Transmission opportunity continues to remain strong, orders worth INR 400bn under bidding stage for TBCB projects.
- **Order book:** As on Mar'24 OB stands healthy at INR 92bn. Company is placed L1 in order worth INR 100bn.
 - OB comprise of Transmission (INR 50bn), FGD (INR 13bn), distribution (INR 4bn) and Smart Meter (INR 35bn).
- Cash + current investments stands at INR 120bn.
- **Capex:** Company to incur capex of INR 50bn over next two years, mainly towards smart metering (50%), Data Centre (25%) and TBCB project (50%).
- **Smart Meter:** Placed L1 in Punjab for Feeder metering for 1.86 lakh units worth INR 6.6bn.
 - Opportunity stands strong from smart metering segment.
 - Executing orders for 3mn meter worth INR 35bn in state of J&K, Tripura, Jharkhand and MP.
- **Data Centre:** Won concession from RailTel for setting up 102 edge data centre in 23 states on prominent railway stations. Though amount has not being quantified yet, management expects capex of INR 10bn for same.
 - Allotted land in Kolkata to set up Data Centre.
 - First phase of Chennai Data center is expected to be completed by Sep'25. Company has incurred a capex of INR3bn of the total INR 4.5bn envisaged.
- Company is planning to raise fund through QIP of c.INR12.5bn.

Financial Tables (Standalone)

Income Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	9,991	9,666	16,809	25,130	35,084
Sales Growth	0.0%	-3.3%	73.9%	49.5%	39.6%
Other Operating Income	0	0	0	0	0
Total Revenue	9,991	9,666	16,809	25,130	35,084
Cost of Goods Sold/Op. Exp	7,463	7,323	13,232	19,350	27,014
Personnel Cost	339	422	462	557	697
Other Expenses	607	736	846	1,759	2,456
EBITDA	1,582	1,184	2,269	3,464	4,916
EBITDA Margin	15.8%	12.3%	13.5%	13.8%	14.0%
EBITDA Growth	0.0%	-25.1%	91.6%	52.6%	41.9%
Depn. & Amort.	71	72	75	94	96
EBIT	1,511	1,112	2,194	3,370	4,820
Other Income	1,544	743	1,315	1,415	1,557
Finance Cost	64	107	164	201	246
PBT before Excep. & Forex	2,991	1,749	3,345	4,584	6,132
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	2,991	1,749	3,345	4,584	6,132
Taxes	596	467	622	917	1,226
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	2,395	1,281	2,723	3,667	4,905
Adjusted Net Profit	2,395	1,281	2,723	3,667	4,905
Net Margin	24.0%	13.3%	16.2%	14.6%	14.0%
Diluted Share Cap. (mn)	110.0	107.6	107.6	107.6	107.6
Diluted EPS (INR)	21.8	11.9	25.3	34.1	45.6
Diluted EPS Growth	0.0%	-45.3%	112.5%	34.7%	33.8%
Total Dividend + Tax	220	646	753	917	1,226
Dividend Per Share (INR)	2.0	6.0	7.0	8.5	11.4

Source: Company, JM Financial

Cash Flow Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profit before Tax	3,263	2,881	3,310	4,584	6,132
Depn. & Amort.	409	242	75	94	96
Net Interest Exp. / Inc. (-)	-128	-196	-123	-201	-246
Inc (-) / Dec in WCap.	1,045	-363	-4,878	-2,514	-3,277
Others	-1,338	-1,119	-2,481	0	0
Taxes Paid	-656	-1,119	723	-917	-1,226
Operating Cash Flow	2,595	326	-3,374	1,046	1,479
Capex	-16	-7	-220	-200	-200
Free Cash Flow	2,579	319	-3,594	846	1,279
Inc (-) / Dec in Investments	-1,958	740	4,253	0	0
Others	0	0	0	0	0
Investing Cash Flow	-1,974	733	4,033	-200	-200
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-440	-220	-646	-917	-1,226
Inc / Dec (-) in Loans	-400	0	0	0	0
Others	-64	-810	-164	201	246
Financing Cash Flow	-904	-1,030	-810	-716	-981
Inc / Dec (-) in Cash	-283	29	-151	130	298
Opening Cash Balance	737	454	483	1,360	1,489
Closing Cash Balance	466	1,461	1,360	1,489	1,787

Source: Company, JM Financial

Balance Sheet		(INR mn)			
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Shareholders' Fund	18,330	19,580	21,917	24,668	28,347
Share Capital	220	215	215	215	215
Reserves & Surplus	18,110	19,365	21,702	24,452	28,131
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	0	0	0	0	0
Def. Tax Liab. / Assets (-)	1,224	724	698	698	698
Total - Equity & Liab.	19,555	20,304	22,616	25,366	29,045
Net Fixed Assets	4,257	492	442	548	652
Gross Fixed Assets	7,103	1,048	1,073	1,273	1,473
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	2,846	557	631	725	821
Capital WIP	0	0	0	0	0
Investments	10,518	13,387	11,899	11,899	11,899
Current Assets	10,352	14,089	16,280	22,902	30,912
Inventories	271	865	259	413	577
Sundry Debtors	5,840	6,413	7,411	9,295	12,496
Cash & Bank Balances	466	1,461	1,360	1,489	1,787
Loans & Advances	1,222	1,439	351	1,377	1,634
Other Current Assets	2,552	3,912	6,901	10,328	14,418
Current Liab. & Prov.	5,572	7,663	6,006	9,983	14,418
Current Liabilities	4,187	5,500	5,498	7,918	11,054
Provisions & Others	1,384	2,164	508	2,066	3,364
Net Current Assets	4,780	6,426	10,274	12,919	16,494
Total - Assets	19,555	20,304	22,616	25,366	29,045

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Margin	24.0%	13.3%	16.2%	14.6%	14.0%
Asset Turnover (x)	1.0	0.5	0.8	1.0	1.3
Leverage Factor (x)	1.1	1.1	1.0	1.0	1.0
RoE	26.1%	6.8%	13.1%	15.7%	18.5%

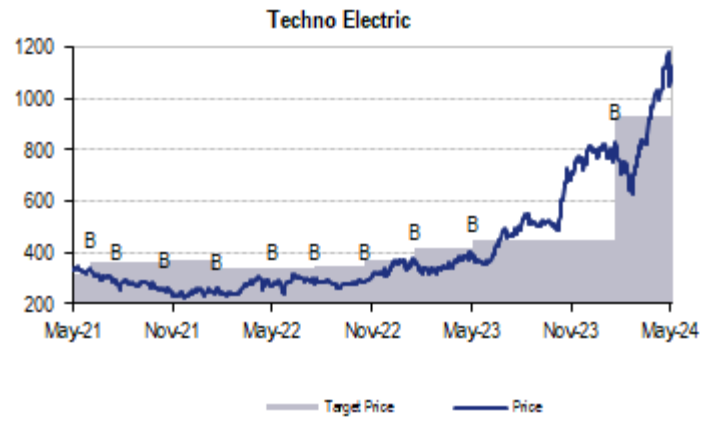
Key Ratios					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
BV/Share (INR)	166.6	181.9	203.7	229.2	263.4
ROIC	32.9%	13.5%	26.7%	27.0%	29.7%
ROE	26.1%	6.8%	13.1%	15.7%	18.5%
Net Debt/Equity (x)	0.0	-0.1	-0.1	-0.1	-0.1
P/E (x)	51.6	94.3	44.4	33.0	24.6
P/B (x)	6.7	6.2	5.5	4.9	4.3
EV/EBITDA (x)	76.4	101.2	52.9	34.6	24.3
EV/Sales (x)	12.1	12.4	7.1	4.8	3.4
Debtor days	213	242	161	135	130
Inventory days	10	33	6	6	6
Creditor days	182	237	138	133	134

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
8-Jan-20	Buy	320	
10-Feb-20	Buy	325	1.6
9-Apr-20	Buy	250	-23.1
1-Jul-20	Buy	250	0.0
1-Sep-20	Buy	235	-6.0
13-Nov-20	Buy	255	8.5
16-Feb-21	Buy	315	23.5
30-Jun-21	Buy	365	15.9
17-Aug-21	Buy	365	0.0
15-Nov-21	Buy	370	1.4
15-Feb-22	Buy	340	-8.1
31-May-22	Buy	340	0.0
16-Aug-22	Buy	350	2.9
15-Nov-22	Buy	370	5.7
15-Feb-23	Buy	420	13.5
31-May-23	Buy	450	7.1
16-Feb-24	Buy	930	106.7

Recommendation History



APPENDIX I

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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