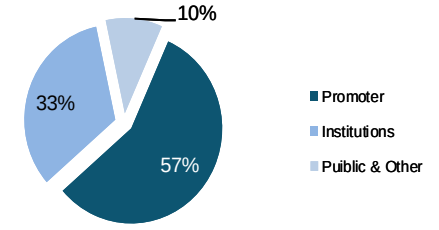
SKP SECURITIES LTD creating prosperity	July 14, 2025
	Techno Electric & Engineering Company Ltd.
	Scaling high with confidence…
CMP Rs 1520	**Target Rs 2016** — **Re-Initiating Coverage – BUY**

Key Share Data	
Face Value (Rs)	2.0
Equity Capital (Rs Mn)	232.6
Market Cap (Rs Mn)	1,76,775.2
52 Week High/Low (Rs)	1825/785
6 months Avg. Daily Volume (NSE)	3,13,334
BSE Code	542141
NSE Code	TECHNOE
Reuters Code	TEEC.NS
Bloomberg Code	TECHNOE:IN

Shareholding Pattern (as on Jun. 2025)



Source: Company

Key Financials (Rs Million)

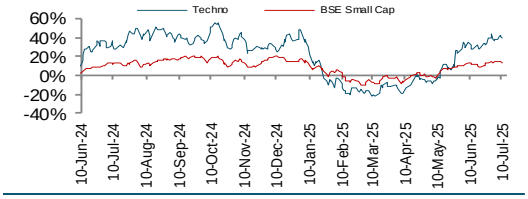
Particulars	FY24	FY25	FY26E	FY27E
Net Sales	15,023.8	22,686.6	36,012.3	48,228.2
Growth (%)	81.1%	51.0%	58.7%	33.9%
EBITDA	2,094.1	3,392.5	5,705.0	8,882.0
PAT	2,684.6	4,229.5	6,093.9	8,418.8
Growth (%)	177.9%	57.5%	44.1%	38.2%
EPS (INR)	24.9	37.2	52.4	72.4
BVPS (INR)	196.7	321.6	363.0	423.3

Key Financials Ratios

Particulars	FY24	FY25	FY26E	FY27E
P/E (x)	60.9	40.9	29.0	21.0
P/BVPS (x)	7.7	4.7	4.2	3.6
Mcap/Sales (x)	11.1	7.8	5.0	3.9
EV/EBITDA (x)	74.8	44.3	32.1	25.6
ROCE (%)	9.3%	8.8%	12.6%	15.9%
ROE (%)	12.4%	11.3%	14.4%	17.1%
EBITDA Mar (%)	13.9%	15.0%	15.8%	18.4%
PAT Mar (%)	17.9%	18.6%	17.4%	18.7%
CFO/EBITDA (%)	-94.7%	133.5%	116.1%	104.5%
Debt - Equity (x)	0.0	0.0	0.0	0.0

Source: Company, SKP Research

12M price performance Techno; vis-à-vis BSE Small Cap



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Company Background

Techno Electric & Engineering Company Ltd. (Techno), incorporated in 1963 and led by Mr. P.P. Gupta, MD, a veteran technopreneur of Kolkata, is a leading engineering, procurement & construction (EPC) player in India's power infrastructure space. It has a proven expertise in all three segments of power value chain viz. (wind power) generation and transmission & distribution (T&D) projects serving public and private utilities. It is an industry leader in 765 KV substations. It is also present in the TBCB based projects operating in the BOOT mode, which it intends to monetise. Techno has also entered the high margin data center (DC) business in FY21. It has an experienced team of over 500 engineers and skilled professionals. ~80% of the Company's business comes from repeat customers, a testimony to its execution capability.

Investment Rationale

Well placed to capitalize on Government's sharpening focus in power T&D

- ✓ Government of India's (GoI) focus has turned towards reducing transmission constraints and ensuring seamless power transfer across and within states. It has sharpened its focus on cutting AT&C (aggregated technical and commercial) losses and redeploying its energy on renewables. Reasonably, industry expects T&D spending to turn the spotlight on higher KV substations (up to 765 KV), where Techno has an expertise, as it can easily facilitate efficient and economical integration of large-scale generation projects into the nation's complex transmission grid.
- ✓ Techno's strong project management and execution track record peg it as a prime beneficiary of capex in this category. Also, its cost competitiveness, consistent order wins, healthy order book and best in class EBITDA margin and ROCE make Techno among the best plays on T&D up-cycle.

EPC: Superior business model; order inflow to remain robust

- ✓ Techno has a superior business model in the EPC segment as it follows stringent operational and financial discipline such as (1) a low share of sub-contracting jobs, (2) a relatively high service component in the order book mix, (3) seamless execution of complex projects, (4) competitive sourcing of equipment (5) asset light model with no loading of EPC related fixed assets in its books.
- ✓ Additionally, Techno has displayed a remarkable history of adapting to new technology faster than peers in order to compete in low competition segments. Techno's project wins typically have low competition. Investments in STATCOM/HVDC/FGD/GIS/Smart Metering Infrastructure will continue to pay off.
- ✓ Order inflows were at Rs 40.01 bn for FY25, taking its order book to ~Rs 109.51 bn, 5.8x order book to bill ratio on a TTM basis, providing strong revenue visibility over the next few years. The management has guided an order intake of ~Rs 45-50 bn in FY26E & FY27E. With an improvement in execution on the back of an anticipated recovery, Techno is poised to deliver 45%/41% sales/net profit growth over FY25-27E to Rs 48.2 bn/8.4bn respectively.

Asset light model with focus on customers and business

- ✓ Techno's main competitive advantages are discipline and adaptability. Its strong growth over the last 20 years with limited balance sheet and consistent profitability (no net loss in any of the last 20 years) indicate high bidding discipline. Its seemingly opportunistic foray into allied contracting segments (distribution, captive power) and asset ownership of transmission assets indicates flexibility. The architecture of the organisation is geared towards limited risk-taking and tight control over operations and is complemented by management's extensive experience in the space. Techno maintains an asset-light model, encashing on the projects at the right time.

Strong balance sheet with efficient working capital management

- ✓ Techno does not follow a strategy of 'hit and run' and bloat the order book with low margins and high capital employed. It bids for EPC projects which offer high EBITDA margin and low working capital, with a focus on PAT and Retained Cash rather than order size, multilateral funded projects having secured receivables. Therefore, Techno's working capital management stands out as amongst the best in the industry. We estimate that ROCE/ROE are likely to improve to 15.8%/17.0% by FY27E.

Techno's expertise in EPC gives a head start in the growing data center business

- ✓ India's DC market value is expected to increase from US$ 4.5 billion in 2023 to a projected US$ 11.6 billion by 2032, boasting a CAGR of 10.98% driven by exponential data consumption, increased enterprise demand and significant investment in infrastructure.
- ✓ Key triggers for this include higher digital transformation, data localization, increasing internet penetration and usage, government incentives and lower costs in India.
- ✓ 60-65% of the development cost of a DC is mechanical and electrical cost. Techno's expertise in electrical EPC provides an advantage in the construction of data centers where the primary operating expense (~45%) is power.

High EBITDA margin (~75%) data center business to scale up to 250 MW

- ✓ Techno has one hyperscale DC in Chennai (potential of 36MW, phase 1 of 4 completed) and is in the process of adding 2 more in Kolkata and Noida of 20 MW and 10 MW capacities respectively.
- ✓ Techno has also partnered with Railtel to set up 102 edge data centers pan India. The partnership with Railtel provides access to prime locations in lieu of 13% of revenue to be paid to Railtel.
- ✓ The company has a target of having a DC capacity of 250 MW in future with a cumulative capex of Rs 80 bn over the next 5 years on data centers only.
- ✓ The DC business is a higher EBITDA margin (~75%), capital intensive business compared to the existing asset light EPC business (~14%) which is expected to boost the bottom line.
- ✓ Stable annuity like cashflows from DC clients and high switching costs is expected to improve cash flows once the commissioning phase is over.

Valuation

We believe that the expected ramp-up in overall investments in T&D augurs well for Techno's EPC business. Moreover, its selective approach in taking on new EPC projects, scaling up of the data center business places the company favourably to tap expanding opportunities in the EPC business, propelling profitability and return ratios. We have valued the EPC business at 25x FY27 earnings and the DC business at 15x FY27 EBITDA. The TBCB assets and cash have been valued at 1x and 0.6x book value to arrive at a SOTP target price of Rs 2016 (33% upside) and recommend a BUY on the stock.

Industry Snapshot – Power Sector

- The power sector in India is undergoing a major transformation. India has moved away from a traditional energy deficit to an energy surplus country (Generation capacity of ~475 GW, compared to peak power demand of ~250 GW in 2024). GoI is taking multiple initiatives to provide reliable and affordable power to millions of people.
- The share of electricity in final energy use is likely to increase to ~50% by 2050, up from 20% today. Currently, 34% of India is urbanized, expected to touch 60% by 2050. As per revised 20th Electric Power Survey (draft), peak electricity demand is projected to rise from 296 GW in 2026-27 to 388 GW in 2031-32 — an increase of 92 GW (~31%) over five years.
- Moreover, GoI has adopted a multi-pronged approach to improve power sector in the country. Initiatives taken include improving coal production and linkages, reviving transmission and distribution (T&D) segment by addressing its erstwhile issues and pushing renewable energy in recent years. With electricity demand forecasted to reach 2524 terawatt-hour (TWh) by 2031 compared to 1734 TWh in 2024 and just 832 TWh in 2011, peak demand is increasing every year and with T&D losses at an average of 20%+, an investment of Rs. 9.15 trillion is envisaged in the National Electricity Plan (NEP) in the T&D sector.

Installed Capacity increased at a CAGR of 5.1% during FY20–FY25

- India's power sector is a diverse mix of conventional and non-conventional energy sources. Power generation resources range from non-renewable sources such as coal, lignite, natural gas, oil, hydro and nuclear power to renewable sources like wind, solar, agricultural and domestic waste.
- Among the total power installed capacity of ~476 GW (as on June 2025), ~51% or 240 GW is contributed by thermal power while rest by nuclear (~2% or 8.8 GW), hydro (~10% or 48 GW), solar (~22% or 105.64 GW) and other renewable source (~15% or ~68.0 GW). The CAGR growth in the installed capacity during FY20-FY25 was 0.8% for thermal power, 1.0% for hydro power, 15.5% for other renewable energy (fastest growing) and 5.4% for nuclear power. During FY20-FY25, electricity production expanded at a CAGR of 5.79%, reaching 1660 billion units (BU) in FY25.
- With the existing electricity generation capacity, India has 68% plant load factor (PLF) in thermal power. Additional 22 GW of thermal power projects are under various stages of construction; keeping policy makers away from announcing any new thermal projects. With thermal PLF at 68% and 22 GW of thermal power projects in pipeline over next 3-4 years, industry does not anticipate any power shortage until FY28.

Exhibit 1: Total Installed Capacity

Sector-wise Installed Capacity as on 31st March 2025		
Sector	**MW***	**% of Total**
State Sector	1,11,657	23.5%
Central Sector	1,06,373	22.4%
Private Sector	2,57,182	54.1%
Total	**4,75,212**	

Source: Central Electricity Authority, (MW* - Megawatts)

Source-wise Installed Capacity as on 31st March 2025		
Sector	**MW***	**% of Total**
Thermal	2,46,935	52.0%
Solar	1,05,646	22.2%
Hydroelectric	47,728	10.0%
Nuclear	8,180	1.7%
RES*	66,722	14.0%
Total	4,75,212	

Other renewable energy sources that include small hydroelectric projects, biomass gasifier, biomass power, urban and industrial waste power and wind energy

Deficit at peak power demand

- As per the latest data from the Central Electricity Authority (CEA), India's peak power deficit widened to 6% in FY24, despite past projections indicating surplus. Similar to FY18 and FY19, the actual situation continues to diverge from CEA's optimistic forecasts. The gap began to re-emerge from FY22 as demand outpaced supply. However, with additional capacity coming online, FY25 so far (11MFY25) has seen near parity, with a marginal surplus of just 2 MW. Sustained reforms and distribution company (DISCOM) support remain key to ensure future surplus stability.

Exhibit 2: Power Supply Position during Peak Hours

Year	Demand (in MW)	Supply (in MW)	Surplus (in MW)
FY14	135918	129815	-6103
FY15	148166	141160	-7006
FY16	153366	148463	-4903
FY17	159542	156934	-2608
FY18	164066	160752	-3314
FY19	177022	175527	-1494
FY20	183804	182533	-1271
FY21	190198	189395	-803
FY22	203014	200539	-2475
FY23	215888	207231	-8657
FY24	243271	239931	-3340
11MFY25	249854	249856	2

Source: Central Electrical Authority, SKP Research

Increased focus on transmission by GoI

- Over the past few years, GoI's focus towards transmission has increased. Buoyed by the availability of sufficient generation capacity and resolution of fuel supply issues, the GoI's focus has turned towards reducing transmission constraints and ensuring seamless power transfer across and within states.

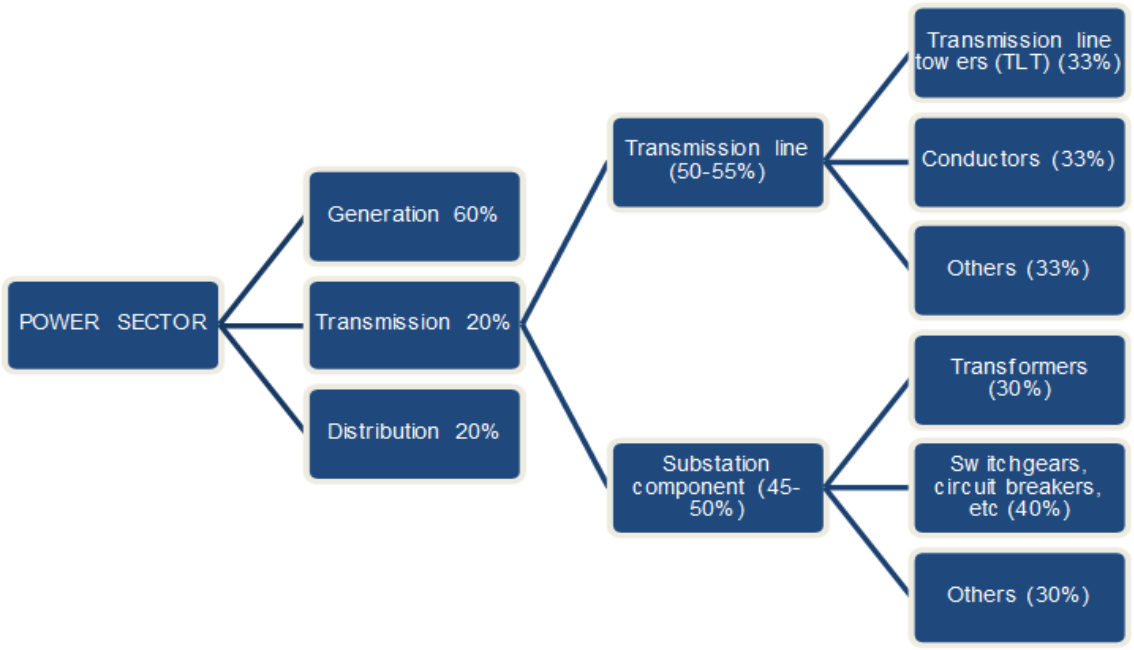
Exhibit 3: Power Value chain – focus has shifted to transmission and distribution

Source: Industry, SKP Research

Strong power generation growth — focus shifts to T&D

- While India cumulatively added ~217 GW in generation capacity over the last 10 years, other inputs such as coal, transmission capacity and distribution reforms failed to keep pace with it. To ensure free and uninterrupted flow of power, every 1 MW of new generation capacity is expected to have ~ 2.6 MVA of equivalent transformation capacity by 2032.

Exhibit 4: Normative spending in various segments of power sector



Source: Industry, SKP Research

Industry Snapshot - Power Transmission & Distribution (T&D) Segment

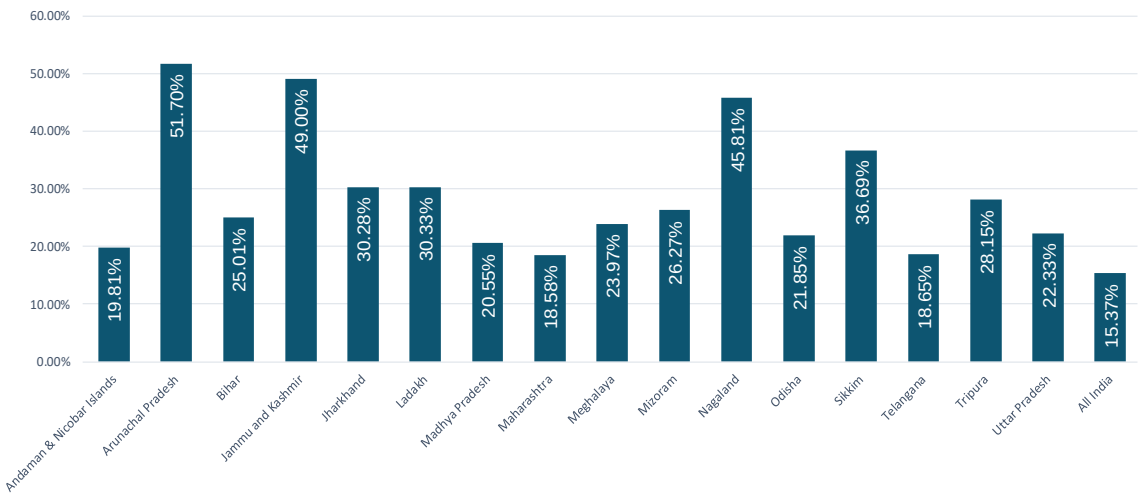
- The T&D segment plays a key role in transmitting power continuously from generation plants to various distribution entities, which in turn, supplies power to end consumers. Power Grid Corporation of India Limited (Power Grid), a Central Transmission Utility (CTU), is responsible for planning Inter-State Transmission System (ISTS). At the same time, there is State Transmission Utilities (STU) like State Transmission Corporation (TRANSCO)/State Electricity Boards (SEBs) engaged in the development of intrastate transmission systems. The nominal Extra High Voltage lines in vogue are ± 800 KV High Voltage DC (HVDC) and 765 KV, 400 KV, 230/220 KV, 110 KV and 66 KV AC lines. These have been installed by all SEBs and generation, transmission and distribution utilities, including those under the Centre's control.
- Financial health of the power sector depends on the scale of distribution, making it the most important link in the value chain of the power sector. Distribution and supply of power to rural and urban consumers is the responsibility of State Governments. The Center assists State Governments through various schemes for improving the distribution sector. These include:
  - **Revamped Distribution Sector Scheme (RDSS):** Launched in 2021, it aims to improve operational efficiency and financial sustainability of DISCOMs by reducing losses, modernizing distribution infrastructure and ensuring smart metering and feeder segregation across urban and rural areas.
  - The earlier schemes such as **Integrated Power Development Scheme (IPDS)** focused on strengthening urban distribution systems and integrating IT-based solutions.
  - The **Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)** aimed to separate agriculture and non-agriculture feeders and strengthen sub transmission and distribution networks and meter distribution transformers/feeders/ consumers in rural areas. **SAUBHAGYA** is one of the world's biggest universal electrification initiative with collaborative and concerted efforts of Center and States. A total of 18,374 villages were electrified under DDUGJY and 28.6 mn households were electrified under SAUBHAGYA scheme.

- **National Electricity Fund (NEF)** to promote investment in the distribution sector through interest subsidy on loans disbursed to DISCOMs to improve distribution network for areas not covered by Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and Restructured Accelerated Power Development and Reforms Program (R-APDRP).

AT&C losses remain a concern for the industry

- Against the linear trend of lowering AT&C losses, there has been a U-turn. This reversal is partly explained by uncertain demand and low PLF that has pushed fixed charges. These higher fixed charges, in return, have pushed cost of supply, aggravating the Average Cost of Supply (ACS) - Average Revenue on subsidy basis (ARR) gap. Today, (1) open access, used often for short-term markets, (2) captive generation and (3) renewable are shifting the once-mainstream industrial demand. These three themes, put together, have created a regime switching event in DISCOM sales. And this has pushed DISCOMs to nurse losses, even after cross-subsidizing revenue.

Exhibit 5: AT&C Loss trend across states as on FY 22-23



Source: Industry, SKP Research

Pick-up in State transmission capex is need of the hour

- India's T&D segment has received limited focus especially vis-à-vis the power generation segment. This is evident in the lower quantum of investments in the sector over the past 20 years. Of the total power sector investments, over 60% went to generation segment while T&D segment lagged with ~20% of total investments only. For the installed generation capacities of >420 GW by the end of FY24, the aggregate transformation capacities stand at >1200GVA.
- While Power Grid has been investing heavily in the last few years in building up the ISTS, particularly to integrate renewable energy—the corresponding development of intra-state transmission and distribution networks by state utilities has lagged. This imbalance often leads to grid bottlenecks and underutilization of newly added generation capacity.
- With the GoI focused on resolving issues through funding and legislative intent, state resources could be freed up to invest in upgrading state-level transmission systems to increase capacity and improve quality of power. Moreover, this trend could sustain if states manage to successfully reduce AT&C losses since this would lead to further savings and increase ability to reinvest.

T&D on track for major expansion:

- Given the Government's sharpened focus on cutting Aggregate Technical and Commercial (AT&C) losses and thrust on renewables, we expect T&D spending to turn the spotlight on higher KV substations. In addition to spending on the green energy corridor to connect renewable energy to the grid, GoI is targeting to award sizable chunk of inter-state transmission projects through Tariff Based Competitive Bidding (TBCB) route which would drive private player's participation. Private players' involvement would ensure large ticket size orders, timely delivery, better quality and lower cost of the projects.
- **According to the NEP, total EPC opportunity is Rs 4.25 trillion for the period 2022-27 for the industry. About 60% of total capex will be spent on creating/strengthening the inter-state transmission system, the balance 40% will be spent on intra-state system.**
- As per the NEP Volume II – transmission investments will not only strengthen the existing inter-region corridors but will also create new ones. The need for a robust transmission system has increased with the advent of renewables. As the Government will increase renewables energy (RE) capacity from the current level of 203 GW to 600 GW by 2032, it will need to create transmission infrastructure matching with the renewable power industry. Renewable power developers have raised the concern for grid availability in the past which highlights the urgent need of expansion of grid connectivity to accomplish the renewable energy target.
- The GoI has undertaken extensive planning to integrate upcoming renewable energy (RE) capacities with the National Grid. As per the Central Electricity Authority (CEA), transmission requirements have been assessed to support the integration of 613 GW of RE capacity by 2032, in line with India's non-fossil target. This creates an investment opportunity of over Rs 2.69 trillion in inter-State transmission systems by 2027 and about Rs 3.92 trillion from 2027-2032, out of which multiple large-scale projects, including the evacuation of 13 GW from Ladakh, have already been allocated and are under various stages of implementation.
- Since renewable energy capacity remains geographically concentrated—over 90% of wind installations in five states and more than 40% of solar capacity in Rajasthan and Gujarat—there is a heightened need for strong inter-regional connectivity to ensure efficient evacuation and grid stability.
- It is estimated that by FY30, India would require an addition of ~500,000 circuit kilometres (ckms) of transmission lines, over 200,000 MW of HVDC terminal capacity and over 1,250,000 MVA of transformation capacity to support its growing generation mix, particularly renewables. While central transmission utilities like Power Grid continues to undertake significant capex, bulk of the upcoming investments are expected in the Intra-State Transmission System (Intra-STS)—to be driven by respective State Transmission Utilities (STUs) to support localized evacuation and grid integration.
- The capex for Inter-state Transmission Network & Intra-state Transmission Network is pegged at Rs 2.69 trillion and Rs 1.56 trillion respectively, out of the planned outlay of Rs 4.25 trillion in NEP II (2022-27). For the period 2027-32, this number is Rs 3.91 trillion and Rs 0.99 trillion respectively.

Exhibit 6: Transmission line and substation targets

	Target		Achievement			
Year	Transmission lines (ckm)	Sub-station (MVA)	Transmission lines (ckm)	% achievement	Sub-station (MVA)	% achievement
2022-23	14,581	78,959	14,625	100%	75,902	96%
2023-24	16,682	78,109	14,203	85%	70,728	91%
2024-25	16,667	1,16,490	8,830	53%	86,433	74%

Source: Industry, SKP Research

The targets have been mostly met in FY23 and FY24. However, in FY25, there has been significant miss in the targets.

- India currently has high-capacity transmission systems with 765 KV and 400 KV AC technology and HVDC systems deploying up to +800 KV technology. When quantified, at the end of NEP Vol-II (2032), it would entail ~135,205 ckms of 765 KV lines and 299,363 ckms of 400 KV lines.
- Power Grid has been at the forefront in driving the transmission capex in India. Its business model, wherein earning growth is linked to its capex programme, provides the necessary thrust for investments in the sector. With a strong capex programme over the past 7-8 years, Power Grid and other stakeholders more than doubled India's inter region capacity and are expected to increase to 167 GW at the end of the NEP Vol-II. Out of the Rs. 9.15 trillion transmission capex envisaged during the NEP by 2032, Power Grid is expected to contribute Rs 1.82 trillion and balance Rs.7.34 trillion is estimated to be contributed by SEBs/DISCOMs and private players.
- Furthermore, Power Grid is planning to adopt 1,200 KV technology as next higher voltage level in the near future. Going forward, Flexible AC Transmission System (FACTS) including Static VAR compensator (SVC) and Static Synchronous Compensator (STATCOM) and switchable reactors are also likely to be deployed in large numbers to utilize transmission highways and to take care of variation in demand between peak and off season.

Exhibit 7: Plan wise addition in the transmission industry

Transmission System / Voltage Class	At the end of 10th Plan	At the end of 11th Plan	At the end of 12th Plan	At the end of 2021-22	At the end of 2026-27	At the end of 2031-32
Transmission lines (ckm)						
HVDC bipole lines	9,432	15,535	4,280	19,375	19,455	34,887
765 KV	5,250	29,431	27,300	51,023	87,581	1,14,719
400 KV	1,06,819	1,57,644	46,000	1,93,978	2,28,596	2,49,585
230/220 KV	1,35,980	1,62,325	28,000	1,92,340	2,35,771	2,48,999
Total Transmission lines	**2,57,481**	**3,64,935**	**1,05,580**	**4,56,716**	**5,71,403**	**6,48,190**
Substations (MVA)						
765 KV	25,000	1,55,000	1,14,000	2,57,200	6,00,700	9,20,200
400 KV	1,51,027	2,34,372	1,03,000	3,93,113	6,78,083	8,13,828
230/220 KV	2,23,774	2,98,265	75,000	4,20,637	5,68,497	6,11,107
Total substation	**3,99,801**	**6,87,637**	**2,92,000**	**10,70,950**	**18,47,280**	**23,45,135**
HVDC (MV)						
Bi-pole link capacity	6,750	13,500	14,000	30,500	31,500	63,750
Back to back capacity	3,000	3,000	-	3,000	3,000	3,000
Total HVDC	**9,750**	**16,500**	**14,000**	**33,500**	**34,500**	**66,750**

Source: National Electric Policy (NEP), SKP Research

Thrust on quality of power; focus to improve share of 765 KV systems

- **AT&C losses in a transmission wane as voltage increases. Thus, the high capacity of 765 KV technology can easily facilitate efficient and economical integration of large-scale generation projects into the nation's complex transmission grid.** Currently, inter-state transmission runs at 400/765 KV level. Higher voltage would lead to more transfer of power with reduction in AT&C losses. Similarly, new technologies like HVDC and static compensators are being used to make the grid more stable and consistent.

State spending – likely to increase especially if DISCOM bandwidth is freed

- The Indian power scenario is such that different regions of India have different power demand and availability leading to some states having power surplus and some power deficit. This translated into a gap between generation and consumption pockets which demands for higher evacuation capacity leading to increase in inter-state transmission capacity.

- Capex for most large states is likely to increase over the next few years and we believe that this trend is sustainable given the support that states are now likely to receive in terms of Central Government funds (RDSS, IPDS, DDUGJY). The pace of investments could further accelerate if the states meet their targets to reduce AT&C losses, which will reduce cost of power and open up more funds for investments in infrastructure.

- Inter-state transmission has to be complemented with the intra-state network, especially with increased rural electrification. The NEP (Transmission) 2023 envisages a huge growth in state capex (addition of 191,474 circuit kilometers of transmission lines and 1,274 GVA of transformation capacity at voltage levels of 220 kV over the next decade). Funding is the key in state capex. We note that most of the State Transmission Corporations (TRANSCOs) (unlike DISCOMs) are profit making and cash-flow generating. They also have an advantage of access to credit from PFC/REC. Also, several states have received funds from multilateral institutions like World Bank, ADB, etc.

- As can be seen below, PFC/REC provides 90-100% of the project cost for state transmission projects. Funding from multilateral institutions is generally up to 80%. Power Grid has also formed JVs with states to ramp-up their capacities. This will support Power Grid's growth aspirations.

Exhibit 8: PFC's disbursement increasing

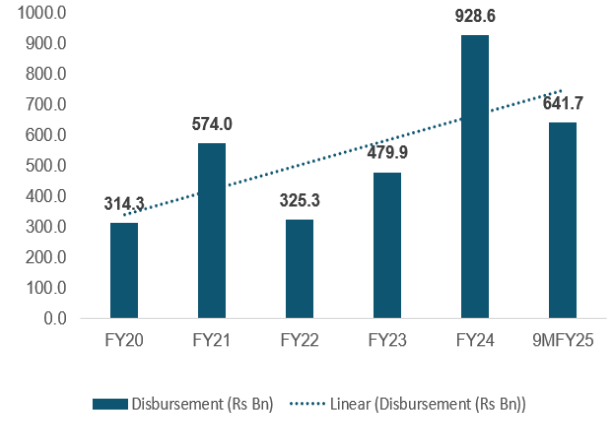
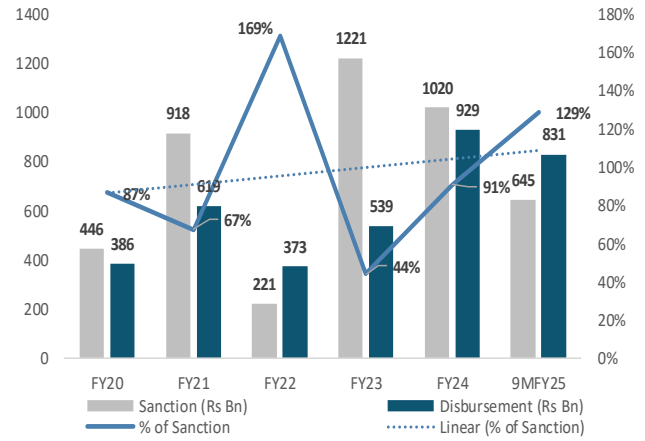


Exhibit 9: REC's disbursement for T&D to improve



Source: PFC, REC, SKP Research

GoI action plan – resolving issues across the value chain

- GoI seems to have a multi-level approach to resolve the power sector problems in the country. These include pushing Coal India to increase production, improving coal linkages and pushing renewables. A bulk of the Government's T&D program is aimed for resolving distribution side problems. These include UDAY (to reduce interest costs for state-owned distribution companies), IPDS and DDUDJY (aimed at providing infrastructure build-out support). Moreover, regulatory changes to encourage private sector participation in inter-state transmission have been or will be implemented. These include separation of CTU from Power Grid, ensuring a majority of projects are open for competitive bidding and reduction of concept to commissioning of transmission projects. The Electricity Act amendments aim to separate a distribution licensee from a supply licensee, which should result in more competitive power tariff pricing. Furthermore, GoI is set to implement the New Tariff Policy which will ensure subsidy disbursement through Direct Benefit Transfer (DBT) Route. Post implementation of this New Tariff Policy, DISCOMs will be liable to supply power for 24*7 failing which they may have to compensate the consumers. This will be a game changer.

Emerging opportunities in EPC space

Several SEBs are likely to increase their ordering of substations, especially in Rajasthan, Madhya Pradesh, Tamil Nadu, Chhattisgarh and Telangana. Increased T&D spending and huge capex by Power Grid will open opportunities in power T&D space. GoI assists the industry through various schemes for improving their order inflow. These include:

- **STATCOM** - There is a need for reactive power support for the transmission system. After thorough research, Static Synchronous Compensator (STATCOM) technology was chosen for India's grid conditions. STATCOM does not have any rotating or moving parts like synchronous condensers and yet it offers a fast and step-less Volt Ampere Reactive (VAR) compensation. It is based on Voltage Source Converter (VSC) technology, which uses low-voltage cells in series to realise a high voltage output. With the help of STATCOM technology, all power related disturbances in the system and constraints arising due to its various applications can be balanced out. GE Vernova projects the STATCOM market in India to be valued between Rs 30 bn and Rs 35 bn, with expectations to commission 15–20 units in the forthcoming 2–3 years. Concurrently, Hitachi Energy has identified over 30 STATCOM projects slated for bidding, aligning with a broader investment of Rs 1.1 trillion earmarked for reactive power infrastructure by 2027. Power Grid currently operates 20 STATCOM/SVC installations as of March 31, 2025.
- **Sub-transmission system in North Eastern Region (NER) –** Power Grid is to build sub-transmission systems of 220/132 KV in six North East states with an estimated outlay of Rs 150 bn in the next three years. Industry expects to bag orders to build Gas Insulated Sub-station (GIS) in NER under the World Bank funded NER Power System Improvement Project.
- **Green energy corridor (GEC) -** India is also planning to add massive amounts of RE over the next 4-5 years. RE inherently is volatile and intermittent and as such would negatively impact the normal transmission networks. Hence, it would be necessary to create a dedicated independent transmission corridor to evacuate the resultant infirm power. The GEC project would be a dedicated stable network to transmit mass chunks of power from RE power rich states to the ones with higher energy demands by creating intra-state and inter-state transmission infrastructure. The intra-state transmission component would be implemented by respective states, while Power Grid would execute the inter-state part. The project, initially estimated to cost Rs 430 bn will be implemented with financial and technical assistance from Germany.
- **Flue Gas Desulphurization (FGD) -** Flue Gas Desulphurization (FGD) is emerging as a major opportunity in the Indian power sector, driven by tightening environmental norms. The market for air pollution control in power plants—particularly for sulphur oxides (SOx) and nitrogen oxides (NOx)—is gaining momentum, with companies like ISGEC partnering with global leaders such as Babcock Power for FGD solutions and Fuel Tech for NOx control. The FGD implementation costs range between Rs 6.5–10 mn per MW. As per a Gazette notification from the Government of India, all thermal power plants are mandated to comply with sulphur emission limits by 2026. Currently, approximately 97 GW of FGD capacity remains to be ordered, representing a sizable market potential of around Rs 600 bn. This remaining opportunity is largely concentrated among Independent Power Producers (IPPs) and State Utilities. In October 2024, NITI Aayog recommended that the Ministry of Power and the Ministry of Environment, Forest and Climate Change (MoEF&CC) instruct coal-based power plants to halt placing new orders for FGD units. This recommendation was based on findings that SO_2 emissions from Indian coal-based power plants do not significantly impact ambient air quality, primarily due to the low sulphur content (approximately 0.5%) in domestic coal. The proposed halt could affect tenders worth Rs 960 bn for sulphur-reducing equipment for 80,000 megawatts of coal-fired units.

Dwindling competition boosting margins of established players

- The entry of infrastructure companies into transmission EPC space during FY10-12 had initially led to overcrowding and aggressive bidding, posing challenges for established players like Techno. However, over the years, the industry has witnessed a course correction, with the exit of many underprepared players and the resurgence of experienced EPC majors.
- Execution issues faced by new entrants—stemming from lack of expertise and limited access to skilled personnel—resulted in delayed and inefficient project completions. In response, Power Grid reduced its engagement with these players and shifted focus back to seasoned EPC contractors. This strategic shift allowed companies like Techno to reclaim market share and establish a stronger foothold in the domestic transmission EPC segment .
- For large T&D projects (over Rs 5 bn), competition is largely restricted to a handful of serious players—typically four to six firms—ensuring more rational bidding. While smaller projects see more competitive intensity, the bidding behaviour has matured, with fewer cases of irrational pricing compared to the FY10-12 period. The domestic T&D market outlook remains bullish.
- Government-backed infrastructure investments, especially in transmission and renewable energy integration, are driving sustained order inflows for leading EPC companies. Rising electricity demand, along with global opportunities in the Middle East, Africa and the Americas, are supporting growth visibility for players like Techno.
- Despite improved manpower availability, resource constraints and geopolitical uncertainties remain key execution risks. Additionally, certain sub-segments like transportation and water EPC face cash flow and margin challenges. However, the transmission EPC vertical is currently in a much more stable and growth-oriented phase compared to a decade ago.

Exhibit 10: Company-wise presence across the transmission value chain

Name of company	Transmission Line	Substation	Transformer	Conductor
BHEL		√	√	
L&T	√	√		
ABB India		√	√	
Siemens India		√	√	
CG Power		√	√	
GE T&D India		√	√	
KEC International	√	√		
Kalpataru Power	√	√		
Techno Elctric	√	√		
Voltamp			√	
Bharat Bijlee			√	
TIL			√	
Ino Tech Tansformer			√	
Sterlite Technologies	√			√

Source: Industry, SKP Research

Outlook for transmission sector

- With the Government's continued focus on strengthening grid infrastructure, reducing transmission losses and enabling integration of renewable energy, investments in the transmission sector are expected to remain strong, accounting for ~30–35% of total power sector capex. As per the National Electricity Plan (NEP 2022-2032), a capital investment of ~Rs 9 trillion is projected during this period, driven by the need to evacuate 500 GW of non-fossil fuel energy by 2030.

- Large-scale additions in transmission lines and substation capacity, especially for renewable-rich states and central schemes such as Green Energy Corridors (GEC) and PM Gati Shakti are expected to accelerate order inflows. Furthermore, the push for modernization through smart grid initiatives and digital substations will continue to generate opportunities for EPC players.
- Power Grid and private players are expected to remain key beneficiaries of this upcycle, while companies with established execution capabilities are well-positioned to capitalize on this multi-year opportunity.

Industry Snapshot – Smart Meters

- The Government of India (GoI) has been implementing a range of schemes and programs to support power distribution companies (DISCOMs) in enhancing their financial and operational performance. While the market was traditionally dominated by mechanical meters, it has progressively transitioned to digital/electronic meters and is now moving toward smart meters. This shift is driven by the need for improved grid management, more accurate billing and increased consumer involvement. In FY21, the Ministry of Power (MoP) launched the Revamped Distribution Sector Scheme (RDSS), a reform-based, result-oriented initiative, which spans five years and is effective until 2025–26, has a total outlay of ~Rs 3 trillion. The allocated funds under RDSS are designated for the replacement of 250 million conventional meters with smart meters.
- Progress on the smart metering front has been slower than expected, with only 11 per cent (23.9 million) of sanctioned smart meters installed as of FY25. According to the government, this was primarily due to initial challenges in the transition from post-paid to prepaid metering, particularly related to technical issues, testing, approvals, etc.
- However, the government has intensified efforts to accelerate execution. January 2025 marked a milestone as installed smart meters surpassed the 20 million mark. The daily pace of installation has also been ramped up. From about 11,000-12,000 meters installed per day about a year ago, the pace has now surged to 80,000 smart meters per day. This number is expected to increase to 100,000 meters per day, as recently reported by the Ministry of Power (MoP) to the Lok Sabha's Standing Committee.
- With the deadline of the RDSS set for FY26, an extension is expected to ensure the completion of work under the scheme. The MoP has proposed extending the scheme by two years to FY28, to achieve the envisaged targets.
- As of June 2025, 223.7 mn smart meters have been sanctioned of which only 32.11 mn have been installed.
- Major players in the smart metering segment include Secure Meters, Genus Power, HPL Electric and Power, L&T electrical and automation, Techno Electric and Engineering Private Ltd.

Exhibit 11: RDSS Part A and B break up

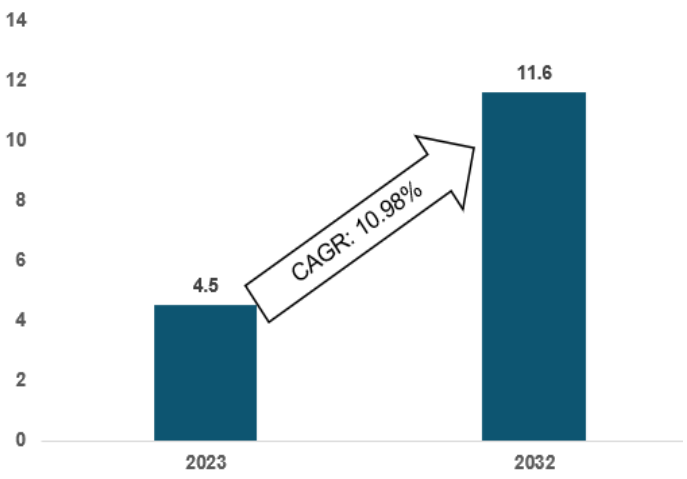
S No	Item	Quantity	Outlay (Rs bn)	Gross budgetary Support (GBS) - maximum (%)	Remarks
1	Prepaid smart metering solution including consumer, DT, and feeder levels, along with integration of existing infrastructure	250mn	1500	15%/22.5% (limited up to Rs 900/ Rs 1350 per meter for consumer metering)	To be carried out through PPP in TOTEX (capex + opex) mode. PPP partner to provide metering services in DBFOOT or similar modes, including funding. Discom to fund 85% of the cost through billing and collection improvement; state may provide budgetary support. Discom can claim grant in a phased manner for every 5% of the meters commissioned.
2	Other costs including encumbrance-free standardized billing modules for all states, data management, data analytics, and support to implementation, AI, etc	Lumpsum	8	100%	Counterpart funding by Discom/State government. Funds may also be raised from PFC/REC, banks/FIs, bilateral or multilateral agencies.
	Sub-Total – Smart metering		**1508**		
3	Distribution Infrastructure works including SCADA, DMS, AB cables, feeder segregation, etc.		1515	90% for special category states; 60% for the rest	
4	**Part-B – Training, Capacity-Building, and other Enabling and Supporting activities**		**14**	**100%**	
	Sub-Total		**1529**		
	Total		**3037**		

Source: Industry, SKP Research

Industry Snapshot – Data Center

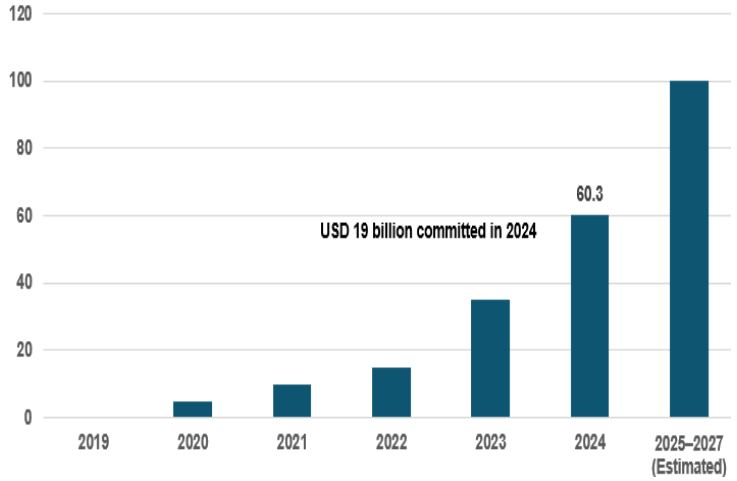
- The Indian data centre (DC) industry has witnessed rapid expansion in recent years, driven by increasing digitization, rising internet penetration, cloud computing adoption and government initiatives such as Digital India. With a surge in demand for data storage, processing and security, India has emerged as a preferred destination for hyperscale and colocation data centers.
- India's DC market value is expected to increase from US$ 4.5 billion in 2023 to a projected US$ 11.6 billion by 2032, boasting a CAGR of 10.98% driven by exponential data consumption, increased enterprise demand and significant investment in infrastructure.

Exhibit 12: Indian Data Center market size ($ bn)



Source: Imarcgroup, SKP Research

Exhibit 13: India's cumulative DC investments (2019-2027E in $bn)



Source: CBRE, SKP Research

Exhibit 14: Major Data Center investment deals in 2024

Investor	Investment value (USD million)	Investment Region
Adani	~4,000	India
STT GDC	~3,200	India
Amazon Web Services	~2,000	Telangana
Colt DCS and RMZ	~1,700	India
CapitaLand	~1,150	India
CtrlS	~1,000+	India
Sify	~1,100	India
Princeton Digital Group	~1,000	India
Equinix	~65	Tamil Nadu

Source : CBRE, SKP Research

Initial Years: The initial years of data centers in India were extremely slow. The first commercial data center was established in 2000 and reached 122MW capacity only by 2010, i.e. an addition of just 12MW per year, on average. After that, growth almost tripled until 2020, i.e. at an average of 32MW annually. Factors that contributed to this boom included broadband policies, the movement from 2G to 3G, the launch of a new telecommunication company (JIO – more network coverage and offering cheap plans to attract consumers) and the country taking bold steps towards digital payments (UPI) by 2016.

Current Decade: Around 125MW was added from 2020 to 2023 and in just three years, capacity was close to 900MW. The increased capacity was absorbed rapidly, with utilisation increasing to 93% in 2023 from 82% in 2019. Capacity expanded exponentially – at a CAGR of ~29% – to ~877MW in 2023 from ~350MW in 2019. The industry is set to witness remarkable growth, with capacity addition projected at 800-850MW on the supply side from 2024 to 2026, to reach 1.7- 2GW, growing at a CAGR of ~27%, according to JLL, CBRE and a CareEdge rating report.

Exhibit 15: India Data Center Capacity (MW)

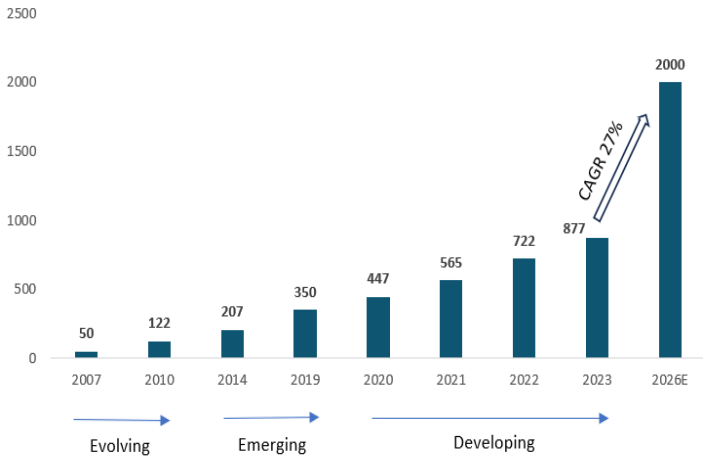
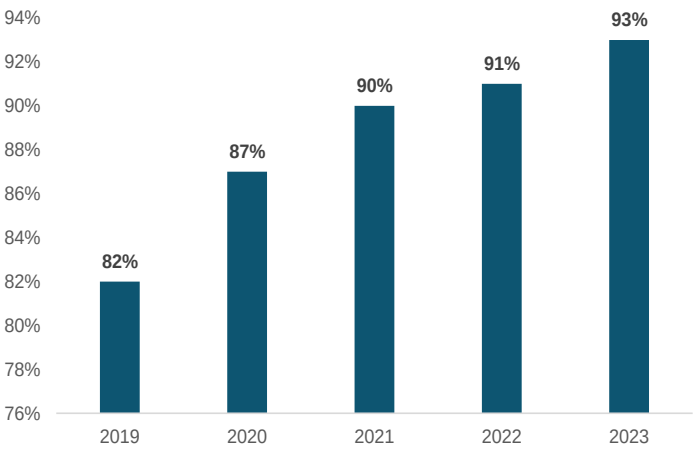


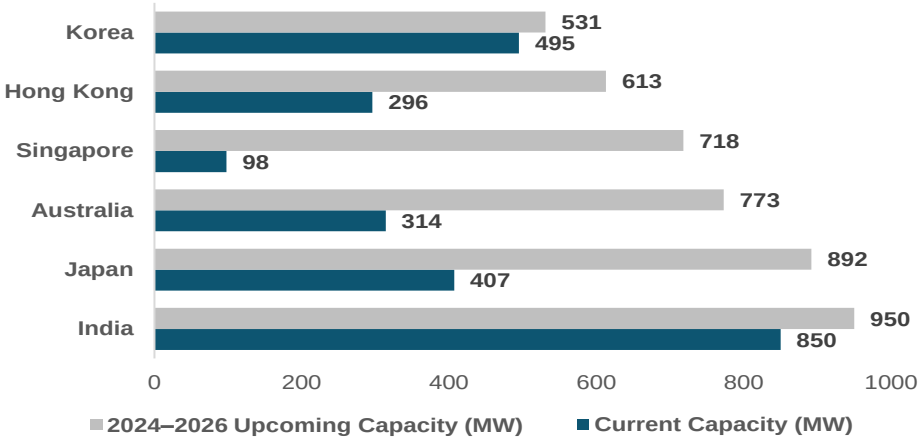
Exhibit 16: India Data Center capacity utilization (%)



Source: CBRE, SKP Research

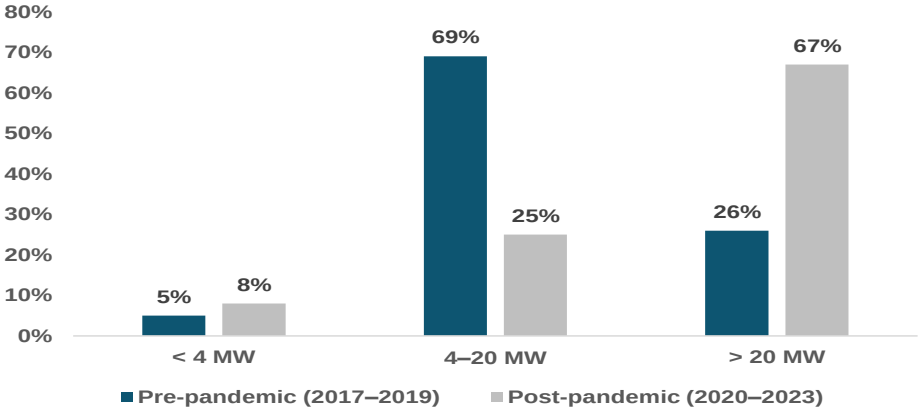
India's positioning: According to a CBRE report, India surpassed key Asia-Pacific nations including Australia, Hong Kong SAR, Japan, Singapore and Korea in D capacity in the region (excluding China) with ~950MW in Q1-2024. India is likely to record the highest capacity addition over 2024-26, more than in the major Asia-Pacific countries, highlighting its strategic edge in DC market.

Exhibit 17: APAC Data Center capacity (MW)



Source: CBRE, SKP Research

Exhibit 18: Size wise split of Data Center



Source: Colliers, SKP Research

Exhibit 19: Growth Potential Classification of Data Center Markets in India

Market Stage	Cities Included
Mature Markets	Mumbai
Established Markets	Chennai, Delhi-NCR, Bengaluru
Accelerated Growth Markets	Hyderabad, Pune, Kolkata
Quantum Growth Markets	Tier II Cities (e.g., Nagpur, Jaipur, etc.)

Source: Industry, SKP Research

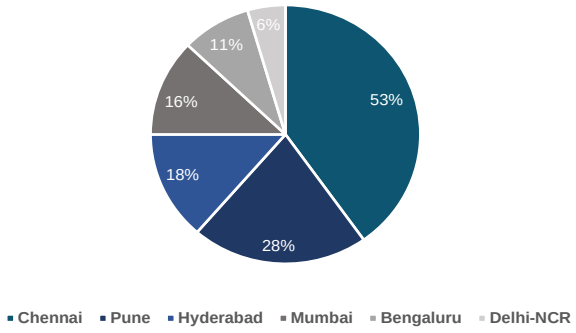
Role of Green Power: Green power provisioning has always been of paramount importance in DC domain but off late its significance has seen exponential growth specially with growing environmental awareness. It is mandatory for data centers to have 35% green power availability. Hence, top data center operators in India are planning to expand their green power by 3-5 times the current usage.

Sustainability is a major focus, with companies adopting solar, wind and hybrid power solutions to reduce carbon footprints and lower energy costs. DC operators are expected to increase spending on renewable power sources. Renewable energy currently makes up 20-25% of the requirement, having reduced electricity consumption by 17-20% compared with 2020. The long-term goal is to achieve carbon-neutral data centers and 100% wastewater recycling by 2030.

Exhibit 20: National Level Green Data Center Metrics

Metric Description	Value
LEED Certified Share of Total Capacity	20%
Rise in Green Data Center Capacity Since 2020	61%
Common Certification Level	LEED Gold (minimum)

Exhibit 21: Green Penetration in Data Center (%) (Aug 2023)



Source: Industry, SKP Research

Exhibit 22: India Data Center Stock

Existing DC Stock (As of Oct 2024)		Future DC Stock (As of Dec 2026)	
19mn	Total Area in square feet	29mn	Total Area in square feet
1255 MW	Total IT capacity	1628 MW	Total IT capacity

Source: CBRE, SKP Research

Exhibit 23: City wise India Data Center Stock and dynamics

City	Share of DC Stock	DC Dynamics
Mumbai	49%	Cable landing stations, internet exchanges, EoDB achiever, surplus power, employable talent
Chennai	18%	Cable landing stations, surplus power, internet exchanges, employable talent
Delhi-NCR	13%	Dedicated DC policies, internet exchanges, corporate interest, EoDB achiever, employable talent
Bengaluru	8%	Dedicated DC policies, internet exchanges, corporate interest, employable talent
Pune	7%	Dedicated DC policies, surplus power, employable talent
Hyderabad	4%	Dedicated DC policies, corporate interest, employable talent
Kolkata	1%	Surplus power, EoDB achiever, employable talent
Ahmedabad	Not specified	Surplus power, EoDB achiever, employable talent
Lucknow	Not specified	Surplus power, EoDB achiever, employable talent
Visakhapatnam	Not specified	Surplus power, employable talent
Kochi	Not specified	Cable landing stations, surplus power, internet exchanges

Source: Industry, SKP Research

Exhibit 24: India Data Center (DC) Outreach vs Developed Economies

Metric	India	China	USA	EU
Internet users (%)	63%	76%	92%	90%
Mobile data (Exabyte / month)	26	26	10	17
Data centres (MW / million users)	1	4	51	12

Source: CBRE, SKP Research

Major players in India's Data Center Market:

The Indian DC market is dominated by telecom players (Reliance Jio, Airtel Nxtra) and real estate players like Hiranandani. Many global data center players (Equinix, Web Werks, NTT global, STT GDC) and private equity investors (Blackstone, Warburg Pincus, Carlyle) have entered the Indian data center market either individually or through partnerships.

Exhibit 25: Comparison of Major Data Center players in India (data as of FY22)

Company	Nxtra	STT GDC India	NTT Global	Sify	CtrlS	Yotta	ACX	Jio
Key Shareholder	Airtel (78%), Carlyle (24%)	STT Telemedia (74%), Tata Comm. (26%)	NTT Global	Promoter (58%), ADR (14%)	Pioneer Group, Siculator (29%)	Hiranandani	AEL (50%), EdgeConneX (50%)	RIL, Google, FB, Microsoft
Nature of Assets	12 Large DCs, 120+ Edge DCs	21 DCs	11 DCs	11 DCs	8 DCs	Hyperscalers	Hyperscalers	Hyperscalers
Operating Capacity (MW)	133	120	143	70	50	60	17	200
Under-Construction Capacity (MW)	304	95	102	21	50	218	503	-
Geographic Presence	All 7 hubs (+) Bhubaneshwar	All 7 hubs (+) Bhubaneshwar	Mumbai, Bangalore, Chennai, Delhi-NCR	All 7 hubs (+) Pune	Mumbai, Bangalore, Hyderabad, Delhi-NCR	All 7 hubs (+) Gujarat, Hyderabad, Bangalore	All 7 hubs (+) Vizag, Kolkata, Bangalore	Delhi-NCR
FY22 Revenue / EBITDA (INR Mn)	15,331 / 5,995	14,548 / 6,380	16,853 / 5,962	7,582 / 2,359	9,329 / 5,348	NA / NA	-	-
Remarks	Committed INR 50 Bn to reach 400 MW by 2025	Tata Communications continues to infuse capital via stakeholding	Committed USD 2 Bn to develop more DCs in India	Target to add 200 MW in next 4 years; 40% of revenue from 1 customer	To grow 3x over 4 years	Committed USD 2.1 Bn over 5 years	Target to develop 1 GW in India by 2030; Committed 1.45 Bn to provide 100% renewable power from Adani Green	Developing 2,000 MW campus in India; INR 70 Bn investment

Company	Lumina	Digital Edge	CapitaLand	BAM Digital Realty	EverYondr	Princeton DG	Bridge Data Centers	ESR
Key Shareholder	Blackstone	NIF, Digital Edge Holdings, AGP	CapitaLand, Temasek	Brookfield (50%), Digital Realty (50%)	Everstone, Yondr	Warburg Pincus, OTPP, Mutaabala	Bain Capital	SWFs, Pension Funds
Nature of Assets	Hyperscalers	Hyperscalers	Hyperscalers	Hyperscalers	Hyperscalers	Hyperscalers	1 DC	Hyperscalers
Operating Capacity (MW)	-	-	-	-	90	60	20	-
Under-Construction Capacity (MW)	600	300	251	90	60	48	20	-
Geographic Presence	All 7 hubs (-) Bangalore, (-) Kolkata	Mumbai	Mumbai, Chennai, Hyderabad, Bangalore	Mumbai, Chennai	All 7 hubs (-) Pune, (-) Kolkata	Mumbai	Mumbai	Mumbai
FY22 Revenue / EBITDA (INR Mn)	-	-	-	-	-	-	-	-
Remarks	Blackstone in talks to acquire 2 DCs in Navi Mumbai	USD 2 Bn investment for a 48 MW facility, land already acquired	30 MW to be live by Sep 2024	-	USD 1 Bn JV with Everstone	Expanding Mumbai capacity, exploring more cities	INR 1 Bn from Bain Capital since 2016	ESR DC Fund 1 launched for data centre development

Company	Web Werks	Equinix	NxtGen	Pi DC	ESDS	RackBank	Colt Data Centre	Go4Hosting
Key Shareholder	Promoter, Iron Mountain	Equinix Global	Intel, IFC, Iron Mountain	Promoters & Angel Investors	Promoter (56%), GEF (14%)	Promoter	Colt Data Centre	Cyfuture India
Nature of Assets	4 DCs	2 DCs	4 DCs	2 DCs	3 DCs	Hyperscalers	1 DC	3 DCs
Operating Capacity (MW)	10	~9	7	6	10	5	1	-
Under-Construction Capacity (MW)	20	NA	21	NA	4	NA	-	-
Geographic Presence	All 7 hubs	Mumbai	Mumbai, Delhi, Ahmedabad, Bengaluru	Amaravati, Kochi	Mumbai, Bangalore, Nasik, Mohali	Indore, Chennai	Mumbai	Noida, Jaipur, Raipur
FY22 Revenue / EBITDA (INR Mn)	824 / NA	786 / 426	1,886 / 290	333 / 105	1,954 / 585	59 / 11	NA / NA	1,125 / 197
Remarks	Targeted INR 33 Bn investment over 6 years	Acquired 2 DCs from GPX for USD 161 Mn	INR 13 Bn investment plan	JV with Yotta to serve enterprises and govt clients	DC & cloud services provider	Committed INR 1 Bn in Kerala	-	Operates 600 racks

Source: Industry, SKP Research

Different Types of Data Centers

Data centers are critical infrastructures that house computer systems and associated components, such as telecommunications and storage systems. They play a vital role in the management and storage of data for businesses and organizations. The various types of data centers, highlighting their unique characteristics, advantages and use cases are given below.

Exhibit 26: Types of Data Center

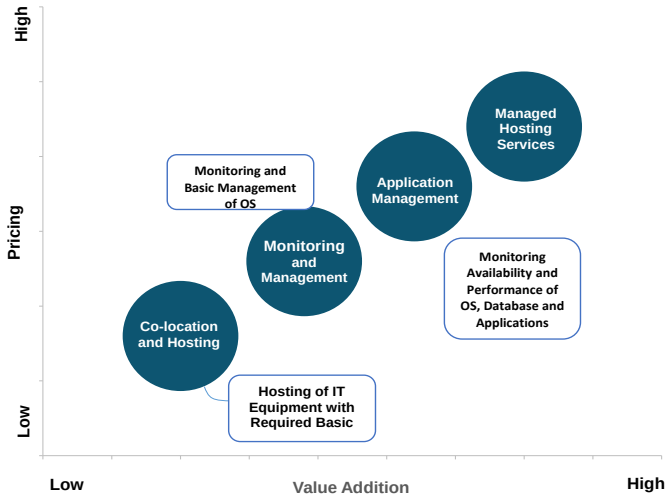
	Enterprise	Colocation	Cloud	Edge	Hyperscale
Features	Owned and operated by a single organization	Shared spaces where multiple clients house their servers	Operated by cloud service providers and offer virtualized services over internet	Smaller facilities located closer to the end users	Large scale facilities designed to support massive data processing and storage needs
	On premises and designed to meet specific needs of organization	Provides necessary infrastructure while clients control own equipment	Access computing power, storage and applications on a pay as you go basis	Reduces latency for applications that require real time data processing	Typically operated by major cloud service providers and are built to scale efficiently
	Higher control over data and compliance	Allows businesses to rent power, space and cooling	Major players include Amazon web services, Google cloud	Ideal for real time data intensive workloads focussed on customer experience	Larger than traditional data centers and can cover millions of square feet
Advantages	Customizable to meet specific business needs	Cost effective for businesses that do not want to build own data centers	High scalability and flexibility	Reduced latency for users	High efficiency and scalability
	Greater control over security and compliance	Access to high quality infrastructure and security	Reduced capex as pay on use model	Improved performance for IoT and real time applications	Cost effective due to economies of scale
	Potentially lower long term costs for large organizations	Scalability as businesses grow	Access to advanced technologies and services	Lower bandwidth costs by processing data locally	Advanced technologies for power and cooling
Use Cases	Large corporations with extensive data processing needs	Small to medium sized businesses looking to reduce costs	Startups and businesses that require quick deployment	Internet of Things (IoT) applications	Major cloud service providers like AWS, Google Cloud, Microsoft Azure
	Organizations with strict regulatory requirements	Companies needing to expand their IT infrastructure without significant capital investment	Organizations looking to scale without large investments	Content delivery networks (CDNs) requiring low latency access	Large enterprises with extensive data processing needs

Source: Industry, SKP Research

Managed data centers – Operated by third-party vendors who provide the infrastructure and handle management tasks such as security, monitoring and maintenance. This type is suitable for businesses that need expert management and do not have in-house expertise, e.g., Equinix, IBM

Exhibit 27: Colocation vs managed services Data Center

Colocation	Managed Services
Rack space provided	Includes additional shared infrastructure, such as firewalls, VPN, load balancing
Internet connection and physical well-being of the servers ensured	Takes care of entire hosting equation including management of OS, databases, application servers
Data and application security maintained	Service provider has access to data and applications
Ideal for companies having own IT and Tech department	Ideal for SMEs or companies which do not want to focus on IT expertise
Pricing: INR X	**Pricing: INR 2.0 – 2.5x**



Source: Industry, SKP Research

Rise of Hyperscale Data Centers

Hyperscale data centers, capable of handling massive data loads, are being developed by major players to support cloud services and large enterprises. Mumbai, Chennai, Hyderabad and Bangalore are emerging as key hubs.

The supply of large data centers, driven by hyperscalers, has increased since the pandemic – the share of large data centers (>20MW) has risen to 67% from 26% before the pandemic, due to increased demand. About 70% of data centers have capacities of 4-20MW, serving medium-size retail and

wholesale customers. The typical data center in Mumbai and Chennai is 50-60% larger than that in other cities due to the development of large data-center parks. Small data centers (<4MW) have low penetration but are expected to expand in the next three to four years due to increased edge deployment.

Edge Computing & Decentralized Data Storage

With the rise of IoT and AI applications, edge computing is gaining traction, leading to the establishment of smaller data centers closer to end-users to reduce latency.

Edge data centers are gaining traction, driven by IoT, AI, cloud, OTT and 5G technologies, as they provide reduced latency, real-time analysis and business agility. Such data centers are being established not only in tier 1 cities but in tier 2 cities as well. Edge data centers would support the sustainable transition to data centers through a smaller footprint and lower energy consumption.

Exhibit 28: Comparison between EDGE and Hyperscale Data Centers

Feature	Edge Data Centers	Hyperscale Data Centers
Latency	Low Latency	Higher Latency
Facility Size	Smaller Facilities	Large Facilities
Location	Closer to Users	Centralized Locations

Source: Industry, SKP Research

Data Center - Key Growth Drivers

Digital Transformation & Cloud Computing

The increasing adoption of cloud computing by enterprises and startups is a significant driver of data center demand. Cloud Service Providers (CSPs) are setting up large-scale data centers in India to cater to domestic demand.

Rapid Cloud Adoption and Market Growth: India's cloud services market is projected to grow from $8.3 billion in 2023 to $24.2 billion by 2028, reflecting a growth of 24% CAGR.

Major Investments: Amazon Web Services (AWS) plans to invest approximately $8.2 billion in the Indian state of Maharashtra over the coming years to enhance local cloud data storage and services. Microsoft announced a $3 billion investment to expand its cloud and AI infrastructure in India, including the development of new data centers.

AI workloads require high-density, GPU-intensive computing, increasing demand for hyperscale data centers. By 2030, it's anticipated that 40–50% of India's data center capacity will cater to AI and GPU-intensive workloads.

Economic growth is being accelerated by digital transformation, leading to substantial data generation. This wave of digitalisation, driven by the expansion of e-commerce, fintech platforms, online streaming and gaming services, is anticipated to increase the number of internet users and boost internet penetration to 87% by FY29 from ~63% in FY23.

Adoption of technologies such as 5G, IoT and AI are also expected to significantly augment demand for data and, in turn, data centers. These demand factors are projected to triple data consumption in India.

Data Localization & Regulatory Compliance

With India implementing stricter data localization norms, companies are required to store and process data within the country. Laws such as the Personal Data Protection (PDP) Bill and Reserve Bank of India's (RBI) guidelines on financial data storage have spurred demand for local data centers.

The Digital Personal Data Protection (DPDP) Act, 2023 was enacted to regulate the collection, storage, processing and transfer of personal data in India. IT Data Protection Bill and Reserve Bank of India's

(RBI) guidelines on financial data storage aims to enhance user privacy rights while providing a framework for businesses and data fiduciaries (entities processing personal data).

The Digital Personal Data Protection Act (DPDP), 2023, mandates strict data protection and localization norms, requiring businesses to store and process data within the country. Organizations are compelled to establish local data storage solutions, leading to a surge in the construction and expansion of data centers across India.

Rise in Internet & Mobile Usage

India has over 850 million internet users and this number is expected to reach 1.2 billion by 2025. The proliferation of smartphones, 5G deployment and digital payment systems has contributed to the data explosion, necessitating scalable data storage solutions.

The ever-growing popularity of social media and content streaming services such as Netflix, Hotstar, Jio Cinema, Prime Video, etc. is another catalyst for data-center growth. Massive volumes of data are generated and managed by these platforms, requiring the use of high-capacity data centers to guarantee lag-free streaming for millions of viewers.

India's Petabyte (PB) / Megawatt (MW) ratio stands at 13.2, implying that for every 1 MW of installed colocation capacity, 13.2 PB of data is being serviced in India. In contrast, China - which is the closest relevant comparison due to vast consumption and population - has a Petabyte/MW ratio at 4.5, highlighting the gap in data center capabilities in both nations. If India were to benchmark itself against China for year 2028 using this metric, it will need an additional 3.6 MW of installed capacity to be added to service 13.2 PB of data, over & above existing pipeline of projects.

For every 1 MW of installed colocation capacity, over 670,000 internet users are being serviced. If India were to aim to bring this ratio down to China's by 2028 (which stands at an estimated 203,735), India would need at least 1.7 GW of additional capacity creation over and above the current pipeline of Projects.

Investments & Infrastructure Development

Major global investors, including Brookfield, Blackstone and Carlyle are funding data center expansion projects in India. GoI has also provided incentives for data center parks, such as infrastructure status and tax benefits.

In February 2025, Blackstone collaborated with Panchshil Realty to develop a hyperscale data center campus in Navi Mumbai. This ambitious project aims to establish a 500 MW capacity facility, encompassing 14 buildings over 3 million square feet. The development represents an investment exceeding Rs200 bn (approximately $2.3 billion) and is designed to operate on up to 65% renewable energy, marking it as one of India's largest and most sustainable data center initiatives.

Blackstone's data center arm, Lumina CloudInfra, in collaboration with JCK Infra, plans to invest Rs 45 bn to develop a 150 MW data center facility in Telangana. This facility is designed to support artificial intelligence (AI) applications, cloud services and large-scale data processing, catering to hyperscale clients.

In July 2023, Brookfield Infrastructure partnered with Digital Realty and Reliance Industries to form a joint venture aimed at developing and operating data centres across India. This collaboration led to the launch of their inaugural project, MAA10, a 20-megawatt greenfield data center located in Chennai's Ambattur neighbourhood. The joint venture has also acquired 2.15 acres of land in Mumbai to build an additional 40-megawatt data center, indicating plans for further expansion in the Indian market.

In 2020, The Carlyle Group acquired a 24% stake in Nxtra Data Limited, the data center subsidiary of Bharti Airtel, for approximately Rs17.8 bn (around $235 million). Nxtra operates India's largest network of data centers, comprising 12 large and 120 edge facilities and has been expanding its infrastructure to meet the growing demand for data services. The company announced plans to double its installed capacity from 200 MW to over 400 MW by 2025

RIL plans to construct a massive data center in Jamnagar with a capacity of 3 gigawatts (GW), potentially making it the world's largest. This facility aims to support AI and cloud computing applications. The project is estimated to require an investment between $20 billion to $30 billion, underscoring the scale and ambition of the endeavour.

Lower per-MW cost

India is an attractive location for data centers due to its low per-MW cost. The median cost of constructing a data center (2H 2023) in India is estimated at ~USD6.8m/MW of capacity, significantly lower than most Asia Pacific nations' – Australia was at USD9.17m/MW, Japan at USD12.73m/MW and Singapore at USD11m/MW. Datacenter set-up is capital-intensive, with close to 60-65% cost towards electrical and mechanical work and 30-37% cost towards land and construction.

Government Initiatives

GoI has taken a number of steps, such as releasing a draft data-center strategy for 2020 and allocating the sector infrastructure status in the Union Budget for 2022-23. The state of the infrastructure makes it easier to obtain institutional credit, obtain long-term financing at favourable rates and present prospects for refinancing. State governments have also started offering incentives, such as single window clearing, power subsidies, stamp duty exemptions and property tax rebates. Regulatory support for data localisation would also lead to an increase in data-center capacity. In 2022, GoI granted 'infrastructure status' to data centres, enabling easier financing and investment inflow. The policy aims to accelerate the growth of the industry.

Exhibit 29: State-Level Data Center Incentives in India

State	Land & Stamp Duty Incentives	Energy & Infrastructure Incentives	Employment & Other Subsidies
Maharashtra	100% stamp duty exemption; relaxed development norms; focus on land acquisition for green integrated data center parks.	100% electricity duty exemption; ₹1/unit power tariff subsidy for 5 years; support for captive power generation.	Additional Floor Space Index (FSI); financial support for transmission infrastructure.
Karnataka	10% subsidy on land cost for up to 10 acres outside Bengaluru; capital subsidy of ₹10 crore on fixed assets.	Electricity duty exemption; subsidies on renewable energy usage and land conversion charges.	Customized incentives for investments exceeding ₹4,000 crore; single-window clearance system for approvals.
Tamil Nadu	50%-100% stamp duty exemption in select districts; exemptions from building norms to facilitate data center infrastructure.	Subsidies on renewable energy access; support for infrastructure development.	Training subsidies; investment support for skill development in the IT sector.
Uttar Pradesh	Up to ₹20 crore (7% capex subsidy); 25%-50% land subsidy; streamlined approval processes.	100% electricity duty exemption; reimbursement of transmission and wheeling charges.	Incentives for data center parks and units, including capital and interest subsidies.
Odisha	20% capex subsidy (up to ₹25 crore); 100% stamp duty exemption for the first transaction; focus on basic infrastructure development.	100% electricity duty exemption; ₹0.30/unit power tariff subsidy for 5 years; support up to ₹2 crore for infrastructure.	Multiple subsidies including SGST reimbursement, support for green initiatives, and internet connectivity.
Telangana	Subsidized land costs as determined by the CCITI and concerned ministries; up to 50% rebate on building fees.	Exemptions from banking, transmission, and wheeling charges; support for renewable energy usage.	Significant budget allocations for data center development; operational subsidies; infrastructure status granted to data centers.
Rajasthan	Asset Creation Incentive: Annual incentives ranging from ₹10 to ₹20 crore for 10 years; Sunrise Incentive: Additional 25% incentive for the first three data centers investing over ₹100 crore.	5% interest subsidy for a period of five years; full exemptions from banking, transmission, and wheeling charges.	Aiming to attract ₹20,000 crore investment in the next five years; focus on making the state a national hub for data centers.
Gujarat	25% capex support up to ₹150 crore for data centers; additional support for Cable Landing Stations (CLS).	₹1/unit power tariff subsidy for a period of 5 years; support for renewable energy usage.	Employment Generation Incentive; up to 100% reimbursement of employer's EPF contribution; financial support up to ₹50,000 per person for skill development.
Haryana	100% stamp duty and registration fee exemption; exemptions from municipal building norms; self-certification for compliance.	20 years electricity duty exemption; 25% power bill SGST refund; 50%-75% Net SGST reimbursement for 10 years.	₹48,000 per employee per year for 10 years for local employment; single-window clearance system for approvals.
West Bengal	100% exemption on stamp duty and registration fees; relaxed building norms to facilitate data center infrastructure.	5-year electricity duty waiver; support for renewable energy usage.	

Source: Industry, SKP Research

Global Connectivity

India's strategic position, along with its ongoing investments in undersea cables and fibre networks, facilitates global exchange of data. India's geographical position between the Middle East and the Southeast Asian region makes it a natural and crucial hub for data transfers, reducing latency and improving connectivity between these two fast emerging regions. According to TRAI, there were 17 international subsea cables (Seacom and MENA are considered separate cables) landing in 14 distinct cable landing stations in 5 cities across India, in Mumbai, Chennai, Cochin, Tuticorin and Trivandrum and the lit capacity and the activated capacity on these 17 international subsea cables were 180 Tbps and 132 Tbps respectively, as of the end of 2023.

Lower Development Cost

The median cost of constructing a Data Center (H2 2023) in India is estimated at USD 6.8 million per MW (Techno's data center capex cost of USD 4.7 mn per MW for hyperscale and USD 7.05 mn per MW for edge data center) of capacity, significantly lower than most APAC nations - Australia is at 9.17 mn, Japan is at 12.73 mn, Singapore is at 11.23 mn and China is at 6.84 mn. This positions India not only as one of the fastest growing data center markets but also as a potential global data center hub.

Power Availability

India is among the few nations aiming to double its power generation capacity to 820 GW by 2030, a move that will benefit power-consuming industries like data centres. The availability of ample power supply is a key criterion for the data center industry, which is also sensitive to the quality of the power supply. Additionally, of the 820 GW expected by 2030, a dominant 61% is likely expected from renewable sources, emphasising India's high focus on sustainability.

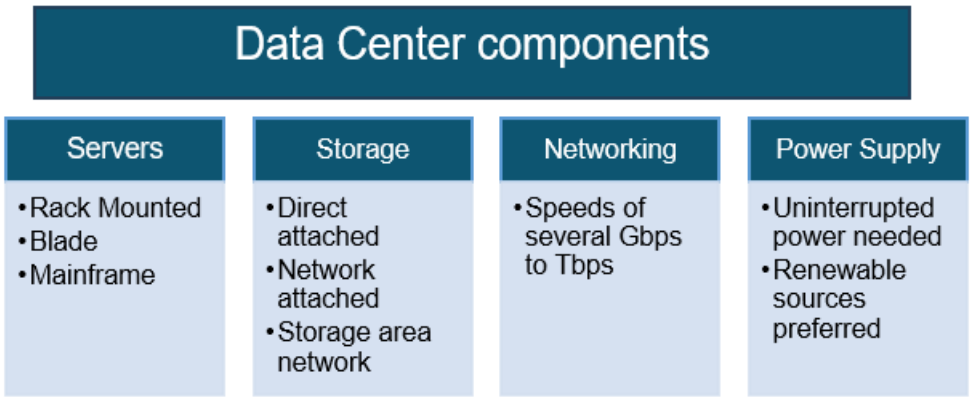
Large Demand

For every 1 MW of installed colocation capacity, 13.2 PB of data is being serviced in India. In contrast, China - which is the closest relevant comparison due to vast consumption and population - has a Petabyte/MW ratio at 4.5, highlighting the gap in data center capabilities in both nations. If India were to benchmark itself against China for year 2028 using this metric, it will need an additional 3.6 MW of installed capacity to be added to service 13.2 PB data, over & above existing pipeline of projects.

Data Center infrastructure components

A data center houses many critical equipments which need to be continuously powered on to provide uninterrupted services to clients. Any shutdown or interruption in services can have significant impact on the business of the client.

Exhibit 30: State-Level Data Center Incentives in India



Source: Industry, SKP Research

Redundancy and disaster recovery

The Uptime Institute uses a four-tier system to rate the redundancy and resiliency of data centers.

Exhibit 31: State-Level Data Center Incentives in India

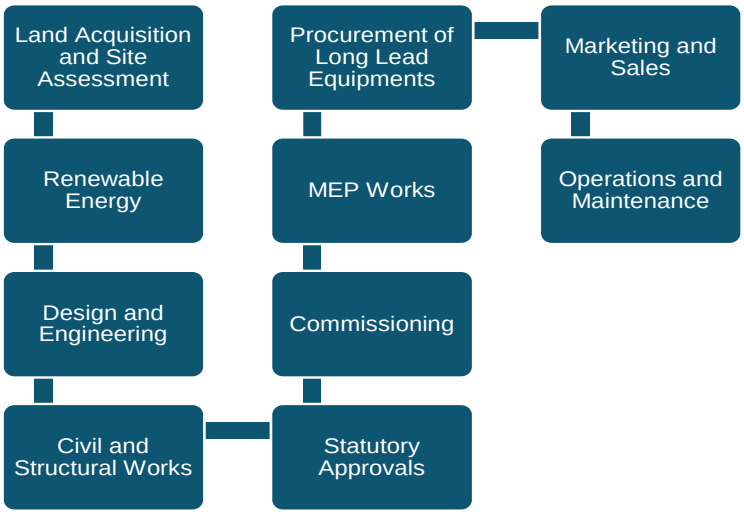
Tier I	Tier II	Tier III	Tier IV
Basic redundancy capacity components such as UPS and 24X7 cooling	Adds extra redundant power and cooling subsystems	Adds more redundant components	Adds more redundant components and fault tolerance
Available for 99.67% of time	Available for 99.74% of time	Available for 99.98% of time	Available for 99.99% of time
Acceptable breakdown of 28.8 hrs per year	Acceptable breakdown of 22 hours per year	Acceptable breakdown of 1.6 hours per year	Acceptable breakdown of 0.8 hours per year

Source: Industry, SKP Research

Environmental controls

- ***Temperature****:* Most data centers employ a combination of air cooling and liquid cooling to keep servers and other hardware operating within the proper temperature ranges. Air cooling is air conditioning—specifically, computer room air conditioning (CRAC). CRAC targets an entire server room, or at specific rows or racks of servers. Liquid cooling technologies pump liquid directly to processors or sometimes immerse servers in coolant. Data center providers are increasingly turning to liquid cooling for greater energy efficiency and sustainability as it requires less electricity and water than air cooling. A typical data center may have a number of halls and produce 30-40 MW of heat. Cooling the DC can equate to ~40% of the facility's energy bill.
- ***Humidity:*** High humidity can cause equipment to rust; low humidity can increase the risk of static electricity surges. Humidity control equipment includes CRAC systems, proper ventilation and humidity sensors.
- ***Static electricity****:* As little as 25 volts of static discharge can damage equipment or corrupt data. Data center facilities contain equipment to monitor static electricity and discharge it safely.
- ***Fire:*** For obvious reasons, data centers must include fire-prevention equipment that is tested regularly.
- Initial surveys are now underway, assessing each site's potential to bring data infrastructure closer to key markets and communities, paving the way for enhanced connectivity and efficiency across the country
- ***Carbon Usage effectiveness (CUE):*** If CUE is close to 0, then that DC is more carbon efficient. Ratio of total CO2 emissions by data centers by total IT energy consumed.
- ***Power Usage Effectiveness (PUE):*** If PUE is near to 1, it tends to a sustainable data center as all the power is used for computing and less power is lost for transmission/ lighting / system cooling. Ratio of total power used by a data center and its consumed power (power delivered to computing equipment).
- ***Water Usage Effectivenss (WUE):*** If WUE is lower, the data center is more water efficient, hence sustainable. Ratio of annual water usage in data center (cooling, humidification, etc.) and the energy consumption of the IT equipment.

Exhibit 32: Data Center Project Lifecycle Phases



Source: Company, SKP research

Exhibit 33: Selection of Data Center location

Parameter	Requirements
Optical Fibre	- Dense optical fiber cable (OFC) network availability - Connectivity from different service providers - Entry via two diversified paths for redundancy
Landing Station	- Good connectivity to landing stations - Mumbai and Chennai are key under-sea landing cable locations
Power Availability	- Dual power source from two different substations - Minimal outages and good power quality
Utilities	- Ample water supply and drainage - Emergency services nearby (but not too close)
Public Transport	- Basic public transport access for easy movement of manpower and materials
Not in Flight-path	- Far from flight path - Far from airport
Not in Earthquake/Flood Prone Zone	- Outside 100-year flood plains or earthquake faults - Not close to coastal/inland waterway - No high humidity or high ambient temperature
Far from Electromagnetic/Radio Interface	- No high-tension cable nearby - No radio frequency around the site (e.g., far from radio station/airport)

Source: Industry, SKP Research

Exhibit 34: Data Center development cost split

Cost Component	Share (%)	Remarks
M&E Cost (Mechanical & Electrical)	60–65%	Largest component covering mechanical and electrical infrastructure
Construction Cost	25–30%	Includes hard (labor, materials, utilities) and soft costs (design fees, legal fees, taxes)
Land and Related Costs	5–7%	Acquisition and preparation of land
Power Deposit	1–5%	Initial power infrastructure deposits
Approvals	1–2%	Regulatory and statutory approvals
Pre-operative/Setup Cost	1–2%	Initial setup and pre-operational expenses

Source: Industry, SKP Research

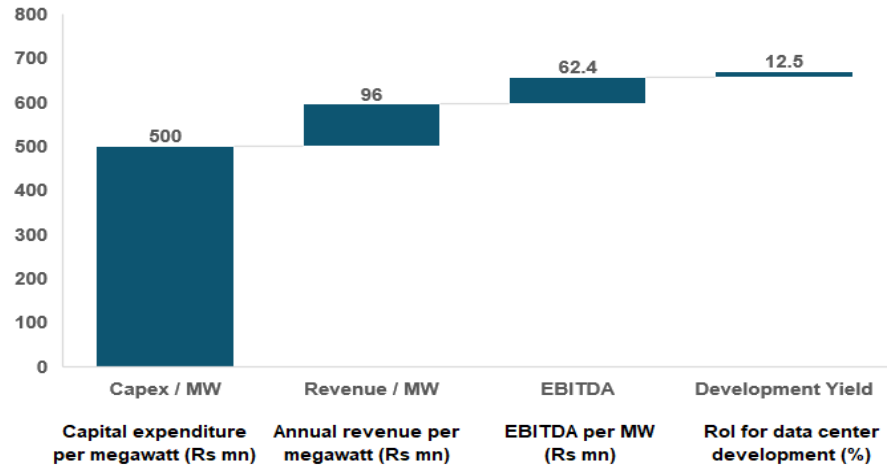
Exhibit 35: Rents in USD/ Kw/ month for standard racks

City	< 250 kW	250 kW – 1 MW	1 – 5 MW	> 5 MW
Mumbai	120 – 135	90 – 110	80 – 95	75 – 90
Chennai	145 – 150	110 – 120	95 – 100	80 – 85
Pune	140 – 145	110 – 120	90 – 100	75 – 80
Bangalore	120 – 135	90 – 110	80 – 95	75 – 90
Delhi – NCR	140 – 145	110 – 120	90 – 95	70 – 75
Hyderabad	120 – 135	90 – 110	80 – 95	75 – 90
Kolkata	145 – 150	110 – 120	90 – 100	80 – 85

Key Observations
Tariffs remain in a similar range across markets.
Mumbai and Delhi: Higher land cost leads to higher loadings (~₹90–100 per Mn. sq. ft).
Other cities: Range lower at ~₹75–80 per Mn. sq. ft.
Global benchmark: Projects average ~125 MW per Mn. sq. ft in developed economies.

Source: Industry, SKP Research

Exhibit 36: Financial Metrics of Tier 3 and Tier 4 Data Centers



Source: Industry, SKP Research

The parameters will vary as per the location, land cost, technical specifications, end tenant profile etc. Development yields vary between 12% and 14% for Tier 3 and Tier 4 data centers.

Exhibit 37: Factors impacting Data Center margins

Factor	Impact on Margins
Occupancy Rate (Rack Utilization)	Higher utilization = better returns (target >75%)
Power Efficiency (PUE)	Lower PUE = lower power costs (best-in-class PUE ~1.3)
Hardware Density	More VMs/GPUs per rack = better revenue per sq. ft.
Data Localisation Rules	Mandatory data storage in India = guaranteed demand
Cloud Partnerships	Long-term contracts with AWS, Azure, Google ensure stable cash flow
AI/ML Demand	Growing demand for GPU infrastructure boosts premium services revenue

Source: Industry, SKP Research

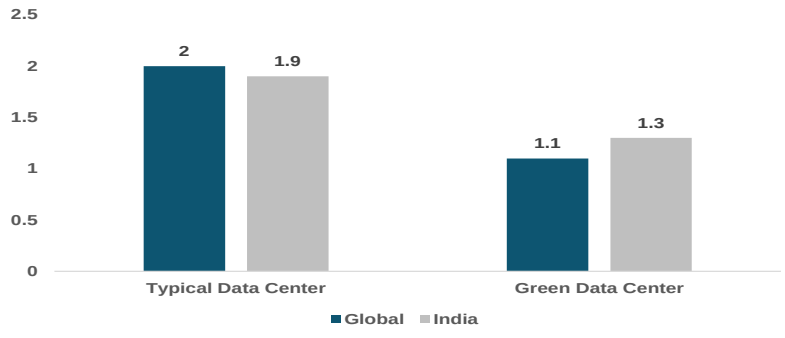
Exhibit 38: Gross yields across real estate sectors

Real Estate Sector	Gross Yield Range (Pre-tax)	Notes
Data Centers	16–17%	Highest yield; strong risk-adjusted returns
Retail (Min. guaranteed rental revenue)	8–10%	Includes minimum assured rental agreements
Grade A Office Assets (Fully Leased)	8–9%	Core commercial assets, fully leased
Grade A Warehouses (Fully Leased)	7–8.5%	Industrial real estate segment
Residential	2–2.5%	Lowest yield among all categories

Key Insight: Data centers offer the highest risk-adjusted yields (16–17%), significantly outperforming traditional real estate assets like residential, office, and retail.

Source: Industry, SKP Research

Exhibit 39: Average PUE of Data Centers



Source: Industry, SKP Research

Company Profile

- Techno Electric & Engineering Company Ltd. (Techno), incorporated in 1963 and led by Mr. P.P. Gupta, Managing Director, a technopreneur of Kolkata, is a leading Engineering, Procurement & Construction (EPC) player in the country's power infrastructure space. It has a proven expertise across three key segments of the electricity value chain: generation, transmission and distribution. It had completed a reverse merger with Simran Wind Project Ltd in FY18. Post merger, the company got delisted in August 2018 and relisted in December 2018. The combined entity has a larger balance sheet size, enhancing its qualification criteria for bidding higher value projects. Apart from the electrical EPC business the company has also entered the data center business in 2021.
- Techno operates through EPC, transmission BOT (build–operate–transfer) projects and power generation (wind power), serving both, public and private utilities. It provides solutions for captive power plants, balance of plant (BOP) for thermal & hydro power projects; construction of air-insulated and gas-insulated substations and installs overhead lines for transmission projects in captive power plant projects etc. The Company also undertakes industrial projects comprising plant electricals and illuminations, cabling projects, water and allied systems, installation of fire protection systems, oil handling plants and others.
- In order to diversify business and leverage its EPC domain knowledge, Techno, in 2012 ventured into T&D projects on build–own–operate–transfer (BOOT) and build-own-operate-maintain (BOOM) basis. Currently, it has four projects and is looking to exit the same in future. Though Techno is primarily catering to domestic market, it has previously forayed into African/SAARC region (EPC segment). In addition, it is engaged in the generation of wind power in Tamil Nadu and Karnataka states with a generation capacity of 21MW.
- Techno entered the data center business in 2021. The company has a hyperscale data center in Chennai (36 MW capacity) and intends to build two more in Kolkata and Noida respectively. Techno Electric in partnership with Railtel will be building 102 EDGE data centers across India over the next 4-5 years.
- Techno has an experienced team of over 500 engineers and skilled professionals. More than 80% of the company's business comes from repeat customers, a testimony to its execution capability.

Exhibit 40: Key Company Milestones

Year	Event
1963	Started operations as an EPC player
1980	Announced IPO of Rs 20 lakh through public listing of the Company
1990	Forayed into the Power Transmission and Distribution (T&D) segment
1995	Forayed into captive power plant segment
2009	Garnered investment by Citigroup Venture Capital in the Company
2009	Undertook wind power generation through 95.45 MW acquisition
2010	Engaged in transmission BOOT projects via public-private partnership (PPP) contract for a 400/220 kV, 2,400 MVA (105 km length) transmission link at Jhajjar for the Haryana Vidyut Prasaran Nigam Limited
2011	Completed installation of a 111.9 MW wind power farm (Tamil Nadu)
2012	Entered the 765-KV substation segment
2013	Bagged a concession from PFC Consulting Limited for a 400 kV, 2,000 MVA GIS transmission network at Patran (Punjab) on BOOM basis for 35 years
2014	Acquired a STATCOM order in collaboration with Rongxin
2015	Sold 44.45 MW of wind power capacity
2017	Bagged a concession for 400/220 kV, 2x500 MVA sub-station at New Kohima, Nagaland under Transmission System for North Eastern Region Strengthening Scheme (NRESS – VI)
2018	Sold 33 MW of wind power capacity
2019	Received award from Power Grid for being 'Best player in 765 kV AIS Substation Construction in India'
2019	Completed a 74% stake sale in Patran Transmission Company Limited (PTCL) to India Grid Trust at an enterprise value of Rs 2.25 bn
2020	Launched EPC services for FGD projects
2021	Forayed into data center industry
2022	Forayed into Advanced Metering Infrastructure Projects (AMISP)
2023	Won TBCB projects of Gogamukh and Bokajan
2024	Raised Rs 12.5 bn via QIP at a floor price of Rs 1,507
2025	Chennai Data Center 1st phase capacity of 5.6 MW RFS

Source: Company, SKP Research

Business Segments:

Exhibit 41: Business segments of Techno Electric & Engineering Company Ltd.

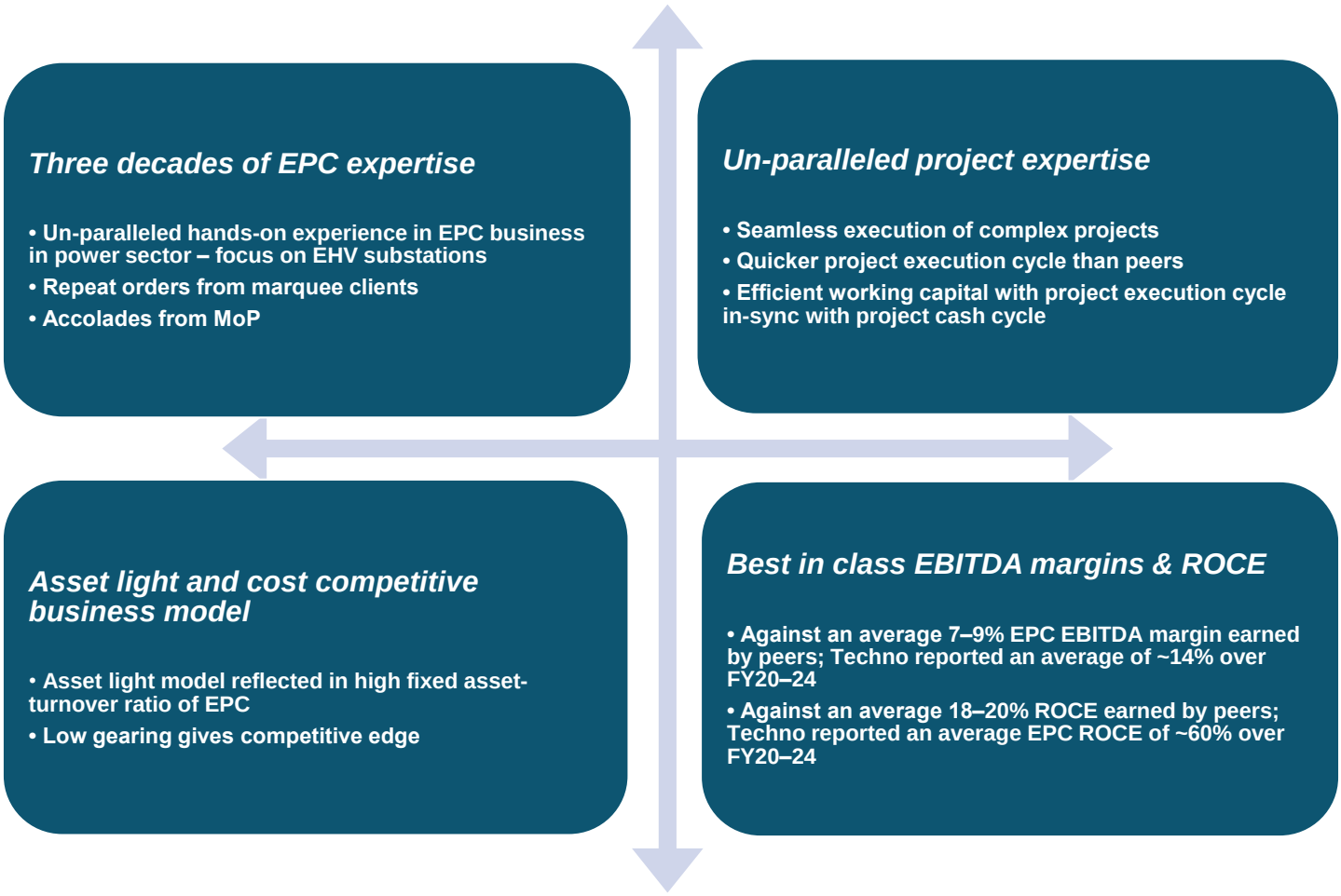
Segment	Details
Power generation	Building captive power plants up to 200MW on a turnkey basis Parts of the Balance of Plant (BOP) contracts such as fuel handling system, comprehensive electrical systems, piping, power evacuation systems and others Serves both Government/ PSU and private customers
Transmission	**Building sub-station and switchyards with limited presence in transmission line segment** **Building sub-stations and switchyards specialised in building substations ranging between 132KV and 765 KV** **STATCOM installation up to 250 MVaR** **Services largely PGCIL and multi-laterally funded state projects** **Rural electrification and distribution management systems under central government programmes** **Primarily works with state distribution companies**
Distribution	Rural electrification and distribution management systems under central government programmes Primarily works with state distribution companies **Advanced metering infrastructure (smart metering)**
Green Power Generation	Acquired in FY09 with a capacity of 95 MW, the entity added an additional 112 MW over the next 4 years, taking total capacity to 207 MW The entity sold 44.45MW and of capacity in FY16, 33MW in FY17, 118.9MW in FY23 Now has 21MW of capacity of which 18MW is in Karnataka and 3MW is in Tamil Nadu
Transmission asset	**Transmission project won in FY25 for Gogamukh and Bokajan in Assam** **Developing Ishanagar and Dhule project in partnership with Indigrid**
Data Center	**Hyperscale data center in Chennai with 36MW capacity** **Hyperscale data centers in Kolkata and Noida to be constructed** **102 edge data centers pan India in partnership with Railtel**

Source: Company, SKP Research

EPC: Superior business model

- Techno has more than three decades of expertise in power related EPC projects, primarily in T&D segment. It has developed competency in executing around eight packages of the addressable 17 packages usually contracted in the BOP segment.
- The Company follows stringent operational and financial discipline such as (1) a low share of sub-contracting jobs (2) a relatively high service component in the order book mix (3) seamless execution of complex projects (4) competitive sourcing of equipment (5) asset light model with no loading of EPC related fixed assets in its books. The above strategy has paid well for Techno.
- Techno is amongst only few players that have demonstrated capability in executing 765 KV sub-station/switchyard projects, which remains an important revenue driver at present. Moreover, with competitive intensity being much lower in this segment, profitability in such projects remain much higher than in the 132 KV to 400 KV segment. In addition, Techno has been a frontrunner in the roll-out of emerging power transmission technologies like STATCOM /GIS/FGD which provides future growth opportunities.

Exhibit 42: Business model – Profit drivers in place



Source: Company, SKP Research

Green Power Generation

- Techno ventured into wind power business via purchase of 95 MW wind assets from Suzlon Energy on a slump sale basis in FY09 for Rs 4.4 bn. Subsequently, the Company ramped up its wind energy capacity by 112 MW over the next 4 years, taking total capacity to 207 MW. The entire capacity was tied up with long-term PPA with Tamil Nadu and Karnataka SEBs. Part of the capacity was tied up for benefits under generation-based incentives (GBI), renewable energy certificates (REC's) and carbon

credits. The Company had plans to enhance wind capacity to 1,000 MW, but given the changing dynamics of the sector, the Company decided against it and decided to exit the wind power business completely. It sold 44.45 MW of capacity in FY16 for Rs 2.15 bn and 33 MW at an effective valuation of Rs 1.65 bn in 2017. Now the Company is left with 21 MW of capacity of which 3 MW is in Tamil Nadu and rest in Karnataka. Going forward, Techno intends to divest the balance portfolio of wind assets, thereby, improving its bidding strength and bring in more PPP projects in the transmission sector and focus on its core EPC vertical.

BOOT/BOOM projects: Avenue for EPC business, steady annuity cash flow

- Techno forayed into BOOT transmission projects in FY12 as part of the strategy of forward integration and to diversify risk and earn healthy cash flows. The Company has a philosophy of bidding for only those BOOT projects where at least 50% of the work order constitutes EPC work. The rationale is clear, 80 - 90% of the equity to be invested in these projects is earned as EPC segment's EBITDA margins implying a near equity payback in the first year of operations itself. Currently, it has four projects and is looking to exit the same in the future.
- In April 2024, Techno won the bid under tariff-based competitive bidding (TBCB) to establish an interstate transmission system scheme housed under "NERES XVI Power Transmission Ltd". The project is termed as "Transmission Scheme for North Eastern Region Expansion Scheme-XVI" or "NERES-XVI". Transmission elements to be developed under NERES-XVI include the 400/220/132kV Gogamukh substation in Assam, four line bays of 400kV, two line bays of 220kV and four line bays of 132kV. The project is envisaged for completion within 30 months from the date of transfer of project SPV "NERES XVI Power Transmission Ltd,". A revenue generation of Rs.17.5 bn is expected during the concession period.
- In July 2024, Techno won its second interstate transmission system (ISTS) scheme, under the tariff-based competitive bidding (TBCB) route. The ISTS scheme is termed as "NERGS-I" and will take shape in Assam. Estimated to cost around Rs.214 crore, the scheme entails, setting up of a new 400kV switching station at Bokajan in Assam. This station will be upgraded to 400/220kV level at a future date. The project will also involve putting up a LILO (loop-in, loop out) of both circuits of the 400kV double-circuit line running connecting the Misa and New Mariani substations, both owned by Power Grid Corporation of India. The project is scheduled to commission by December 31, 2025.
- Capex involved in these two concessions is about Rs 6.7 bn. Total revenue visibility over the entire concession period of 35 years for these two TBCB projects (Gogamukh and Bokajan) is INR 28 bn.
- In August 2024 Techno partnered with Indigrid to jointly construct two of Indigrid's greenfield Interstate Transmission System (ISTS) projects. The two SPVs are Ishanagar Power Transmission Ltd. (IPTL) and Dhule Power Transmission Ltd. As part of the deal, Techno Electric invested minority capital (20% stake) in the SPVs and assumed full responsibility for completing the projects on a Lump Sum Turnkey (LSTK) basis. The combined value for the Indigrid orderbook (Ishanagar & Dhule) is ~Rs 10 bn.

Smart Meter – High initial investments to provide cash flows for 120 months

- Techno operates in the AMI segment through both engineering, procurement and construction (EPC) services and project bidding under models like Design, Build, Finance, Own, Operate and Transfer (DBFOOT) or total expenditure (TOTEX). Techno leverages its decades of experience in power infrastructure sector and strong engineering capabilities to capitalize on these opportunities. The company maintains a conservative approach and is aiming for a smaller market share (less than 5% or 10 million meters over seven years) compared to more aggressive players in the sector. It expects an overall book size possibly reaching around 5 million meters by 2028 or 2030.
- Techno has already deployed approximately 0.5 million smart meters. The company has existing orders for about 2.5 million meters with a cumulative investment target of INR 25 bn for this space. It is actively bidding for projects totalling 40 lakh meters (4 million), amounting to Rs 45 bn. For smart metering, the company is targeting an annual order inflow of approximately INR 15 bn to INR

20 bn. This aligns with an expectation to secure orders for about 1 million smart meters per year. As of March 31, 2025, the Smart Meter (DBFOT/TOTEX) order book stands at Rs 21,702 million.

- Smart metering is acknowledged as a cash-consuming business due to the nature of the projects where initial investment is high and revenue is received over extended periods (e.g., 93 months)

Exhibit 43: Smart meter business timeline

Timeline, following the order win	Stages	AMISP Execution during every stage
0–2 months	Project Implementation Plan	2–3 months after the Letter of Award, AMISP will submit the detailed Project Implementation Plan
During the 8th and 9th month	Commencement of operations	AMISP will commence operationalizing smart meters 9 months after winning the award
2–2½ years post-AMI commencement	AMI setup	Assuming 1mn meters are to be setup, the initial 2–2.5 years of the project will be focusing on setting up smart meters. AMISP will incur the entire capex to install the smart metering system
Post-AMI setup 8–10 years	O&M incurred	AMISP will recover its investment over a tenure of 8–10 years, on O&M basis, from the gains made by the implementation of smart meters. Monthly payments for the balance tenure from discoms, as and when the milestone targets are executed
End of contract in the 10th year	Asset transferred from AMISP to Utility	At the end of the tenure, AMISP will transfer the assets at zero cost after completion of the life of a meter. Thereafter, the discom will bear the replacement cost of a defective meter and the O&M cost of the AMI system

Source: Industry, SKP Research

Techno has been awarded 4 AMI contracts to install and operate 2.24 million units worth INR 26.1 bn.

Exhibit 44: Current smart meter orders

SEB	Location	Meters (no.s)	Period
JBVNL	Ranchi	5,33,733	June 2024 to June 2034
RECPDCL	Kashmir	7,27,584	June 2024 to June 2034
TSECL	Agartala	4,27,013	June 2024 to June 2034
MPPKVVCL	Indore	5,53,013	Dec 2023 to June 2033

Source: Industry, SKP Research

Revenue Mix

Building substations and switchyards is Techno's primary revenue generator. Consolidated business has four segments – EPC (contracting), wind power generation assets, data center and transmission BOOT assets. EPC contributes ~99% of total sales as of FY24. Data center business is still not revenue generating while the TBCB assets have not been commissioned yet.

Focused approach in geography, customers and business/client

The management follows a focused approach in its operations for its customers, geography and business operations. Techno's customers can be broadly divided into three categories viz: i) public sector units (PSUs), ii) state generation and T&D companies and iii) private sector players. In the past, the management has consistently focused on customer selection. Almost 52% of its projects since FY15 have been from central PSUs and private sector players. State DISCOMs constituted 30% of projects over the same period. According to the management, the Company bids for those projects in which payments seem to be secured; either the project should be funded through reputable agencies or customers should have the capacity to pay. The Company has a history of high percentage of repeat customers.

Technological tie-up with global advanced corporates

Techno grew its business competency, attracting partnerships from technologically advanced global corporates. Today's electricity space is dynamic, with new technological and commercial approaches creating opportunities and challenges across markets. Techno has partnered with global technological experts possessing specific domain knowledge, who complement its engineering and execution capabilities and thus, maximise the strength of its niche offerings. Techno is well positioned to capitalise on growing needs of power sector in India.

Exhibit 45: Alliances with global technology leaders

New Technology Offering		Technology Partner	Product Portfolio
Gas-Insulated Substation (GIS)	Gas-Insulated Substation (GIS) development requires one-tenth of the land that is needed in developing Air-Insulated Substation (AIS) and thus, helps overcome the structural bottleneck of land acquisition in India. Moreover, GIS is relatively more driven by its equipment than AIS, enhancing both the availability and reliability of power.	Techno collaborated with **Chinese specialists, Xian XD Switchgear Electric Co. Ltd. and Sieyuan Electric Co. Ltd.**	Techno's GIS portfolio includes six substations (ranging from 220 KV to 400 KV and 765 KV) and one switchyard (400 KV).
Static Synchronous Compensator-(STATCOM)	STATCOM technology includes a wider operating voltage range, quicker response times, a stronger mitigation ability for voltage fluctuation and a smaller footprint, among others. As power utilities move towards a higher level of standards and mitigation techniques, dynamic reactive power compensation using STATCOM will play an increasingly central role.	Techno aligned with the **Chinese manufacturer, Rongxin Huiko Electric Technology Co. Ltd.**, an established power management solutions provider, to reinforce its core competency in the EPC substation segment.	Techno completed STATCOM projects include: 400 KV substations in Lucknow, Nalagarh and Gwalior (order value of Rs 2.4 bn) and 400 KV substations in Solapur, Satna and Aurangabad (order value of Rs 2.7 bn).
Flue Gas Desulphurisation (FGD)	FGD is a set of air pollution control technologies that eliminates sulphur content in discharges across various types of process industries where emission is high, such as coal-fired power plants, steel plants, cement plants, waste management plants and chemical process plants.	Techno is tied up with KC Cottrell, Korea, and are looking to build more such technological tie-ups to execute FGD systems in India.	

Source: Company, SKP Research

Presence in overseas markets

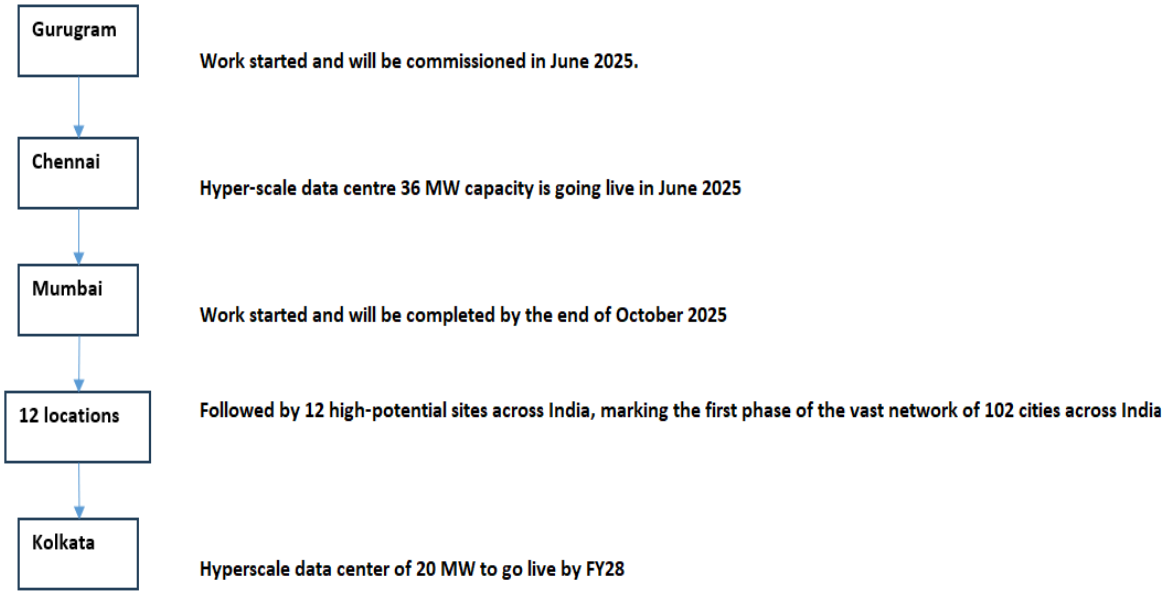
Techno extended its footprint to the international geography in FY13 with specific focus on South Asian Association for Regional Cooperation (SAARC), Middle East and the African countries that are witnessing rapid electrification. Spurred by the experience and fairly large opportunity in target regions, the Company is looking at selectively taking on international projects, which fit its overall criteria — higher complexity entailing superior profitability and backed by trusted funding from reputed

international agencies. This serves the dual purpose of broad basing its business and profiting from the currency movements. Techno electric currently has one live international project in Nepal (Millenium Challenge Account ~ Rs 7604 mn).

Data Center

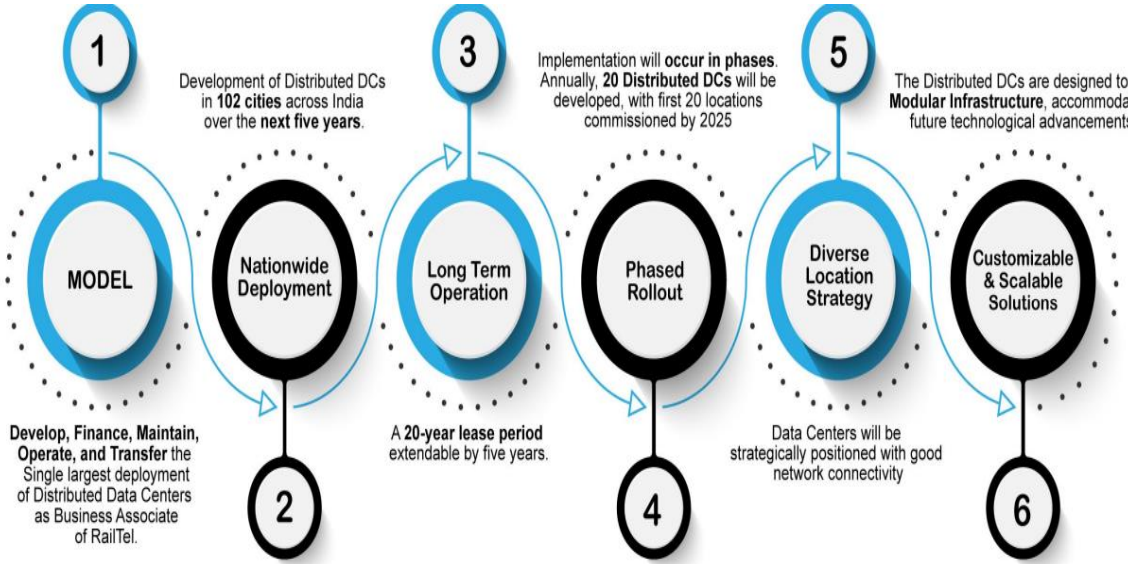
In order to diversify its business, Techno ventured into DC solutions in 2021 with its first hyperscale data center in Chennai, Tamil Nadu, with a power load capacity of 36 MW. Techno has acquired 4 acres of land for an upcoming data center in Kolkata with a capacity of 20MW. Further, Techno Electric has recently been awarded a contract by RailTel Corporation of India Limited to develop, operate and maintain the largest deployment of edge data centers over the next five years (2024-2029) in 102 cities across India with a target to add 20 data centers yearly.

Exhibit 46: Techno Electric Data Center Road map



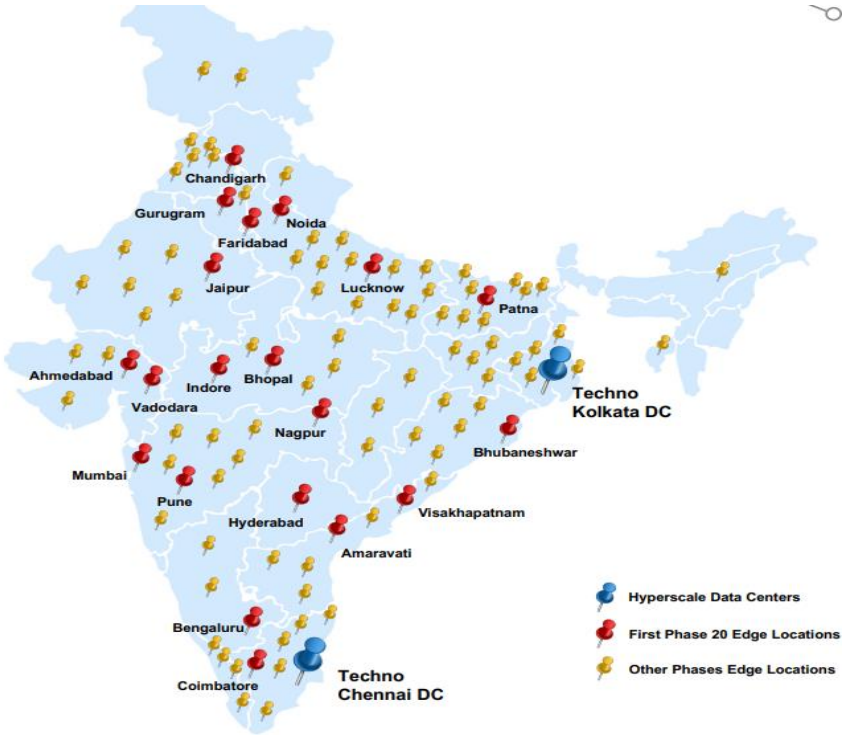
Source: Company, SKP Research

Exhibit 47: EDGE Data Center model with Railtel



Source: Company, SKP Research

Exhibit 48: Techno electric's potential Data Center locations



Source: Company, SKP Research

The business model includes supply, install and commission both Non-IT and IT infrastructure for the Edge Data Centers – Modular Infrastructure Solution to be deployed by Techno Electric

1. Sale of offered DC solutions and manage the business operation

2.Revenue sharing with RailTel

Key competitive advantages of the EDGE data centers in partnership with Railtel

Land- Access to prime locations in cities that are in high demand and difficult to acquire. Examples of such locations include Mahalaxmi, South Bombay and Sector 44, Gurugram, which is only ~3 km away from Golf Course Road, Gurgaon.

Fibre- All EDC sites will be connected to RailTel's extensive optic fibre network, which spans 70,000+ km and runs parallel to the railways track covering the length and breadth of India. RCIL exclusively provides the option for connection via dark fibre. Additionally, all EDCs will be inter-connected to the Chennai and Kolkata data center using dark fibre.

Power-For the first time in the industry, almost 60% of these EDCs will be powered by renewable energy at the most competitive rates of INR 7.5-9 per unit, in contrast to the INR 9-12 per unit available through DISCOMS at 11 or 33 kV.

Exhibit 49: Gurgaon EDGE Data Center in partnership with Railtel and capacity of 200 KW

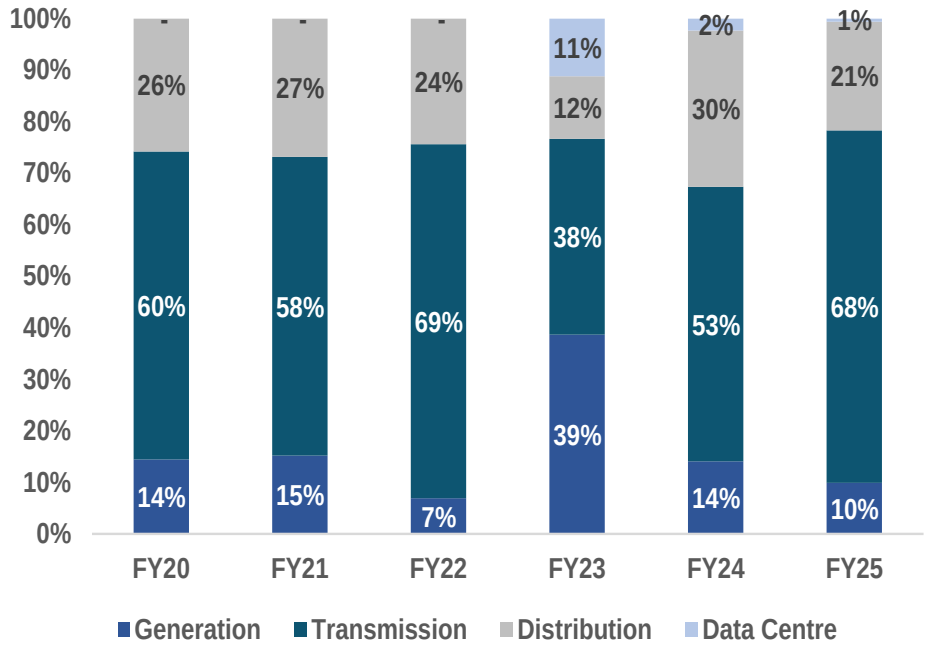
Source: Company, SKP Research

Investment Rationale

1. Well placed to capitalize on Government's sharpening focus in T&D segment

✓ With reforms nearly over in power generation space, we strongly believe that a pick-up in T&D capex cycle is imminent and is the crux of power sector reforms. As a thumb rule, 20% of T&D capex is represented by substations. We believe, Techno's better project management skills, prudent cost management and an impeccable execution record peg it as a prime beneficiary of capex in this category. Also, its cost competitiveness, consistent order wins, healthy order book, best in class EBITDA margin, ROCE and gradual diversification to overseas markets make Techno among the best plays on the T&D up-cycle. The company has a current order book of ~Rs 60bn and is targetting around Rs 20-25 bn yearly orders from this segment.

Exhibit 50: Order book break up indicates rising skew towards T&D



Source: Company, SKP Research

2. Private foray into transmission - a potentially new market

✓ A sizable chunk of inter-state transmission projects will continue to be bid under the competitive model (tariff based competitive bidding - TBCB), which will enable private sector participation. This will also, in due time, become prevalent at the state level. This will enable Techno to win orders from private sector players and also participating in the bidding of transmission assets in partnership with other players.

✓ GoI will create transmission infrastructure matching with the renewable power capacity creation.

✓ Techno has recently won two TBCB projects in Gogamukh and Bokajan in Assam. Capex in both these projects is around Rs 6.7 bn while potential revenue over the entire concession period is ~Rs 28 bn.

✓ Techno, in partnership with Indigrid, is developing two transmission assets in Ishanagar and Dhule. The combined EPC order value for both these projects is around Rs 9.5 bn. Techno owns a 20% stake in the SPV along with Indigrid.

3. FGD opportunity size – Rs 60 bn

- ✓ Techno plans to bid for 12000 MW of projects in FGD segment for Rs 60 bn and targets to convert 15%-20%. It secured a contract for FGD for the 500 MW (1 x 500 MW) Bokaro thermal power project of Damodar Valley Corporation (DVC) for Rs3.19 bn. Following this success, Techno is implementing two more FGD projects and planning further expansions. The current FGD order book stands at Rs 11.7 bn as of 9MFY25. The company expects Rs 5 bn of orders every year from this segment.
- ✓ Additionally, on the pricing side, FGD pricing per MW varies depending on the size of the unit itself. If the unit is of 600-800 MW, then the per MW cost maybe +/- Rs 0.44 mn. For smaller units of 120-150 MW, cost maybe as high as Rs 0.65-0.70 mn. Sometimes, scope of project is lifted only to the treatment component of the plant then it may be +/-Rs 0.25 mn plus. But if material handling and other related scopes are kept with it then it is ranges +/- Rs 0.40 mn - Rs 0.60-0.65 mn. depending on unit size.
- ✓ In October 2024, NITI Aayog recommended that the Ministry of Power and the Ministry of Environment, Forest and Climate Change (MoEF&CC) instruct coal-based power plants to halt placing new orders for FGD units. This recommendation was based on findings that SO_2 emissions from Indian coal-based power plants do not significantly impact ambient air quality, primarily due to low sulphur content (approximately 0.5%) in domestic coal. The proposed halt could affect tenders worth Rs 960 bn for sulphur-reducing equipment for 80,000 megawatts of coal-fired units.

4. Smart meter brings new opportunity

- ✓ The GoI is enabling Smart Grids which can offer affordability and other benefits to consumers. The first step towards establishing Smart Grids is the implementation of Advanced Metering Infrastructure (AMI).
- ✓ The Ministry of Power (MoP), GoI has come out with several transformational policy initiatives for reforming the power sector in India including the Smart Meter National Program (SMNP) which aims to replace conventional meters with smart meters. The UDAY Scheme launched by the GoI in 2015 emphasized on using smart meters for improvement in Operational Efficiency of DISCOMs.
- ✓ Techno has installed ~0.65 mn smart meters in J&K, Indore, Tripura and Jharkhand. It currently has four AMI contracts to operate 2.24 mn units worth Rs 26 bn in Jharkhand, J&K Tripura and MP.
- ✓ As of FY25, ~20.85 mn smart meters have been installed under various programs. RDSS goal is to install 250 mn prepaid smart meters by March 2026. We believe, smart meters bring exciting new opportunity for Techno and it is expected to book order intake of Rs 10 bn each for the next two years. The current order book is ~Rs 24.8 bn. Going forward, the Company plans to bid for approx Rs 45 bn of AMI projects or around 4 mn meters. Techno electric aims to have a 5% market share and do about 1 mn meters every year.

5. Substation sub-segment – reducing competition

- ✓ Substations have a lower proportion of bought-out elements than transmission line making it more civil oriented than transmission line projects. The key players in this segment are GE T&D, Techno, BHEL, Siemens and the Asian vendors (New North East, Hyosung and Rongxin). Barring Techno and BHEL, the others are largely equipment manufacturers that either use their in-house EPC capabilities or outsource to Indian vendors.
- ✓ Competitive intensity in the substation space has declined significantly over the past few years due to 1) higher technology projects which typically require partnerships with equipment manufacturers and (2) increased focus on execution by Power Grid, which has led to higher black-listing of smaller vendors. Hence, players like Techno have option of choosing the best-suited orders in T&D up-cycle.

Exhibit 51: Major players in the substation segment

Segment	Details
ABB	The Power systems segment offers turnkey systems and services for transmission and distribution for power grid and power plants. The Power products segment includes manufacturing, engineering and supply of key T&D components such as transformers, high and medium voltage switchgears, circuit breakers and capacitors.
Siemens	The Energy segment offers high-efficiency products for power generation, transmission & distribution segment including High Voltage Direct Current (HVDC) transmission systems, substations, switchgear and transformers.
GE T&D	GE T&D has a product portfolio of power T&D equipment for low, high and ultra-high voltage electricity transmission; it also provides EPC services for substations
Bharat Bijlee	Manufactures power transformers and it EPC of indoor and outdoor EHV & HV Switchyards up to and including 220 KV
L&T	Amongst the largest players in the Power T&D space in India and GCC
Kalpataru	Mainly a transmission tower manufacturer and a contractor, it now has developed capabilities in the substation space as well
Tata Projects	Tata Projects is one of the leading EPC players for installation of substation and transmission systems
KEC International	The company undertakes EPC projects of electrical sub-stations, distribution network, cabling project works, etc
EMCO	The company is involved in manufacturing of transformers and transmission line towers; the company is also involved in commissioning of sub-stations, industrial switchyards and power distribution systems
Hyosung Corporation, South Korea	Hyosung is a conglomerate that operates in various fields including fabrics, industrial material, chemical, heavy industrial products, construction, product trading, etc. The company caters to the power sector by manufacturing transformers, switchgears, intelligent electronic devices, etc.
New Northeast Electric (Shenyang), China	It designs, develops, manufactures, and markets electrical transmission and transformation equipment. It also provides installation, maintenance, and after-sale service of power transmission and transformation equipment.
Pinggao Group, China	It is a wholly-owned subsidiary of the State Grid Corporation of China, the world's largest transmission utility. The company has the largest researching, developing and manufacturing base for high voltage, extra-high voltage and ultra-high voltage switchgears in China. It offers various products for application in power transmission and transformation system, which include GIS solutions, circuit breaker, disconnector and earthing switches, compass solutions, and vacuum circuit breakers.
Xian Xd Switchgear Electric, China	It engages in research, development, and production of high voltage switchgears in China.

Source: Company, SKP Research

6. EPC segment poised for a recovery; order inflow to remain robust

- ✓ Techno has displayed a remarkable history of adapting to new technology faster than peers in order to compete in low competition segments. Techno's project wins typically have low competition. Investments in STATCOM/HVDC/FGD/GIS will continue to pay off.
- ✓ Techno's EPC revenue booked in a year with the un-executed order book in the preceding year; we note that on an average nearly 20% of the revenue has been booked. The cycle is indicative but overall company has indicated an average order to cash cycle of 15-18 months, which is impressive.
- ✓ Historically, Techno does not fancy large order backlog as it has set its sights firmly on profitability. Its order backlog is generally well diversified across utilities and project types. Further, being risk averse, while accepting SEB orders, the company only bids for projects that are funded by either bilateral/ multi-lateral agencies or central power financing companies like PFC/REC, which ensures timely payments. This selective approach provides Techno reasonable basis of picking up select orders, which fit its criteria of higher complexity and thus entail superior margin.
- ✓ Techno has an average order inflow worth Rs 29 bn per year during FY21-FY25 which is higher than its average revenue of Rs 10.7 bn per year. Order inflows were at Rs 40.01 bn for FY25, taking its order book to ~Rs 109.51 bn, 5.8x order book to bill ratio on a TTM basis, providing strong revenue visibility over the next few years.
- ✓ Techno has L1 position in orders worth Rs 7.81 bn, which should facilitate achievement of order inflows target of Rs 20 bn for FY26E.
- ✓ The management has guided an order intake of ~Rs 45-50 bn in FY26E & FY27E. Consequently, we build in order inflow of Rs 45 bn in FY26E and FY27E, respectively. With an improvement in execution on the back of an anticipated recovery, the order book is expected to reach 120 bn in FY27E. Therefore, over the next three years, the company's revenue from T&D is likely to increase. Furthermore, the wind power assets are likely to be sold over the next two years. This will open up significant capital employed, which will then be redeployed in the core EPC business, which has low working capital requirement.

Exhibit 52: Order book in FY25 is largely made of transmission orders

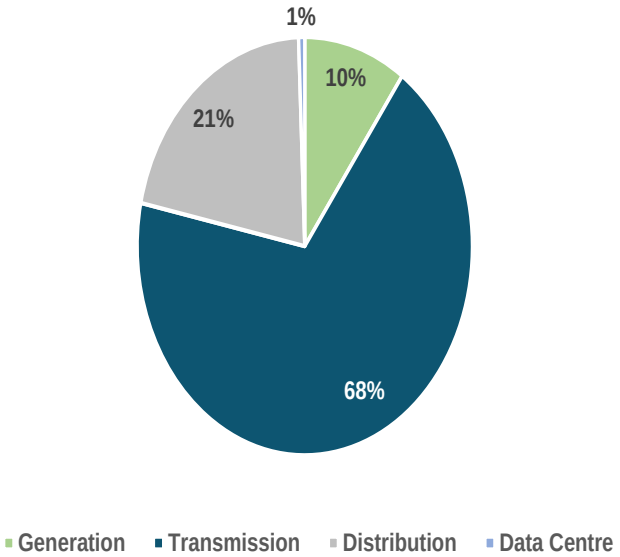


Exhibit 53: Client wise order book as of FY25

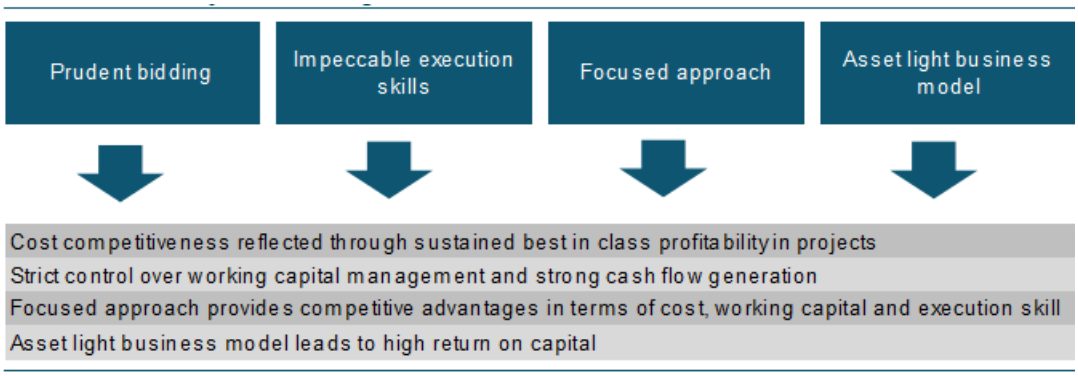
Share (%)	Client Name	Amount (Rs mn)
22.17%	Power Grid Corporation of India Limited	24,280
9.87%	Rajasthan Rajya Vidyut Prasaran Nigam Ltd.	10,811
9.33%	Adani Energy Solutions Limited	10,218
7.26%	Indigrid (Ishanagar & Dhule)	7,947
7.62%	Smart meter from J&K DISCOM	8,349
6.88%	Nepal MCA	7,535
4.77%	Assam Electricity Grid Corporation Limited	5,220
4.64%	Smart meter from Ranchi DISCOM	5,079
4.06%	NERES XVI, POWER TRANSMISSION LTD, GOGAMUKH	4,443
23.40%	Others	25,630
100%	**Total**	**1,09,516**

Source: Company, SKP Research

7. Asset light model approach with focus on customers and business

✓ Techno's main competitive advantages are discipline and adaptability. Its strong growth over the last twenty years with limited balance sheet and consistent profitability (no net loss in any of the last twenty years) indicate high bidding discipline. Its seemingly opportunistic foray into allied contracting segments (distribution, captive power) and asset ownership of transmission assets indicates flexibility. The architecture of the organisation is geared towards limited risk-taking and tight control over operations and is complemented by management's extensive experience in the space. Techno maintains an asset-light model, encashing on the projects at the right time.

Exhibit 54: Techno: Key differentiating factors



Source: Company, SKP Research

8. Architecture – based on cost and working capital management

✓ Techno typically never has more than 20 open sites and is unlikely to undertake more than one or two distribution contract. This enables strong managerial and supervisory control over the execution pace, working capital management and cost control. Moreover, the Company tends to take projects in hard-to-operate regions like Bihar to protect its margins. The Company's exemplary track record in terms of working capital and margins demonstrates this. However, as the Company increases in scale, it will need to increase its managerial bandwidth.

9. Adaptability – agility in tapping new segments

✓ Techno has operated across the generation, transmission and distribution segments. Although transmission has always been the main driver of revenue, the Company has been opportunistic enough to leverage on distribution and captive power plant demand whenever it arose. The Company has always focused on identifying upcoming trends within its core area of expertise. It's relatively early foray into high KV segments, STATCOM/HVDC/GIS/FGD meant it was amongst the few Indian contractors vying for market share in this category. Due to limited number of active sites (20 at most); it is agile enough to target newer segments.

10. Bidding discipline – avoiding crowded projects

✓ Techno is recognised as one of the more conservative players in the industry. The company is selective in its pursuit of projects as evidenced by the low number of bidders in the projects that it has won in the last few years. Moreover, Techno sticks to its core area of expertise, bidding aggressively only when it is familiar with the package or region. Moreover, Techno's adaptability across multiple segments in transmission, generation and distribution will enable it to switch to more margin- lucrative segments depending on the opportunity.

✓ Like many of its peers, the company is constantly looking for newer technology and avenues that would enable it to participate in less crowded projects. For instance, it was amongst the first few standalone T&D contractors to partner with Chinese manufacturer Rongxin to participate in STATCOM projects.

11. Strong balance sheet with efficient working capital management

- ✓ Techno's working capital management stands out as amongst the best in the industry. Despite smaller scale of operations, its profitability was comparable to peers such as Kalpataru/KEC. This was primarily driven by low working capital investments vis-à-vis peers and no manufacturing facilities.
- ✓ We believe the Company's working capital requirement is a function of its conservative revenue recognition practices. Generally, Power Grid and multi-lateral agencies that fund state projects make payments in 60-90 days. As shown in the exhibit below, the Company's working capital cycle is among the shortest amongst T&D peers. Techno is partially aided by lower inventory days since it doesn't own any manufacturing operations (T&D peers own tower manufacturing plants).
- ✓ We expect the Company's working capital to unwind, henceforth, led by (1) expected sale of the wind power & transmission business; and (2) loans and advances, a remnant of inter-corporate advances given in the past, should continue to reduce.

Exhibit 55: Techno's working capital advantages are driven by asset light model

KEC	FY20	FY21	FY22	FY23	FY24	FY25
Debtor days	166	150	136	90	76	84
Inventory days	51	54	65	59	53	41
Creditor days	327	395	420	433	400	326
Cash conversion cycle	-110	-191	-219	-284	-271	-201

Kalpataru Projects	FY20	FY21	FY22	FY23	FY24	FY25
Debtor days	133	141	113	117	108	128
Inventory days	84	82	62	64	60	61
Creditor days	239	287	241	257	260	280
Cash conversion cycle	-22	-64	-66	-76	-92	-91

Techno Electric	FY20	FY21	FY22	FY23	FY24	FY25
Debtor days	233	227	189	270	168	114
Inventory days	9	4	8	35	21	3
Creditor days	245	245	187	260	174	148
Cash conversion cycle	-3	-14	10	45	15	-31

Source: Company, SKP Research

12. Data Centers – Emerging sector with strong tailwinds

- ✓ For every 1 MW of installed colocation capacity, 13.2 PB of data is being serviced in India. In contrast, China - which is the closest relevant comparison due to vast consumption and population - has a Petabyte/MW ratio at 4.5, highlighting the gap in data center capabilities in both nations. If India were to benchmark itself against China for year 2028 using this metric, it will need an additional 3.6 MW of installed capacity to be added, over & above existing pipeline of projects.
- ✓ For every 1 MW of installed colocation capacity, over 670,000 internet users are being serviced in India. If India were to aim to bring this ratio down to China's by 2028 (which stands at an estimated 203,735), India would need at least 1.7 GW of additional capacity creation over and above the current pipeline of projects.
- ✓ India's data center market value is expected to increase from US$ 4.5 billion in 2023 to a projected US$ 11.6 billion by 2032, boasting a CAGR of 10.98% driven by exponential data consumption, increased enterprise demand and significant investment in infrastructure.

13. Techno Electric's expertise in EPC provides a head start in the data center business

- ✓ 60-65% of the development cost of a data center is mechanical and electrical cost. Techno's expertise in electrical EPC provides an advantage in the construction of data centres where the primary operating expense (~45%) is power.
- ✓ The company has set a target of 200-250 MW data center capacity in the future from the current capacity of 36 MW in Chennai with a revenue potential of $250mn.
- ✓ Techno has been awarded a contract by RailTel Corporation of India Limited to develop, operate and maintain the largest deployment of edge data centers over the next five years in 102 cities across India.
- ✓ The data center business is a significantly higher margin business (EBITDA margin of ~75% without utility pass throughs) compared to the existing EPC business (EBITDA margin of ~14%) which is expected to boost the bottom line.

Exhibit 56: Scale up of the Data Center business

	FY25	FY26E	FY27E	FY28E
Chennai (IT MW)	0	5.6	12.4	19.4
Kolkata (IT MW)	0	0	0	3.5
Noida (IT MW)	0	0	5	10
Hyperscale capacity (IT MW)	0	5.6	17.4	32.9
Hyperscale capacity (Power MW)	0.0	7.6	23.5	44.4
EDGE (no.s commissioned)	0	5	17	30
EDGE (Power MW)	0	1.9	7.9	17.3
Total Data Center (Power MW)	0.0	9.5	31.4	61.7

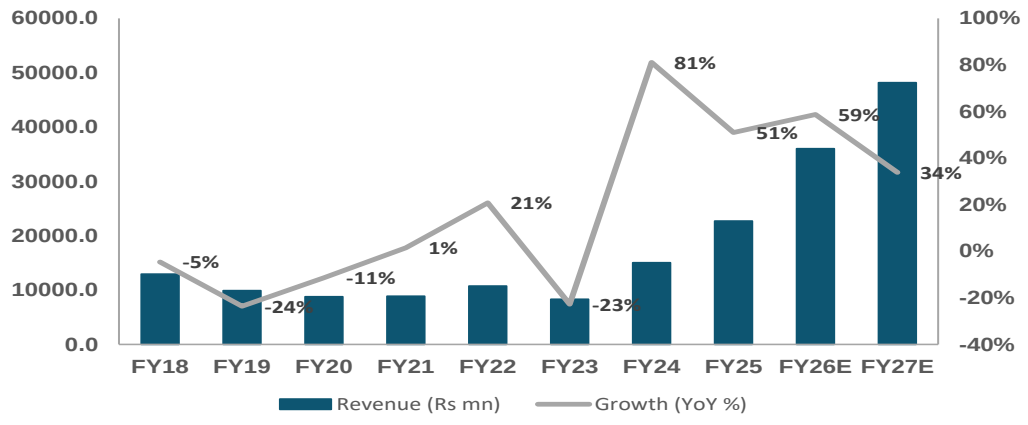
Source: Company, SKP Research

Financial Highlights

14. Robust EPC, to spur FY25-27E Revenue

- ✓ The Company has delivered above average results in the past and we expect this trend to continue in future, resulting in 46% revenue CAGR over FY25-27E. Techno hit a low during FY19 when its EPC revenue plummeted ~25% given slowdown in business and sharp drop in order intake. Armed with strong order backlog of Rs 109.51 bn and healthy order pipeline, the company is now looking at moving up the revenue growth curve, to ~46% CAGR over FY25-27E.
- ✓ In the wind business, the company has already sold majority of its wind assets. The company currently has 18 MW of assets in Karnataka and 3 MW of assets in Tamil Nadu. The Company is looking at exiting the wind business and to sell the remaining assets also.

Exhibit 57: Revenue growth to catapult on strong order backlog and data center business

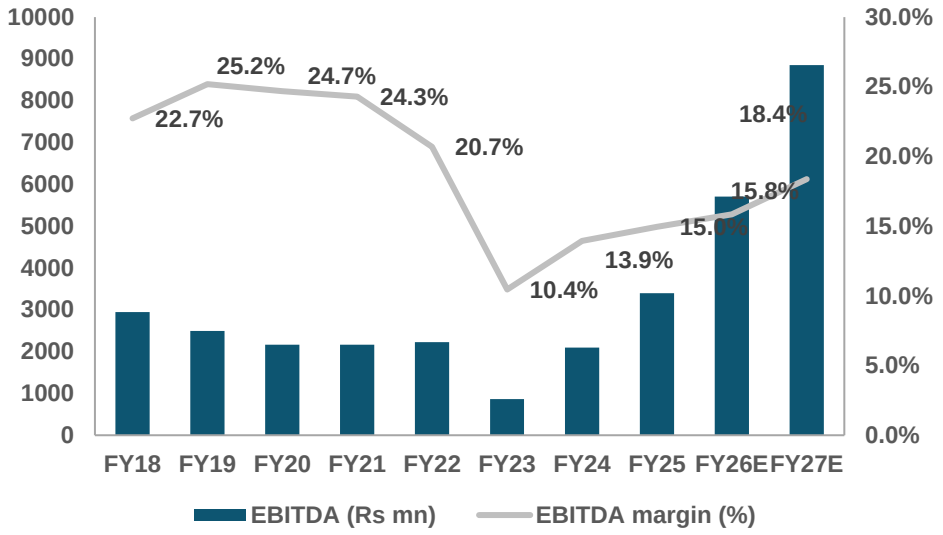


Source: Company, SKP Research

15. EBITDA margins to stabilize at ~18%+

- ✓ Techno has always focussed on bagging EPC projects which offer high EBITDA margin, low working capital, focus on PAT/retained cash than order size and multilateral funded projects of SEB/LC based which secure its receivables. Timely completion of projects and superior project execution skills have helped to boost EBITDA margins and ROCE. Techno's philosophy of best in class margins and ROCE has been consistently delivered even in the worst of the time. During FY24, Techno reported consolidated EBITDA margin of 14%+.
- ✓ Techno does not follow a strategy of 'hit and run' and bloat the order book with low margins and high capital employed. With pick up in ordering and expected sustenance going forward, Techno's diverse portfolio of projects across generation, transmission and distribution with a healthy mix of SEBs, IPP and CPSUs will enable scaling-up of business on a sustainable basis.
- ✓ We believe, EBITDA margins to stabilize at ~18%, translating into a CAGR of 62% in the EBITDA during FY25-27E as the Company scales up the higher margin data center business. Moreover, competitive intensity in the EPC industry has also declined (vs 2-3 years ago) as financially stressed companies have exited.

Exhibit 58: Data center business to boost EBITDA margins

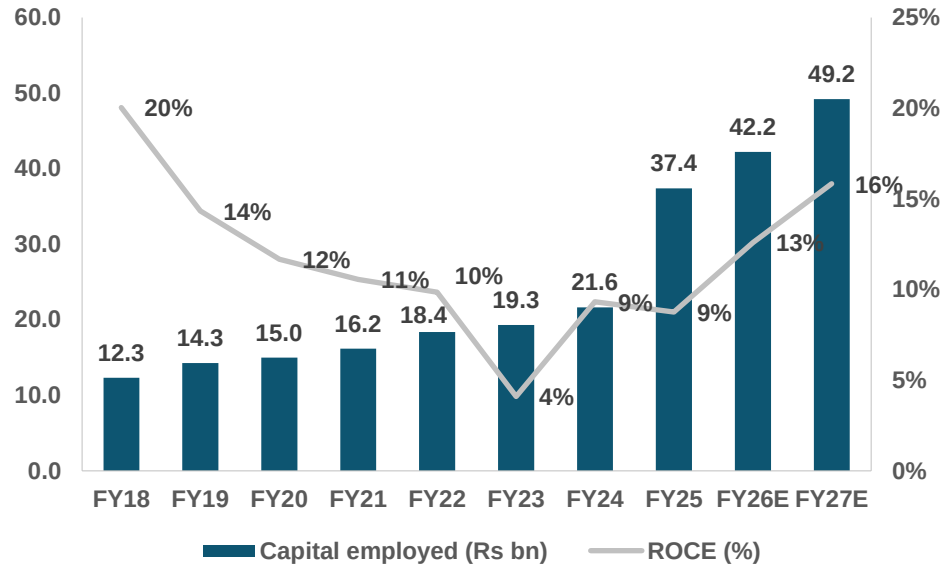


Source: Company, SKP Research

16. Capital allocation – not the best, but improving

- ✓ Techno's capital allocation would have been better, had it not made investments in power generation assets (wind power), inter-corporate loans and upfront equity investments in transmission projects. Techno derived ~42% of its PBT through Other Income in FY24 from net gain on high yield investments. However, Techno has been cognizant of the fact that these allocation decisions could be improved and is currently focussed on the EPC and data center business.
- ✓ We commend the fact that the management has been adept in identifying stable ROE delivering business areas and has agile in decision making to shift its investments towards new and developing business models.

Exhibit 59: Capex heavy Data Center business to boost ROCE

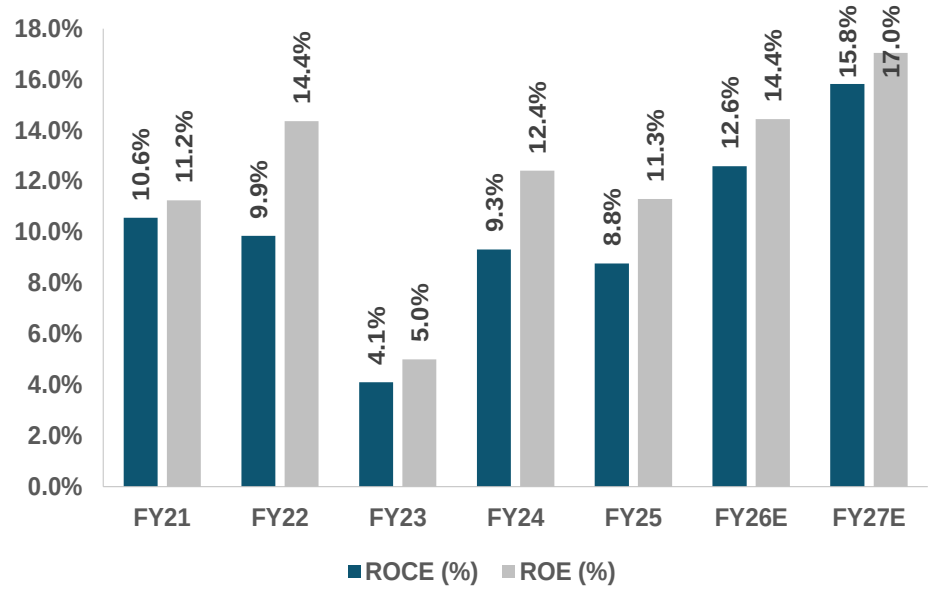


Source: Company, SKP Research

17. Data Center and EPC to bolster cash flow and overall earnings spurt to spur FY27E ROE

- ✓ Robust execution along with improvement in profitability of EPC business augurs well for the Company. Techno, with a strategy of bidding for BOOT/BOOM projects where sizeable investment could be recouped in the first year via EPC contracts, is managing its near-term cash flows prudently. The Company manages the EPC business' working capital requirement efficiently.
- ✓ With better topline growth (mainly due to its emphasis on the EPC business, well-built diversified order book, increasing data center business and strong execution capabilities) and growing operating margins will enable the Company to report a PAT CAGR of ~41% over FY25-27E (to Rs 8.4 bn). We estimate ROCE/ROE are likely to improve to 15.8%/17.0% by FY27E.

Exhibit 60: Return ratios to improves



Source: Company, SKP Research

18. Rewarding shareholders through share buyback and dividends

✓ Since FY17, the company has done share-buybacks of Rs 4.1 bn where they have returned surplus cash to the shareholders. Going forward, we believe, Techno will continue to reward shareholders on strong cash flow generation. Techno had declared a dividend of Rs 2 per share (28% payout) in FY24, however, it has increased the dividend per share to Rs 9 in FY25 (38% payout).

Exhibit 61: Regular buybacks rewarding shareholders

Year	No. of shares tendered (Mn)	Price	Total outgo (Rs mn)
FY17	1.5	400	600.0
FY18	2.7	410	1099.8
FY23	2.4	325	1300.0

Source: Company, SKP Research

Peer comparison

Exhibit 62: Peer Comparision

Companies	Mcap (Rs Bn)	Revenue CAGR (%)	EBITDA Margin (%)			PAT CAGR (%)	ROE (%)			ROCE (%)			D/E (X)		
		FY20-FY25	FY23	FY24	FY25	FY20-25	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25
KEC International	239	13.0%	5.0%	7.0%	7.0%	0.0%	4.7%	8.5%	10.7%	19.8%	29.3%	23.4%	0.9	0.9	0.7
Kalpataru Power	204	12.0%	9.0%	9.0%	9.0%	8.0%	9.3%	9.9%	9.0%	16.1%	18.8%	18.4%	0.8	0.8	0.6
GE Vernova T&D India	602	6.0%	4.0%	10.0%	19.0%	35.0%	-0.1%	14.6%	34.3%	5.7%	15.9%	4.5%	0.2	0.0	0.0
Siemens Ltd *	1179	11.0%	12.0%	13.0%	14.0%	19.0%	13.3%	14.9%	17.7%	9.8%	13.3%	16.0%	0.0	0.0	0.0
Techno Electric	182	21.1%	11.0%	14.0%	15.0%	18.8%	9.7%	12.4%	11.3%	7.1%	15.0%	8.8%	0.0	0.0	0.0

Source: Company, SKP Research, *Siemens-Financials Sept Ended till Sep 2024

Valuations

We believe that the expected ramp-up in overall investments in T&D augurs well for Techno's EPC business. Moreover, its selective approach in taking on new EPC projects, places the company favourably to tap expanding opportunities in the EPC business, propelling profitability and return ratios. The data center business is a high margin segment with sectoral tailwinds and is expected to contribute significantly to the bottom line in the near future. We have valued the EPC business at 25x FY27 earnings and the data center business at 15x FY27 EBITDA. The TBCB assets and cash have been valued at 1x and 0.6x book value to arrive at a SOTP target price of Rs 2016 (33% upside) and recommend a BUY on the stock.

Exhibit 63: SOTP valuation

Business Segments	Particulars	Amount (Rs mn)	Valuation Method	Multiple (X)	Value (Rs mn)	Value / Share (Rs)
EPC	PAT FY27E	7842	P/E	25	196052.6	1685.7
Data center	EBITDA FY27E	1493	EV/EBITDA	15	23142.9	199.0
PPP projects	Book Value	4650	Book Value	1	4650	40.0
Cash	Book Value	17693	Book Value	0.6	10616.0	91.3
Total SOTP valuation						2016.0
CMP						1520
Upside (%)						33%

Risks & Concerns

Exhibit 64: Risks and concerns

Nature of risk	Risk details	Mitigation measure
Industry risk	Slowdown in the industry could impact its business sustainability	Techno is broad basing its business and exploring niche opportunities across geographies to diversify the risk from high dependence on the Indian power market.
Liquidity risk	Any delay in receivables could affect its viability	Company transacts with financially robust clients who are in a comfortable liquidity position. Majority of its clients comprise reputed Indian corporates. Company works with clients, who have projects that have achieved financial closure. Additionally, company selects customers that have been favorably appraised by rating agencies. Besides, Techno has been consistently cash-positive and prudently employ working capital.
Segment risk	Presence in a single business segment may hamper its growth	Company is widening its segment presence—EPC contracting services and development, operations and maintenance of transmission network, power production, data centers—to diversify the risk from excessive dependence on one business segment.
Timebound completion risk	Any delay in the completion of project could affect its profitability	Techno has completed more than 400+ projects well ahead of delivery schedule. They have a commendable track record and experience with regard to execution and completion of projects undertaken and they are confident of delivering the same in future as well.
Working capital risk	Working capital requirement may increase in an event of delayed payments by clients	Techno chooses to pick orders backed by multi-lateral funding; thus, securing itself to a great extent.
Price-based competition risk	Inability to remain cost competitive could mean, Techno could lose out on contracts to sectoral peers	Techno's competitive bidding strategy ensures that they are preferred by clients beyond competition.
Economic risk	Changes in India's macroeconomic environment and government policies can impact the business prospects	Techno makes cautious decisions regarding project selections and navigates macro economic landscape based on expert guidance from management. Business diversification safeguards against economic downturns.
Business continuity risk	Unexpected events like geopolitical tensions, pandemic and disasters can impact operations	Techno is proactive in adapting to changing circumstances and taking suitable strategic decisions to ensure continuity
Scale up risk	Capital intensive data center business is yet to be fully rented out to clients. Inability to onboard clients and maintain high occupancy can impact profits.	Techno has built a sales and marketing team to onboard clients on suitable terms and maintain high occupancy levels
Monetization risk	TBCB projects and renewable energy assets are expected to be monetized in the future. Smart meter payments from discoms are expected in the next 10 years. Delay or inability to achieve expected monetization.	Techno is aware of the market dynamics and is on the look out to monetize at suitable valuation

Source: Company, SKP Research

Q4FY25 Consolidated Result Review

Figures in Rs Mn

Particulars	Q4FY25	Q4FY24	% Change	Q3FY25	% Change	FY25	FY24	% Change
Net Sales	**8,157.9**	**4,396.2**	**85.6%**	**6,360.8**	**28.3%**	**22,686.6**	**15,023.8**	**51.0%**
Total Expenditure	**6,890.9**	**3,852.2**	**78.9%**	**5,460.8**	**26.2%**	**19,294.1**	**12,929.7**	**49.2%**
Raw Material Consumed	**6,383.8**	**3,633.9**	**75.7%**	**4,992.7**	**27.9%**	**17,394.5**	**11,247.4**	**54.7%**
% to Sales	*78.3%*	*82.7%*	*(441)Bps*	*78.5%*	*(24)Bps*	*76.7%*	*74.9%*	*181 Bps*
Change in inventories of stock in trade	**-**	**(233.7)**	**-100.0%**	**-**	**-**	**258.5**	**356.3**	**-27.4%**
% to Sales	*0.0%*	*-5.3%*	*532 Bps*	*0.0%*	*-*	*1.1%*	*2.4%*	*(123)Bps*
Employee Expenses	**214.6**	**126.9**	**69.1%**	**168.3**	**27.5%**	**669.5**	**461.5**	**45.1%**
% to Sales	*2.6%*	*2.9%*	*(26)Bps*	*2.6%*	*(2)Bps*	*3.0%*	*3.1%*	*(12)Bps*
Other Expenses	**292.5**	**325.1**	**-10.0%**	**299.7**	**-2.4%**	**971.6**	**864.5**	**12.4%**
% to Sales	*3.6%*	*7.4%*	*(381)Bps*	*4.7%*	*(113)Bps*	*4.3%*	*5.8%*	*(147)Bps*
EBIDTA	**1,267.0**	**544.1**	**132.9%**	**900.0**	**40.8%**	**3,392.5**	**2,094.1**	**62.0%**
EBIDTA Margin	***15.5%***	***12.4%***	***316 Bps***	***14.1%***	***138 Bps***	***15.0%***	***13.9%***	***102 Bps***
Depreciation	**18.2**	**19.9**	**-8.4%**	**22.7**	**-19.7%**	**80.5**	**78.4**	**2.7%**
EBIT	**1248.8**	**524.2**	**138.3%**	**877.3**	**42.3%**	**3312.0**	**2015.7**	**64.3%**
EBIT Margin	***15.3%***	***11.9%***	***338 Bps***	***13.8%***	***152 Bps***	***14.6%***	***13.4%***	***118 Bps***
Interest	36.1	42.7	-15.6%	27.5	31.2%	105.3	164.3	-35.9%
Other Income	530.8	312.6	69.8%	440.5	20.5%	1,599.6	1,361.1	17.5%
Share of Profit/(Loss) from JV			--		--			--
Exceptional Items	-	-	--	-	--	-	-	--
EBT	**1,743.6**	**794.0**	**119.6%**	**1,290.3**	**35.1%**	**4,806.3**	**3,212.5**	**49.6%**
EBT Margin	***21.4%***	***18.1%***	***331 Bps***	***20.3%***	***109 Bps***	***21.2%***	***21.4%***	***(20)Bps***
Tax	397.1	18.6	2032.2%	330.5	20.2%	1,025.1	502.3	104.1%
Profit from discontinued operations			--		--	448.3	(25.7)	--
Reported Profit After Tax	**1,346.5**	**775.4**	**73.7%**	**959.9**	**40.3%**	**4,229.5**	**2,684.6**	**57.5%**
PAT Margin	***16.5%***	***17.6%***	***(113)Bps***	***15.1%***	***141 Bps***	***18.6%***	***17.9%***	***77 Bps***
Diluted EPS (Rs)	**11.6**	**7.2**	**60.8%**	**8.3**	**40.3%**	**37.2**	**24.9**	**49.1%**

Source: Company, SKP Research

Financials

Exhibit: Consolidated Income *Figures in Rs. Million*

Particulars	FY24	FY25	FY26E	FY27E
Total Income	**15,023.8**	**22,686.6**	**36,012.3**	**48,228.2**
Growth (%)	81.1%	51.0%	58.7%	33.9%
Expenditure	**12,929.7**	**19,294.1**	**30,307.1**	**39,342.2**
Material Cost	11,247.4	17,394.5	24,966.8	32,562.9
(Inc)/Dec in inventories	356.3	258.5	1,051.2	1,352.1
Employee Cost	461.5	669.5	1,650.4	2,068.7
Admin & Other Exp.	864.5	971.6	2,638.6	3,358.6
Depreciation	78.4	80.5	341.9	988.0
EBIT	**2,015.7**	**3,312.0**	**5,363.2**	**7,894.0**
Other Income	1,361.1	1,599.6	1,835.0	2,880.0
Interest Expense	-164.3	-105.3	-117.3	-117.3
Profit Before Tax (PBT)	**3,212.5**	**4,806.3**	**7,080.9**	**10,656.7**
Income Tax	**502.3**	**1,025.1**	**1,487.0**	**2,237.9**
Share of Profit/(Loss) of Assoc.	**0.0**	**0.0**	**0.0**	**0.0**
Profit After Tax (PAT)	2,684.6	4,229.5	6,093.9	8,418.8
Growth (%)	177.9%	57.5%	44.1%	38.2%
Diluted EPS	24.9	37.2	52.4	72.4
Shares In Mn	110.0	116.3	116.3	116.3

Exhibit: Balance Sheet *Figures in Rs Million*

Particulars	FY24	FY25	FY26E	FY27E
Share Capital	215.2	232.6	232.6	232.6
Reserve & Surplus	21,416.8	37,163.6	41,978.2	49,001.4
Shareholders Funds	**21,632.1**	**37,396.2**	**42,210.8**	**49,234.0**
Total Debt	**-**	**390.9**	**390.9**	**390.9**
Deferred Tax (Net)	692.7	841.0	841.0	841.0
Current Liabilities & Prov	6,012.0	11,935.9	16,176.3	21,087.4
Total Liabilities	**28,336.8**	**50,564.1**	**59,619.1**	**71,553.3**
Net Block inc. Capital WIP	**3186.8**	**4794.1**	**22533.4**	**34187.3**
Non-Current Assets	**376.6**	**447.5**	**652.3**	**895.3**
Inventories	258.5	-	350.4	450.7
Sundry Debtors	7,410.6	6,729.2	9,811.5	12,168.8
Cash & Bank Balance	344.1	323.3	499.2	1,125.3
Other bank balances	1,027.8	969.9	969.9	969.9
Other Cur. Assets and L&A	3,856.3	8,488.6	3,504.1	4,957.7
Investments	11,419.4	28,360.6	20,847.4	16,347.4
Other assets	456.6	451.0	451.0	451.0
Total Assets	**28,336.8**	**50,564.1**	**59,619.1**	**71,553.3**

Exhibit: Cash Flow Statement

Particulars	FY24	FY25	FY26E	FY27E
Profit Before Tax (PBT)	**3,177.9**	**5,405.4**	**7,580.9**	**10,656.7**
Depreciation	78.4	80.5	341.9	988.0
Finance Costs	164.3	105.3	117.3	117.3
Chg. in Working Capital	(3,301.6)	1,715.7	69.6	756.8
Direct Taxes Paid	(727.0)	(816.9)	(1,487.0)	(2,237.9)
Other Charges	(1,374.5)	(1,959.9)	-	(1,000.0)
Operating Cash Flows	**(1,982.4)**	**4,530.1**	**6,622.6**	**9,280.9**
Capital Expenditure	(1,804.3)	(1,684.0)	(12,563.3)	(17,492.0)
Change in Investments	-	-	7,513.2	4,500.0
Others	4,491.8	(14,618.5)	-	5,850.0
Investing Cash Flows	**2,687.5**	**(16,302.5)**	**(5,050.1)**	**(7,142.0)**
Change in Share Capital	-	12,287.4	-	-
Share Buyback	-	-	-	-
Inc / (Dec) in Debt	-	390.9	-	-
Dividend Paid (inc tax)	(645.7)	(814.1)	(1,279.3)	(1,395.6)
Others	(199.4)	(112.7)	(117.3)	(117.3)
Financing Cash Flows	**(845.1)**	**11,751.6**	**(1,396.6)**	**(1,512.9)**
Net Cashflow	(139.9)	(20.8)	176.0	626.0
Opening Cash Balance	484.0	344.1	323.3	499.2
Closing Cash Balance	**344.1**	**323.3**	**499.2**	**1,125.3**

Exhibit: Ratio Analysis

Particulars	FY24	FY25	FY26E	FY27E
Earning Ratios (%)				
EBITDA Margin (%)	13.9%	15.0%	15.8%	18.4%
PAT Margins (%)	17.9%	18.6%	17.4%	18.7%
ROCE (%)	9.3%	8.8%	12.6%	15.9%
ROE (%)	12.4%	11.3%	14.4%	17.1%
Per Share Data (INR)				
Diluted EPS	24.9	37.2	52.4	72.4
Cash EPS (CEPS)	25.1	37.1	55.3	80.9
BVPS	196.7	321.6	363.0	423.3
Valuation Ratios (x)				
P/E	60.9	40.9	29.0	21.0
P/CEPS	60.5	41.0	27.5	18.8
Price/BVPS	7.7	4.7	4.2	3.6
EV/Sales	10.4	6.6	4.5	3.6
EV/EBITDA	74.8	44.3	32.1	25.6
Mcap/Sales	11.1	7.8	5.0	3.9
Balance Sheet Ratios				
Debt - Equity	0.0	0.0	0.0	0.0
Current Ratio	4.3	4.7	2.5	1.9
Asset Turn. Ratios	0.5	0.6	0.6	0.7

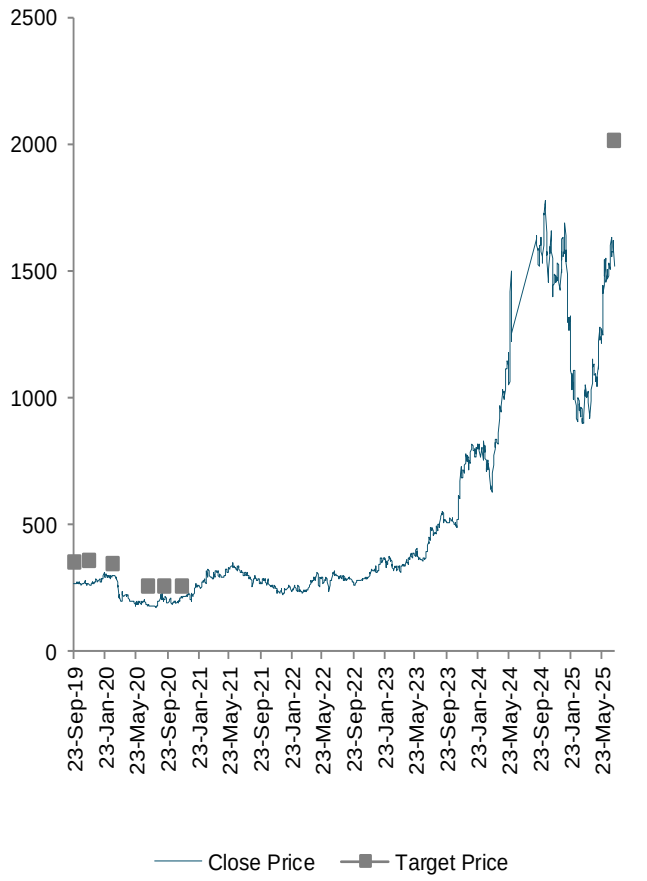
Source: SKP Research

Recommendation - History Table

Date	Rating	Issue Price	Target Price	Upside Potential	Period (months)
21-Sep-19	BUY	265	353	33%	15
22-Nov-19	BUY	261	356	36%	15
18-Feb-20	Buy	291	344	18%	18
10-Jul-20	Buy	182	255	40%	15
14-Sep-20	Accumulate	220	257	17%	15
19-Nov-20	BUY	215	259	20%	12
03-Mar-21	Neutral	312			
14-Jul-25	BUY	1520	2016	33%	-

Source: SKP Research

Recommendation - History Chart



Notes:

The above analysis and data are based on last available prices and not official closing rates. SKP Research is also available on Bloomberg and Thomson First Call.

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